**Corporate Management Team**

**Subject:** Symbister Harbour Developments

**Request:** The Economic Development Service needs guidance from the Corporate Management Team relating to a proposal from a group of Whalsay fishermen who are eager to turn Symbister Harbour into a revenue earning pelagic (herring and mackerel) landing and processing centre. To achieve the proposal the group is looking to the Council to develop the harbour into a facility that can handle substantial pelagic landings, the berthing of cargo ships for finished products and sufficient space for a private company to set up and run a pelagic processing factory. The facility could also be designed to berth any new ferry, should that be required. Recent Council estimates for developing the harbour, in connection with the ferry development ideas, suggested a price in the region of £15 to £20 Million.

The main driver behind the project is the huge volume of pelagic fish that is being caught around Shetland and is being landed mostly in other countries such as Norway and Denmark.

Last year mackerel to a value of over £100 million was caught within 60 miles of the Shetland coastline by Norwegian vessels. There were also Dutch, English, Northern and Southern Irish, Danish, Swedish and Scottish vessels working in the same areas the value of fish they took is unknown but can be assumed to be substantial.

This year in the first week the Norwegian vessels started fishing in our waters they sold over 38 thousand tons of mackerel on the sildelaget fish auction website to a value of over £50 million (in 1 week !) and they have been fishing now for over a month.

The reason for asking the Corporate Management Team for guidance is that the project is very large with a potential impact on the Capital Programme along with considerable use of resources in the Capital Programme, the Ports and Harbours Service and in the Economic Development Service.

**Considerations**:

# Potential Benefits

The project could result in a second pelagic processing unit in Shetland with a turnover in the region of £100 million, employing 60 people full-time and another 40 at busy times.

The creation of private sector jobs in an Island where so many public sector jobs are at present in jeopardy must be a positive consideration for the S.I.C.

 A building for a net store and mending loft would also be a source of employment and of educational benefit to future fishermen as they could be educated in rope work and net mending before going to sea.

This would also attract vessels into the harbour for provisions and repairs thus benefiting local shops and engineers.

 Shetland’s economy for centuries’ has depended on enticing vessels into its ports and harbours it should be no different now.

Symbister could become a main pelagic landing port, helping to retain the seven pelagic vessels in Whalsay and in time attracting more vessels to use the harbour as their home port. This would have beneficial spin offs for ancillary trades.

It is unlikely that any more pelagic vessels would call this a home port but a small share in a fish factory in the home port of the seven Whalsay pelagic vessels with present annual mackerel quotas of 30 thousand tons would perhaps allow the vessels to land their fish at a lesser value in Whalsay because of a reduction in fuel expenses (thus reducing carbon production) due to the shorter distance from the fishing grounds and possibly for the benefit of the fish factory in the knowledge that a share of the factories profits would reimburse them for their initial loss.

Symbister harbour could become a revenue earner for the Council. Landings of £70 million a year would generate annual harbour revenues of around £1.7 million based on what happens in Lerwick.

£100 million would generate £2.5 million.

The fish would also generate revenue for the S.I.C. when the fish left the harbour in a reefer ship.

There could also be a revenue gain in the form of rent for the factory buildings and net stores on the pier; at present we in the Charisma are paying the Lerwick harbour trust in the region of 10 thousand pounds a year to store our nets in the open air.

# Risks

Councillors with existing harbours in their wards will ask why the development has to be in Whalsay when there are other places in Shetland where the development might cost less. Scalloway was proposed as a development site by a Scottish Pelagic Processor a few years ago

# (The larger pelagic vessels require water depths at the quayside of around 8 to 9 metres in loaded conditions not only at the landing berth but also at the quayside while they wait to land.

#  Scalloway may require new piers and extensive dredging to achieve this.)

#  Scalloway Harbour

## Approach Channel Depths

The minimum depth of water in the approach channel between the buoys in the vicinity of Port Arthur is 7.5 metres above chart datum.

## Depths Alongside

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| --- | --- | --- |
|  | **Minimum Depth** | **Berth Length** |
| West Face, Commercial Quay | 7.0m | 120m |
| South Face, Commercial Quay | 6.5m | 120m |
| South East Face, Commercial Quay | 6.5m | 133m |
| East Jetty, North | 4.6m | 100m |
| East Jetty, South | 4.9m | 130m |
| Fishmarket | 4.8m | 120m |
| West Pier, inside | 5.4m | 60m |
| West Pier, outside | 6.7m | 67m |
| West Quay (Low level quay) | 3.5m | 85m |

Information obtained from S.I.C. Ports and Harbours website.

And Sellaness was proposed as a possible site by an Icelandic Processor in the recent past as well.

( Sella Ness is at present being extensively developed by Total a development of this size in conjunction with the Total project may cause a conflict.)

