P.2024/7

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

REQUÊTE

Reduction of mooring fees and requirement to consult in respect of future increases

The States are asked to decide:-

Whether, after consideration of the Requête entitled "Reduction of mooring fees and requirement to consult in respect of future increases" dated 23rd January, 2024 they are of the opinion:

1. To reduce the recent mooring fee increase to a 10% rise across the board (including GRPI) for the 12 months from 1st April, 2024, and

2 To consult fully with the leisure boat stakeholders, the Guernsey Boatowners Association and the Guernsey Marine Traders Association in advance, before any mooring fee increases are made for 2025 and 2026.

Rule 4(1) Information

a) The propositions contribute to the States' objectives and policy plans by reducing the risk of a long-term reduction in income to Guernsey Ports arising from boatowners selling their boats.

b) In preparing the propositions, consultation has been undertaken with the following stakeholders: the States' Trading Supervisory Board, the Guernsey Boatowners Association and the Guernsey Marine Traders Association.

c) The propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) The financial implications to the States of carrying the proposal into effect are a reduction in mooring fees imposed, which is likely to result in a (short term) reduction in revenue. It is not clear how much revenue (if any) would be lost, because of the aforementioned risk of boatowners selling their boats if the increases are imposed.

THE STATES OF DELIBERATION
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REQUÊTE

Reduction of mooring fees and requirement to consult in respect of future increases

THE HUMBLE PETITION of the undersigned Members of the States of Deliberation SHEWETH THAT:

(1) Mooring fees in Guernsey have traditionally been at a level that ordinary people can afford. Any increases have typically been tied to Guernsey's RPI figure for the previous year.

(2) In September 2023, the States' Trading Supervisory Board ("STSB") notified boatowners of their intent to increase mooring fees substantially (20% to 31% including inflation) with effect from April 2024.

(3) This proposed increase was unprecedented, and was considered unjustified and unfair by the boat-owning community, who consider it risks undermining a fundamental element of Guernsey's way of life.

(4) The Guernsey Boatowners Association ("the GBA") asked the Guernsey Competition and Regulatory Authority ("the GCRA") to investigate the increase. The GCRA told the GBA that there were no grounds for the GCRA to intervene. This lack of independent regulatory oversight was a cause of frustration for the GBA.

(5) A motion to annul the regulations made by STSB imposing the increase was narrowly defeated at the December 2023 meeting of the States of Deliberation, by 17 votes to 16. A number of Members were absent for the vote.

(6) The GBA and the Guernsey Marine Traders Association have proposed a 10% rise in mooring fees across the board. The 10% figure includes a 7.3% rise in Guernsey's RPI.

(7) Your Petitioners are of the view that the increases imposed by STSB will:

- put the future of the marine industry in jeopardy,
- make boating unaffordable to most young families and other less wealthy islanders, leaving only the wealthy able to continue boating, and
- lead to boatowners selling their boats, reducing the income of Guernsey Ports further.

THESE PREMISES CONSIDERED, YOUR PETITIONERS humbly pray that the States may be pleased to resolve:

1. To reduce the recent mooring fee increase to a 10% rise across the board (including GRPI) for the 12 months from 1st April, 2024, and

2 To consult fully with the leisure boat stakeholders, the Guernsey Boatowners Association and the Guernsey Marine Traders Association in advance, before any mooring fee increases are made for 2025 and 2026.

AND YOUR PETITIONERS WILL EVER PRAY

GUERNSEY

This 23rd day of January 2024

Deputy D de G De Lisle

Deputy S P J Vermeulen

Deputy J F Dyke

Deputy L McKenna

Deputy V Oliver

Deputy C Blin

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Presiding Officer
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12th March 2024

Dear Sir

LETTER OF COMMENT – REQUÊTE – P.2024/7 - REDUCTION OF MOORING FEES AND REQUIREMENT TO CONSULT IN RESPECT OF FUTURE INCREASES

I refer to the above Requête which is scheduled for debate by the States of Deliberation at their meeting commencing 20th March 2024. Deputy de Lisle and six Requérants lodged the Requête dated 23rd January 2024 seeking for the States to agree:

1. To reduce the recent mooring fee increase to a 10% rise across the board (including GRPI) for the 12 months from 1st April, 2024, and

2. To consult fully with the leisure boat stakeholders, the Guernsey Boatowners Association and the Guernsey Marine Traders Association in advance, before any mooring fee increases are made for 2025 and 2026.

In accordance with Rule 28(2)(b) of the Rules of Procedure of the States of Deliberation and their Committees, the Policy & Resources Committee ("the Committee") consulted with the States' Trading Supervisory Board ("the STSB") given their mandated responsibility for Guernsey Ports. The Committee thanks the STSB for its comprehensive response which is appended in full to this letter.

