

Prepared by  
**Harbours and Airport Committee**

April 2005



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Harbours & Airport Committee  
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Staff of Jersey Harbours  
Port Users

The figures contained in this document result from financial modelling which are indicative due to the significant number of variables when looking into the future, and must not be regarded as forecasts. However, assumptions made in constructing in the financial model have been independently verified.

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## Reference Documents & Professional Advisors

- Jersey Harbours - Financial Model
- Terms of Reference for Deloitte High level review
- Deloitte High Level Options Review (*Deloitte*)
- Financial Model *Jersey Harbours (DM)*
- KPMG - Verification of financial model and cost benefit analysis
- Sustainable Development: A High level perspective for Jersey Harbours (*Jean Plichon - 'PRAGMA'*)
- Draft Terms of reference for Incorporation Implementation Project (*KPMG*)
- Draft preliminary report on changes in Harbours Governance, and its contribution to overall States of Jersey efficiency and objectives (*Andium Limited*)
- Paper on the Impact of Harbour Charges to the Economy of Jersey (*EDC*)
- David Margason, Managing Director of Waterfront Enterprise Board (*WEB*)
- David Lambert - Chief Executive Pictons (Original Member of Strategic Service review Team)
- Anne Gauton - PENTARCH

Additional consultation took place and thanks should be given, in particular, to the States Treasury, Economic Development Department, Waterfront Enterprise Board, the Law Officers' Department, Harbours and Airport Officers.

## Foreword and Recommendations

The future of Jersey Harbours has been under discussion for many years. Whether it should follow Postal and Telecoms route to incorporation or its own more distinctive form of corporate governance, has never formally been agreed by the States.

The Harbours and Airport Committee has been working with the Policy and Resources, Economic Development and Finance and Economics Committees to develop an effective and sustainable proposal for the future structure of the Harbour in the best interests of the Island.

In less than nine months time there will no longer be an Harbours and Airport Committee. This statement is made because it is now very important that both States members and the staff at Jersey Harbours should know more clearly what the plans are for the future: for too long a decision has seemed elusive. Whilst there have been good reasons for this, it has not been good for morale and is not good for the efficient management of the organisation.

Under the Machinery of Government Reform programme (P 70/2002) the continuation of a Harbour Master with statutory enforcement powers was envisaged. The project also stated that 'for the time being' Jersey Harbours would be part of Economic Development. The plan was and still is that the Economic Development Minister should have 'policy oversight.'

Members will be aware that a high-level review of the best corporate governance of the organisation was undertaken by Deloitte and Touche in the autumn of 2003 leading to major presentations to the Committees concerned and to all staff in February 2004. The study compared a wide range of governance options against an agreed list of key objectives for Jersey Harbours. The outcome was a strong recommendation that the best way Jersey Harbours could serve the Island was to become a Jersey limited company, wholly-owned by the States.

Based on the recommendation that Jersey Harbours should have its own corporate identity, a thorough in-depth and cautious Strategic Analysis and Business Plan has been developed over the last year. As its primary goal this analysis had to deliver a definitive proof whether or not a separate entity could exist in the long-term as an efficient and sustainable organisation. We have been prudent in this matter. We needed to be as certain as is possible that we had found the right way forward.

In parallel with this, a Shadow Scrutiny Panel undertook its own enquiry and on 15 February it published the report "Future of Jersey Harbours" (SR 2/2005). The Assembly will appreciate, as my Committee does, that Scrutiny carried out a thorough and very helpful enquiry. I endorse its key findings and recommendations.

The Policy and Resources, Finance and Economics and Economic Development Committees have now received the Strategic Analysis. The analysis points clearly to the benefit of a new corporate governance structure with legally accountable directors, financial independence and a property portfolio supported by WEB. At the same time, policy oversight and ultimate control will still rest with the States. Together these changes will provide best value for the Jersey tax-payer.

