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Dear Teignmouth Harbour User,

Following the receipt of a number of enquires, we are writing in connection to the increase in mooring licence fees announced on the 1 November 22, which take effect on the 1 January 2023.

As a Trust Port we must act in accordance with our local harbour legislation, national legislation, and key Government guidance. One piece of central importance is the Ports Good Governance Guidance ('**PGGG**').

The PGGG explains that Trust Ports are:

*".... independent statutory bodies, with responsibility to manage, maintain and improve a harbour. Trust ports operate on a commercial basis generally without ongoing public sector financial support but have no shareholders. Surpluses are reinvested in the harbour for the benefit of stakeholders, including harbour users, local communities and government... Trust ports are accountable to those stakeholders."*

Paragraph 3.33 of the same guidance goes on to explain:

*"Trust ports are expected to generate a commercial return on their operations. After making allowance for strategic investments and contingencies, trust port boards should reinvest surpluses to support the continuing and long term success of a port for the benefit of stakeholders. In addition to additional investment on a commercial basis, there are a number of ways in which a trust port board can do this including:*

- investing in infrastructure, with a longer term view than might be expected on a purely commercial basis;*
- investing in infrastructure or environmental improvements, to a higher standard or greater extent, bringing quantifiable benefits to stakeholders;*
- undertaking activities that have a lower commercial return than a private sector port would undertake, but which delivers benefits for stakeholders, such as local communities;*
- providing additional employee training where this helps develop the local skills base; and*
- making charitable contributions or grants to community projects or organisations."*

As set out above, we are expected to make a commercial return on our operations, to secure the long term future of the harbour. This includes generating a surplus to allow for strategic investments and contingencies, with any remaining surplus reinvested in the harbour for the benefit of stakeholders. When generating the commercially acceptable rate of return we are expected to operate efficiently, effectively, and prudently.

We are also required by law to discharge our statutory functions (including but not limited to, marking and lighting the harbour, maintaining our infrastructure and dredging the harbour, compliance with the open port duty, safety of navigation and environmental duties). We have to generate sufficient revenue to enable us to do so.

As part of our most recent review of charges, we have carefully considered the financial position of the harbour ensuring that we continue with the strategy that the Harbour Commercial Dues are always sufficient to cover the cost of operating that part of the business. Historically a surplus from this has contributed to the wider management of the harbour and although we are forecasting a reduction this year, we still expect this to continue.

The cost of the business is broken into 2 forms of expenditure, the operating and maintenance of the harbour and the administration costs:

- Operating and maintenance cost which as stated in the finance report cost c. £326k last year.
- Administration costs account for admin staff, legal and professional fees, insurance, rates, energy, IT, licences (including Ofcom, dredging disposal, coding for the boats, disposal of oil etc), auditing of account and banking charges which amounted to c. £184k last year.

The income streams can be broadly broken into 2 main areas:

1. **Mooring Fees:** where income is generated from mooring fees predominantly from leisure vessels and small commercial vessels.
2. **Commercial Harbour Dues:** where income is predominantly generated through ship, passenger and goods dues.

(Our pilotage activities are operated separately and incur separate pilotage charges).

Last year our income from:

- **Mooring Holders and Leisure vessels accounted for circa £230,000 of income.** This is a fairly consistent figure over the last few years (the mooring fee increases over the previous year were 3.8/4.8%); and
- **Commercial Harbour Dues was also circa £230,000 of income.** However, this was 30% over predicted due to a fire at another port (the dues increases over the previous year were 7.8%).
- **Other activities: £190,000 of income** (some of this income relates to one off projects – for example dredging operations for Cattewater Harbour which are not expected to be repeated annually).

In contrast while our leisure activity remains strong this year (with a 10 year waiting list for maintained moorings), commercial activity is currently 30% down on predicted levels due to Russia's invasion of Ukraine and global food and grain shortages. We have reviewed our expenditure and costs and reduced them wherever we can across the business, ensuring we carry out due diligence with providers. The surpluses generated last year have all been allocated in accordance with the Ports Good Governance Guidance requirements.

Given the financial and environmental climate over the summer, Russia's invasion of Ukraine and the rapidly increasing costs, we are seeing the cost of maintaining the harbour increase generally in line with inflation, but with some areas, for example energy, rising by nearly 600% in the next few months. Another example is the cost of chain which has increased by 50% over the last 2 years. We also have a number of abandoned boats that present an environmental hazard that will need to be disposed of via a licensed operator at significant cost, but this needs to be offset by the long term environmental impact. Our Harbour Order is 20 years old and does need to be refreshed before the Marine Management Organisation further increases the cost of any renewal, so that we can more fairly apportion cost against all users of the harbour.

In summary, we are required to generate a surplus to ensure compliance with our statutory duties and the long term viability of the harbour. We are (along with many others) experiencing vastly increasing costs. This is accompanied by a down turn in commercial activities.

Leisure activity remains strong with a 10 year waiting list for moorings. However, given that the mooring charges cover less than half of our operating costs, we are susceptible to fluctuations in respect of commercial activities and as stated above a 30% reduction in income from commercial activities is currently forecast. That means that this year in particular we will potentially make further losses overall.

It is in light of this background that the Commissioners took the considered and difficult decision to:

**1. Increase commercial ship, passenger and goods dues by RPI in (Jan 23) for implementation on 1 April 2023.** (In 2024 they will increase on 1 January 2024). It would not be prudent to increase them further as we are suffering a decline in commercial activity and are trying to attract new business in a competitive market. Indeed, further increases may have the effect of decreasing the overall income we receive from commercial activities if it deters commercial shipping.

**2. Increase moorings fees for leisure vessels by RPI (Jul 22) plus 7.7 % on the 1 January 2023.** Whilst it is unfortunate that this increase is required, in the circumstances described above it is necessary to ensure we are able to comply with our statutory duties and key government guidance.

We understand there is an appetite for more detailed information, but the advice we have received is that the published accounts are sufficient and appropriate. For the vast majority of mooring leisure users this is an optional leisure activity, if individual mooring holders are experiencing particular financial hardship, then please do contact the harbour office to discuss.

Dr Sue Astbury

Chair Teignmouth Harbour Commission  
On behalf of Teignmouth Harbour Commissioners