In fact both these sites may be quite expensive to develop. However, Lerwick remains a possible site for a second pelagic factory or for a significant expansion of the existing factory.

Thus all of the revenues raised from the fish landings would again go to the Lerwick Harbour Trust instead of the S.I.C. The Lerwick Harbour is also limited in its berthing capacity for deep draughted vessels.

There is likely to be objection from the existing pelagic processor and the Lerwick Port Authority, which has a few pelagic fishermen on its board.

The cost of the development is very high and will be difficult to include in the Council’s capital programme at the present time.

While some prospective developers have expressed interest in building a factory in Symbister, there would need to be a contract with a developer before the Council redeveloped the harbour.

(Who was involved in making this ruling and when was it made?)

 And unless the Council commits to redeveloping the harbour, reaching an agreement with a prospective developer would be quite difficult.

The mackerel and herring, which have been abundant in recent years and particularly in this year, may be less abundant in the future.

The present abundance of the mackerel and herring around our shores may also mean that the quotas could go up.

High current prices, over £1400 a tonne for mackerel at present, may fall back in the uncertain Global economy.

The last landing we made in Lerwick was for an average price of over £1570 per ton and generated landing dues of around £38,000 for the Lerwick harbour trust from that one landing.

The development would place a higher demand on public services in Whalsay such as the Ferry service, Housing, the school etc., which would cost the Council more.

 The fish for the factory would arrive in the harbour in fishing boats and leave in reefer ships.

The people of Whalsay would have less need to commute to find work, and the close proximity of the ferry terminal would enable workers from out with Whalsay to be bussed to the mainland terminal and then walk off the ferry the few hundred metres to the fish factory.

At present there are 7 new houses being built in Whalsay and perhaps another 14 in the planning stages which should allow more rented accommodation to become available and must be of a significant benefit to the local builders and tradesmen.

The Whalsay School is at present providing a high standard of education and I can see no reason why this should not continue.

Building a harbour project for the benefit of one main customer may contravene State Aid.

At present a local business is in the process of applying to open the quarry which was originally opened to build the present outer breakwaters, this project would provide them with the perfect start for their new venture.

The building of this new outer breakwater would provide shelter for the whole fishing fleet and the vessels in the inner harbour and allow privately funded expansion for the presently restricted small boat marinas.

The easier access to the harbour would benefit all harbour traffic, which might also include small cargo and reefer ships which could benefit the present fish factory and also the salmon feed transport vessel / business already based in the harbour.

This development could also provide a pump ashore berth for the rapidly developing salmon factory and would ease the conflict and congestion in the berths for the shell fishing vessels in the inner harbour.

The net store and mending loft would be of a benefit to all sectors of the fishing industry.

The whole Whalsay fishing fleet may once again be moored safely in the Whalsay harbour which is presently impossible.

If Whalsay is to continue to be serviced by ferries, this project could also accommodate a ferry terminal in the present outer harbour at the back of the old breakwater which was proposed by the fishermen over 2 years ago and is presently being used as a layup berth by the pelagic boats. This would relieve the conflict with the marina and provide more berths for the whitefish fleet.

There would appear to be more than one main beneficiary here so contravening State Aid Rules should not be a problem.

## Discussion

There appears to be a significant opportunity for a second pelagic factory to be built in Shetland but there is a substantial list of risks that need to be observed and understood. The questions that need to be answered are:

To what extent can the Council get involved in the project given the pressure there is on scarce resources?

 **Borrowing Money 1 Borrowing Money 2**

|  |
| --- |
| Loan Data |
|  Original Principal | £30,000,000.00 |
| Loan Term (years) | 30 |
| Annual Interest Rate | 4.00% |
| Payments per year | 1 |
| Payment per year | £1,734,902.97 |
|  |  |

|  |
| --- |
| Loan Data |
| Original Principal | £30,000,000.00 |
| Loan Term (years) | 30 |
| Annual Interest Rate | 5.00% |
| Payments per year | 1 |
| Payment per year | £1,951,543.05 |

As mentioned previously, landings of £70 million a year would generate annual harbour revenues of around £1.7 million based on what happens in Lerwick.

£100 million would generate £2.5 million.

 The fish would also generate revenue for the S.I.C. when the fish left the harbour in a reefer ship.

At what level in the Council should decisions be taken to either advance or reject the project?

Surely the full council should be deciding on an issue of this magnitude.

Which services should engage with the Group of Whalsay fishermen?

**Can the S.I.C. afford to ignore this project which would be taking advantage of such a valuable asset on our doorstep?**

**This project would also provide much needed private sector jobs and could also be eligible for European grants of from 40 to 60% and also provide a valuable revenue stream for the S.I.C. in its time of need.**