However, the Machinery of Government Reform programme must be allowed to take priority for States time during 2005. My Committee understands this, and in the light of the firm political endorsement received from the tripartite committees we can positively progress a number of the recommendations whilst planning for a Report and Proposition to be brought forward for debate during 2006.

**The joint Committees recommend firm political endorsement for the formation of a wholly States owned Limited Company.**

## Recommendations

The following actions are specifically recommended as a result of this report:

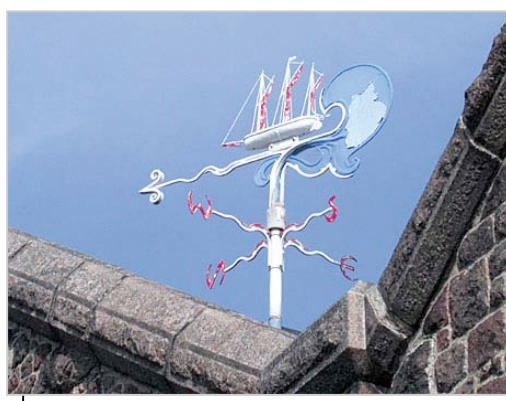
1. Firm **political endorsement** of the conclusions of this analysis, and political commitment to achieve the changes required to meet the identified strategic aims and objectives, early in 2006.
2. Form a **joint project team** to develop the overall strategic plan, define the timeline more specifically and progress the strategy, with appropriate resource allocation, including the Report and Proposition for the States.
3. Develop a **comprehensive and effective communications and consultation strategy** to involve all staff and stakeholders, and specific representative groups, in the development of the shared vision that this business plan offers, including work towards future arrangements that will meet the needs of the organisation.
4. Confirm the **Island Plan definition of Harbour Estate**, and Island assets not included in this area (eg States obligations of outlying harbours etc), and develop strategy for final administrative transfer and eventual conveyance.



**Senator Len Norman**  
President - Harbours and Airport Committee

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*“setting a clear direction for a positive contribution to the economy & competitiveness of Jersey”*

# 1 Introduction

## 1.1 Why are we here?

98.6% of goods arriving in the Island enter Jersey through the Port of St Helier. It is thus a key strategic asset for the economy and life of the Island and provides a key strategic service to allow operations to be conducted to meet the needs of the Island.

The vitality of the port is an absolute necessity, leading to the absolute requirement for a sustainable development plan which focuses on meeting the needs of the Islanders in a sustainable and successful manner.

The strategic asset is further emphasised by the monopoly situation that the Port holds. A lack of success or self sustainability would lead to the requirement for subsidy by Government (e.g. the Isle of Man runs its Port with an annual deficit *Source: Deloitte p 14*).

## 1.2 Deloitte Report

In July 2003, the Finance and Economic Committee presented Deloitte with Terms of Reference for a 'Governance' Review, with the main objective of carrying out an independent, objective, high level review of the ownership, operation and regulation of Jersey Harbours.

Deloitte duly carried out this review, presenting a case **recommending change to a wholly States owned Limited Liability Company** for Jersey Harbours, when evaluated against the objectives stated (see below) and their own rankings.



It should be remembered that the Deloitte report was the second such report to recommend incorporation for the organisation, with the Strategic Service Review reaching the same outcome in 1999.

### 1.2.1 States Committees reaction and resultant brief

Deloitte presented the report to the relevant Committees (Policy & Resources, Finance & Economics, Economic Development and Harbours & Airport Committees) in February 2004, which led to a 'generally favourable reaction' from Committee Presidents and members. However the opinion remained that the Deloitte report lacked quantifying identified benefits, whether that benefit be for the Island, and/or the States of Jersey, the organisation, staff or stakeholders, to the extent required to enable a decision to be made at that time.

The President of the Harbours and Airport Committee thus gave his assurance that a cost benefit analysis for the Deloitte proposed model would be carried out.