As noted by the STSB, the States had opportunity to discuss 2024 Mooring Fees in December 2023 when a Motion to Annul The Mooring Charges (Guernsey) Regulations, 2023 ("the Regulations") was unsuccessful. As a matter of principle, the Committee remains strongly of the view that the Assembly should not seek to revisit its previous decisions and the community is best served by political certainty. Notwithstanding this, the Committee acknowledges that December's debate did not allow for an alternative fee structure to be formally placed before the Assembly and at the time of the vote, attendance within the Assembly was depleted. In this regard, the Requête is therefore materially different and, given the continued public concern, the Committee accepts that the Requête provides a useful opportunity for the Assembly to provide further direction to the STSB.

The 2024 Budget provided for the Ports making a £2.6m loss with an overall cash requirement of £4m this year and, having been alerted by the STSB to pressures in delivering this, the Committee intends to closely monitor in-year performance to ensure the impact on General Revenue is managed. In addition, the Committee intends to engage with the STSB as part of the 2025 budget preparation process to better understand the steps being taken to move towards a lower subsidy from General Revenue for 2025 and future years. Eliminating these losses is a significant ask and will require a fundamentally more commercial approach, a process which the STSB has committed to. The revision of fees is an important element of this programme of work and the Committee welcomes the spirit in which the STSB reviewed fees and charges across all ports activities, including berthing fees for commercial vessels and leisure boats, passenger charges, freight/cargo loading fees, and rents.

That being said, the Committee acknowledges that the mooring fees elements has proven particularly controversial including the treatment of different vessel sizes. It is this concern that the Requête seeks to mitigate through capping the increase to 10%. However, this would clearly reduce the expected income received by the Ports and create an unexpected, additional in-year cost-pressure of £388,000 (£517,000 full-year effect).

The Committee agrees that increases to mooring fees were, and remain, necessary. The question is therefore not whether fees should be increased but how. The Regulations made by STSB provide one model; the Requête another. The voting record from December illustrates that there is a range of views from within the Committee and Deputies Soulsby and I, who voted for the Motion to Annul, continue to have reservations surrounding the level of the fee increases under the STSB proposals. We therefore, as a minority of the Committee, support the Requête.

The majority of the Committee oppose the Requête and intend to lay an amendment to mitigate its Propositions' impact on general revenue through recommending either a flat rate increase to all rates, other than visitors, which would generate the same level of revenue as the original proposals, or accepting the direction of the Requête but directing the STSB to compensate for the loss of income in other ways.

Yours faithfully

Lyndon Trott

Deputy Lyndon Trott
President

States' Trading
Supervisory Board

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22 February 2024

Dear Deputy Trott

REQUÊTE – REDUCTION OF MOORING FEES AND REQUIREMENT TO CONSULT IN RESPECT OF FUTURE INCREASES

Thank you for your letter dated 31 January 2024, enclosing a copy of the above Requête, dated 23 January 2024. I am grateful for the opportunity on behalf of the States' Trading Supervisory Board to provide this feedback.

As the petitioners readily identify, the Requête follows the defeat of a 'Motion to Annul' the Mooring Charges (Guernsey) Regulations, 2023 in the States of Deliberation at its meeting held on 15th December 2023. The explanatory note to that motion suggested that the Guernsey Boatowners Association had indicated its support of a 10% across-the-board increase in marina fees with effect from 1 April 2024.

The STSB is concerned that this Requête is seeking to simply replay that debate, to secure an alternative set of marina charges, when the Board's original proposals were so recently approved by the States of Deliberation. This sets a dangerous precedent of eroding democratic decision making, in the Board's view.

My update to the Assembly, in July 2023, set out the financial challenge faced by Guernsey Ports, to fund much-needed investment in the island's key infrastructure at a time when revenues are impacted by the downturn in travel, post pandemic. With the assistance of officers from Policy & Resources, the STSB had begun a comprehensive review of all revenue and expenditure. This included a review of all current tariffs, to identify where additional revenues can reasonably be achieved, which will have the most immediate impact in reducing the forecast trading deficit in 2024. Efficiencies are also being sought and new revenue opportunities identified, which together will make a significant contribution to a financially sustainable and viable Ports business, but these may take time to deliver.

That July statement set out clearly that if the Ports are to become financially self-sufficient again, they will have to act more commercially, particularly where fees and charges are concerned. That point was subsequently reiterated in the debate on the 2022 Ports Accounts, which reported a £4m loss that year. For 2023, a loss of around £5 million is anticipated.

In November 2023, the States approved Guernsey Ports 2024 budget, predicated on increases across a range of fees and charges, which were widely publicised. They cover all ports activities and include berthing fees for commercial vessels and leisure boats, passenger charges, freight/cargo loading fees, and rents. Whereas our airport and commercial harbour charges are generally in line with or above comparable jurisdictions, our leisure fees are below those charged elsewhere.