### 1.2.2 Deloitte Terms of Reference – Desirable Changes

The Terms of Reference given to Deloitte stated that the following would be desirable changes for the organisation:

- Greater freedom and authority to effectively manage operational issues, staff, finances and capital planning
- Greater access to risk capital to pursue opportunities including a number not currently included in the 20 year plan

- Stronger incentives to introduce efficiencies
- A greater ability to enter into joint ventures and partnering arrangements
- A need to ensure that the organisation structure will allow for a freight tariff that is compatible with EU law
- Replacement of the current Committee system with a Ministerial System

'Without these changes it has already been accepted that the profitability of Jersey Harbours and its long term development will be impaired. This would have direct financial consequences on Jersey's finances and could impact on the competitiveness of Jersey as a whole.' *Deloitte*

Note: The analysis indicated the strength of this statement in seeing the potential need for funding (from 'the taxpayer') from 2010 onwards, as the cash balance forecast enters a deficit (see 4.3.4) if the 'status quo' is maintained and no governance or management changes made or opportunities realised.

### **1.2.3 Deloitte Terms of Reference - Objectives**

The Terms of Reference also included the following objectives from which evaluation criteria could be drawn up:

1. Clear framework for duties and governance
2. Efficient and effective operations and modern terms and conditions for all staff
3. Ability to manage and fund major anticipated costs
4. Self-sufficiency
5. Best financial return compatible with competitive tariffs
6. Meeting the interests of current and future staff and users
7. Contributing to the competitiveness of Jersey
8. Ensuring that the States strategic interests are provided for
9. Continuing community, custodial and heritage duties

## **1.3 This Report**

In considering how to 'take this forward', it was considered that a cost benefit analysis (CBA) could be achieved, whilst it may be limited in nature and would always be subjective to a certain degree. Indeed, the Deloitte report specifically stated that "a quantitative cost benefit analysis is not possible". A cost benefit analysis was therefore undertaken within the methodology indicated later in this document.

This report sets out the conclusions and recommendations of the detailed financial modelling and analysis undertaken. The main objective of this report is to quantify the benefits expected for the objectives stated within the Deloitte report, and the conclusions revealed in the assumptions made.

## **1.4 Interim period and Timetable**

The interim period between April 2005 and achievement of the conclusions of this report, with particular regard for the period from January 2006 when the Harbours and Airport Committee dissolves is accounted for within the draft timetable in section 7 which indicates that the requirements for incorporation are in line with steps that can be achieved in a transitional manner.

## 2 Cost Benefit Analysis

### 2.1 Results

The following table gives a comparison of the costs and benefits identified in the detailed financial analysis and modelling as identified from the financial model.

'Status Quo' means continued operation 'as is' with little change to the governance structure, using current trend, and forecasting techniques.

'States Owned Company' indicates a change of governance to that of a wholly States owned limited liability company, and the associated costs and benefits assuming greater freedom and authority to operate and the other corporate Deloitte objectives are achieved (see 1.2.2).

Revenue Increase Targets	Status Quo		States Owned Company	
	Over 10 years		Over 10 years	
- Lost Opportunities	£	-	£	10.5M
- Future Opportunities	£	3.5M	£	9.5M
- Improved Performance	£	0.4M	£	4 M
<b>Gross Benefit</b>	<b>£</b>	<b>4 M</b>	<b>£</b>	<b>24 M</b>
- Costs	-£	0.2M	-£	7 M
<b>Net benefit of change over 10 years</b>	<b>£</b>	<b>4 M</b>	<b>£</b>	<b>17 M</b>
<i>All figures rounded: Zero Economic Growth Assumed</i>				
<b>Benefit per annum</b>	<b>£</b>	<b>0.4M</b>	<b>£</b>	<b>1.7M</b>

#### 2.1.1 Lost Opportunities

This section reviewed and quantified lost opportunities of the last 10 years, and addressed those lost opportunities through balancing tariffs with pay awards, with RPI, applying cost-related tariffs where appropriate, and through rental values moving towards open market value where appropriate.

#### 2.1.2 Future Opportunities

This section reviewed and quantified potential future opportunities through new revenue streams within core business activities and better estate management. Increased revenue from more effective estate management accounted for 90% of this revenue.

#### 2.1.3 Improved Performance

This section reviewed and quantified revenue increases gained from value engineered capital programming, balancing, more effective FTE/Income ratios, controlled revenue, capital budgeting, and 'arms length' political influence.

## 2.2 Comments

In all sections, conservative views were taken and the figures are indicative, not forecast.

The overall conclusion is less about a amount of benefit as a specific forecast figure, but is rather about the clear indication of movement towards a robust and dynamic business, with good opportunity for business development, passing on competitive advantage to related industry. All elements within each section are being written into the 2006-8 business plans.

## 3 The Vision

### 3.1 The Vision and Strategic Aims

Analysis of the current and past core business activities and financial results for 1993-2003 in conjunction with the States Strategic Plan (2005-2010) led to a defined set of vision and strategic aim statements, and the development of the proposed governance model (section 3.3).

Development of the Vision, Aims and governance model was a critical step in being able to develop a business plan and understand the performance required, and also critical in being able to perform the financial modelling achieved for the cost benefit analysis.

#### Vision Statements

**Commercial Port: Our obligation:** we will provide a commercial port meeting the States Transport and Communications Strategy, contributing to the competitiveness and economy of Jersey.

**Maritime Services: Our obligation:** To provide the Island's Coastguard and professional maritime services meeting regulated requirements efficiently and effectively.

#### Strategic Aims

**Port Management & vitality:** manage the port and its assets in a sustainable way that provides the best financial return compatible with competitive tariffs (*economic*).

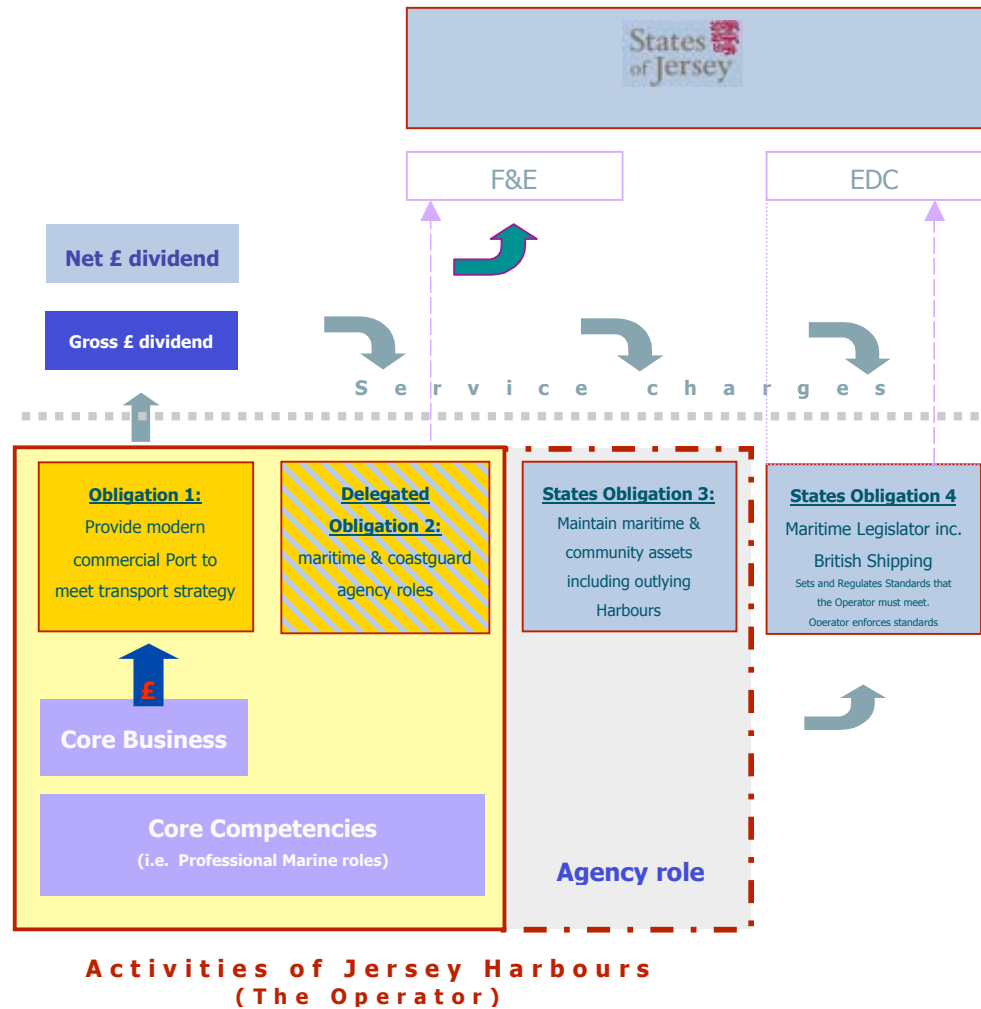
**Valuing Our People:** we are committed to care for staff and public safety and well-being, and enhancing understanding and support of the Port and its purpose (*social*).