The STSB has sought to spread the 2024 fee increases across all port users in a reasonable manner. Under the Board's proposals (which were duly ratified through the approval of four Statutory Instruments at the December 2023 States Meeting), more than 80% of the additional, above inflation income this year will come from increases in airport charges and harbour commercial fees. The remainder will be from increases in leisure mooring fees, and those are weighted towards larger vessels. For the vast majority of boatowners, the cost of a berth in one of the marinas will still be much lower than in Jersey, and the south coast of the UK, even after the proposed rise.

This Requête is problematic in a number of respects.

Firstly, the States has just approved the 2024 Ports' budget, based on the publicised increases in fees and charges going ahead. Although not specifically mentioned in the Rule 4(1) information, the impact of limiting the mooring fees increase to RPI + 2.7% (10% overall), would result in the predicted outcome reducing by around £300k against budget in 2024. The impact would, however, continue in the first quarter of 2025, resulting in an overall revenue reduction of more £410,000, for the year commencing 1 April 2024. This would increase the required taxpayer support for the Ports in 2024 and 2025.

The Rule 4(1) information surmises that anticipated additional revenue would be reduced as a result of boatowners selling their vessels if the increases already agreed by the States of Deliberation are imposed. There is no evidence of this to date, nor is there any evidence that the marine industry is in jeopardy. These risks are being tracked by Guernsey Ports, through monitoring of the existing waiting list for moorings and by tracking registered changes to existing mooring holders' agreements. Since the tariff proposals were first consulted on last summer, there has been an 18% increase in the number of people on the waiting list (to the end of January 2024), with 237 names currently subscribed.

In terms of the turnover of existing mooring holders' agreements, we have received around 25 cancellations between September 2023 and January 2024. This is in line with normal turnover. Guernsey Ports normally see around five mooring holders give up their berth each month, for a variety of reasons.

As identified earlier, the impact of this Requête will ultimately increase the losses at Guernsey Ports in 2024 and 2025, which will extend the level of subsidy required from general taxpayers. This is a permanent loss of income, which will not be recovered without further above-RPI fee increases. The greatest beneficiaries will be those with larger vessels, for whom berthing charges are a much smaller proportion of total running costs than they are for most boatowners. The Requête would reverse the policy that future charges reflect vessel size. It will instead maintain the existing disparity whereby owners of larger boats, which generally require more water space and apply greater demands on marina infrastructure, continue to pay the same rate per sq ft as smaller boatowners.

The STSB has not taken decisions on fees and charges lightly, but is determined to reduce the level of taxpayer support required by the ports as a whole. The current underwriting is not sustainable, and the Ports need to adapt to the new, post-pandemic normal. In that context, as part of an overall financial package, the STSB believes local leisure mooring fees should rise to a level that is more comparable with the market rate in neighbouring jurisdictions and UK south coast marinas, with increases weighted towards larger vessels.

The STSB has taken on board all the concerns expressed through its extensive consultation – from both leisure customers and commercial port operators. Increases indicated for 2025 and 2026, will be considered afresh in 2024, taking account of any impacts of these proposed rises and in the light of the efficiency and income opportunities review currently being undertaken.

The package of increases States Members have already agreed for 2024, spread across all areas of the business, will not see Guernsey Ports return to profit this year. However, it will begin to make inroads into reducing the current requirement for taxpayer funding. Should this Requête, or indeed future proposed increases in tariffs reverse or stall that return to profitability, then the States generally will also face a potential increase in its capital liabilities.

Many of the historic investments in the Ports were funded through General Revenue Capital grants including, but not limited to, significant investments in leisure mooring facilities at the QEII and Victoria Marinas, as well as the Fish Quay, two roll-on roll-off ramps, and other infrastructure. In the 1980s alone, the States made capital investment of at least £21m, which on a simple RPI calculation would equate to between three and five times that amount at today's values. These investments were gifted to the Ports, which then operated these facilities to generate revenues but not to repay the capital investment. That historically led to operating surpluses, which due to a combination of events have now been eroded. The new model to fund future capital investments is dependent on generating sufficient revenues. If those revenues do not materialise, then the Ports will become increasingly dependent on taxpayers. Future capital investment of circa £110m across the Ports has already been identified, with around £25m relating directly to investments in Leisure Marina facilities.

In closing, it is worth noting that the Policy & Resources Committee has previously shared lists of potential financial savings opportunities identified through the public consultation undertaken by the Reducing the Cost of Public Services Subcommittee. In those that related to STSB, the most prevalent suggestion from islanders was to increase moorings fees to more realistic levels. A number of boat owners who have provided feedback recognise this point.

Yours sincerely

Deputy Peter Roffey
President
States' Trading Supervisory Board