**Valuing our Environment:** we are committed to using and impacting the surrounding environment and heritage in a sustainable way (*environmental*)

### 3.2 Beneficiaries of success:

- **The Island and States of Jersey** resulting not only in self-sufficiency but also in seeing the best financial return compatible with competitive tariffs, and in seeing the provision of quality services that meet the needs of Islanders.
- **Staff** in seeing greater opportunity through growth of the business and greater resultant security.
- **Industry stakeholders** as business plans are aligned and a greater synergy achieved with competitive advantage being passed on and opportunities realised.
- **The environment** as our strategic aim seeks to invest in strategies that give a positive and sustainable environmental impact
- **Future** generations of Islanders in inheriting a port business, strategic assets and a heritage of which they can be proud

### 3.3 The governance model and dividend policy



**Activities of Jersey Harbours (The Operator)**



**Obligation 1** is our core business and obligation and includes all Business units and all assets that can or do provide a commercial return.



The return must be commercial and competitive. It might be constrained if economically advantageous.



**Delegated Obligation 2** is the Government responsibility for providing Coastguard and maritime agency services such as enforcing (but not setting) maritime regulation in territorial waters etc. By virtue of the professional marine competence sets that exist within the organisation, this obligation can be effectively delegated to the organisation who take full responsibility for what is in effect, the Maritime and Coastguard Agency.



**States Obligation 3** is the Government responsibility for providing and maintaining maritime heritage and community assets and services, and must remain a government responsibility since it is not a commercial or departmental decision whether and to what level an asset should be maintained. Assets that cannot provide a commercial return will remain in this category, such as outlying harbours and breakwaters. However the activity of maintaining such assets can be 'contracted' to the organisation under an agency agreement, and may be funded from the Gross Dividend.



**States Obligation 4** is the governmental responsibility to set maritime standards and regulate them (whilst the operator enforces and meets them), and provide a British Ship Registry. This is transferred to a separate part of the States but is largely self funded.



Resources for Obligations 2, 3 and 4 may e.g. be deducted from the Gross Dividend (or perhaps as a license charge for services, in the case of the Regulator).

## 4 Conclusions

The conclusions identified in conducting the modelling for the Cost Benefit Analysis (CBA) are presented according to fit with the identified Vision (obligations) and Strategic Aims.

Overall – this report concludes that the vision for Jersey Harbours to operate as a States of Jersey owned Limited Liability Company has high potential of achieving a significant, positive impact for the Island, primarily in meeting the needs of the Islanders in providing a modern Port. The benefits significantly outweigh any cost of change.

The financial analysis and model indicate that there is opportunity for robust and dynamic business growth, with no significant change in the structure of harbour dues. Benefit is gained particularly within the Estate, with significant development opportunities offering competitive advantage to related industry and a positive contribution to the economy of Jersey.

Whilst this report does not focus on the risk to the organisation if change is not made, the financial results (see 4.3.4) indicate that a deficit will be experienced from 2010 if opportunity presented as benefits are not realised.

### 4.1 COMMERCIAL PORT – OUR OBLIGATION

#### Vision Statement

**To provide a commercial port meeting the States Transport and Communications Strategy, contributing to the competitiveness and economy of Jersey**

#### 4.1.1 Transport and Communication Strategy

The States Transport and Communication Strategy is not yet a mature strategy, and this report concludes that Jersey Harbours must contribute to and develop the main constituents of the maritime aspects of that strategy (apart from, for example, the Sea Transport policy which remains within the remit of EDD), to ensure that the obligations of the organisation are clearly identified and thus managed.

The strategy is 'to formulate a comprehensive external transport and communications strategy which will benefit both business and residents'. This report goes towards meeting those aims and it is the hypothesis that the main constituents of the strategy can be extrapolated from this report as far as maritime matters are concerned.

Jersey's economy is absolutely dependent on a thriving port industry. Our obligation is to contribute to the competitiveness of the Island, its freight market, tourism and marine leisure. This can only be achieved through maintaining efficient and dynamic port facilities.

#### 4.1.2 Meeting those needs

The organisation currently appears unable to realise its full potential. The potential exists for it to become a dynamic and robust business. The predominant factor that allows growth without price increase is the emerging business plan for

<b>Port Operations</b> Beach Lifeguards Boats and Vessels Conservancy Dredging, Nav Aids etc Passenger Handling Services Environment Fisheries Freight Operations Fuel Operations Health and Safety Marine Centre Passenger / Vehicle Operations Pilots Pollution Management Port Waste Management Port Operations Related Land & Buildings Regulatory/Enforcement Sea Rescue Security Receiver of Wrecks Port Operations Management	<b>Marine Leisure</b> Boat Lifts and Boat Parks St. Helier Marina Elizabeth Marina La Collette YB St. Helier Harbour St. Aubin's Harbour Gorey Harbour Other / Outlying Harbours Marine Leisure Ski Lanes/Beach Buoys British Shipping Registrations Marine Leisure Related Land & Buildings Marine Leisure Management  <b>Core direct service activities</b> (Source: new JH Chart of Accounts)
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property, which allows new and increased revenue streams for the estate.

The service activities of the Port (see right) are of paramount importance, both to meet the needs of the Islanders (see also Obligation 2 in 4.2) and as the core business revenue. Revenue obtained from core business activities can be seen to be adequate to broadly ensure self-sufficiency.

However, a positive contribution to the economy and competitiveness of Jersey is gained, predominantly by strategically seeking to give greater competitive advantage (particularly through location and operational efficiencies) to stakeholders in industry, through the alignment of business plans, and performance measured against the identified service needs and activities of the Port.

Furthermore, a States owned limited Company can provide a return that provides a dividend to the shareholders.

## 4.2 MARITIME SERVICES – OUR OBLIGATION

### Vision Statement

**To provide the Island's Coastguard and professional maritime services meeting regulated requirements efficiently and effectively**

### 4.2.1 Professional Maritime Services including Coastguard

Maritime services such as the Coastguard and Beach Lifeguard are considered to be inherently governmental obligations.

These professional services are driven by or regulated by legislation or significant international guidelines (e.g. SOLAS), which must be met to demonstrate responsible and co-operative behaviour with regard to global issues (States Strategic Plan ref 7.2.2). Whilst they are a Government obligation overall, it is within the core competencies of the Harbour Authority to provide such professional services.

This report concludes that whilst these professional maritime services must be paid for by Government, this organisation may be tasked with the obligation and resultant objective to provide value for money professional maritime services to meet the needs of Government. The cost of such services may be drawn from the gross dividend being returned to the shareholder by the company (see 3.3).

### 4.2.2 Maritime Assets (see also 4.5 below)

Differing to maritime services, service provision aimed at maintaining maritime assets is not driven by legislation or particularly maritime professional competencies.

This report concludes that maritime assets, such as St Catherine's Breakwater, most outlying harbours and other non-commercial land should be considered to remain an obligation for the States of Jersey. For example, the impending choice to be made over the extent to which St Catherine's Breakwater should be restored is not seen as a unilateral choice for Jersey Harbours to make.

It is for the people of Jersey, through the States of Jersey, to decide on whether these assets should be maintained (or not) and then choose how this should be delivered. However, in the same way as maritime services, the activity of maintaining maritime assets may be assigned to Jersey Harbours under a service level agreement or contract for services, as section 4.5.1 details further.

## 4.3 PORT MANAGEMENT AND VITALITY

**To manage the port and its assets in a sustainable way that provides the best financial return compatible with competitive tariffs. (Strategic Aim 1/3 - Economic)**

### 4.3.1 Governance

*Corporate Governance looks at the institutional and policy framework for corporations - from their very beginnings, in entrepreneurship, through their governance structures, company law, and incorporation, to market exit and insolvency.*

*The integrity of corporations, financial institutions and markets is particularly central to the health of our economy and its stability. A good governance framework facilitates strong leadership, and good management, with associated organisational vitality (Source: OECD)*

#### The Board Model

A States owned limited liability Company can bring significant benefit to the economy and competitiveness of the Island and meet the needs of the Islander through the provision of a modern commercial port.

A Board of Directors, properly appointed (using the "Nolan rules") and fit for purpose, is the best vehicle for ensuring that the various initiatives and strategies are carried out in order to meet business objectives and Strategic Aims with minimum risk.

The delegated role for the 'Shareholder' should remain with the Treasurer of the States.

#### Funding and Financial Reporting

Jersey Harbours must be free to negotiate, fund and deliver projects, especially significant capital projects, in the most competitive and flexible manner possible but within the rigour of a Board structure to ensure the best contribution to Jersey Harbours, and consequently to make a positive contribution to the economy of Jersey.

It must conform to best practice regarding funding, seen within the remit of a Board who will have the ultimate approval (other than any lender).

The Executive will report 'operationally' to the Board, which will be legally accountable. Financial probity will be overseen by the Comptroller and Auditor General under the new Public Finance Law. It will be regulated for safety and other policies by or through the Minister for Economic Development, or a similar separate and appropriate Minister (see 4.6).

#### The Estate

A Law will allow Regulations to transfer to the States owned company the freehold (or very long leases) of St Helier Harbour and other land that is required for the future of the port and that is potentially able to make a reasonable commercial return.

That law may give authority for the Company to act as agent of the States (mid term leases) in respect of all other outlying harbours and their hinterland – and quays, buoys and lighthouses and other land where a commercial return cannot currently be envisaged.

The articles of association should then constrain how that land and estate can be used or sold to an appropriate level of comfort for the Island.



The boundaries identified in the Island Plan should be formalised, respected and wholeheartedly endorsed for the operation of the Harbours for its operational and financial sustainability.

The single most influential element of the business plan and Cost Benefit Analysis is the management and development of our estate, since this provides the greatest opportunity for financial sustainability, inseparably in line with our aims and objectives.

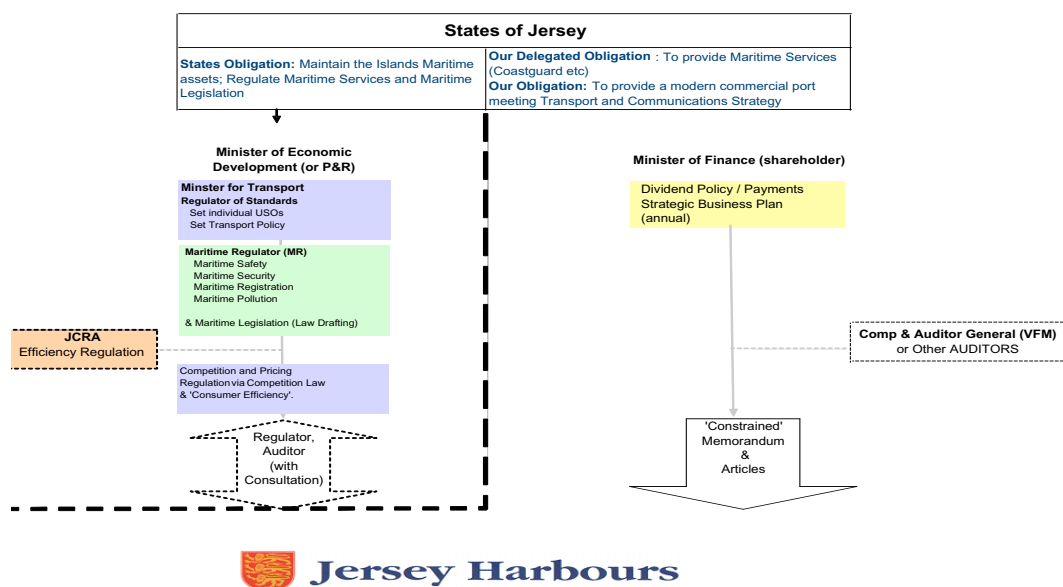
It is key to competitiveness that estates that have already been highlighted for return to Harbours administration should do so (such as areas previously identified at La Collette).

**The role of Government and the Operator**

The two roles of the maritime regulator for shipping policy and economic regulation for transport policy should remain with Government (see 4.6) as a role of Government and not the operator (in this case, Jersey Harbours).

This makes both the role of the Regulator and the role of Operator separately accountable and unambiguous. The Regulator would then be separated from the organisation to act under either the Economic Development Committee or Policy and Resources Committee - along with British Shipping and the provision of legislative services for the Port. This will then be a largely self funding role. *This differs from the Deloitte Report.*

The executive function may then focus on core business and commercial matters, regulated appropriately.



**Figure 1 - Governance Structure**

**4.3.2 Finance and Economy Benefits**

Our 'role' in competitiveness is to contribute to the local market and industries that can themselves gain competitive advantage through use of the Port estates and assets, particularly through advantages gained through operating efficiencies and location. Port estate assets are considered 'premium' in terms particularly of enabling cost efficiencies by virtue of location adjacent to ship operations or dealing with local legislation, constraints and practices.

This report concludes as a result of the financial model that the best financial return is indeed compatible with competitive tariffs. The financial return can be balanced for each service provision to the extent required to ensure that the associated tariff gives stakeholders competitive advantage (e.g. warehouse development) which in turn promotes competition and is seen as a potential positive impact to the economy. The analysis concludes that operating as a 'public service' (at no profit or potentially subsidised and therefore reduce harbour dues) may

advantage few select operators but is unlikely to have the same advantage to the States and the Islanders, and ultimately the economy. This is broadly supported by the summary evidence within a report 'Economic Effect of a reduction in Harbour Dues' [States Economic Advisor].

**4.3.3 Financial Results**

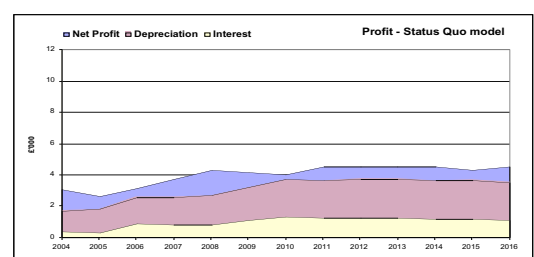
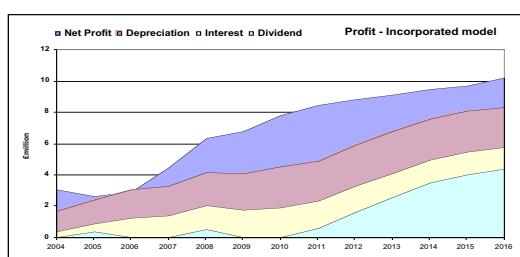
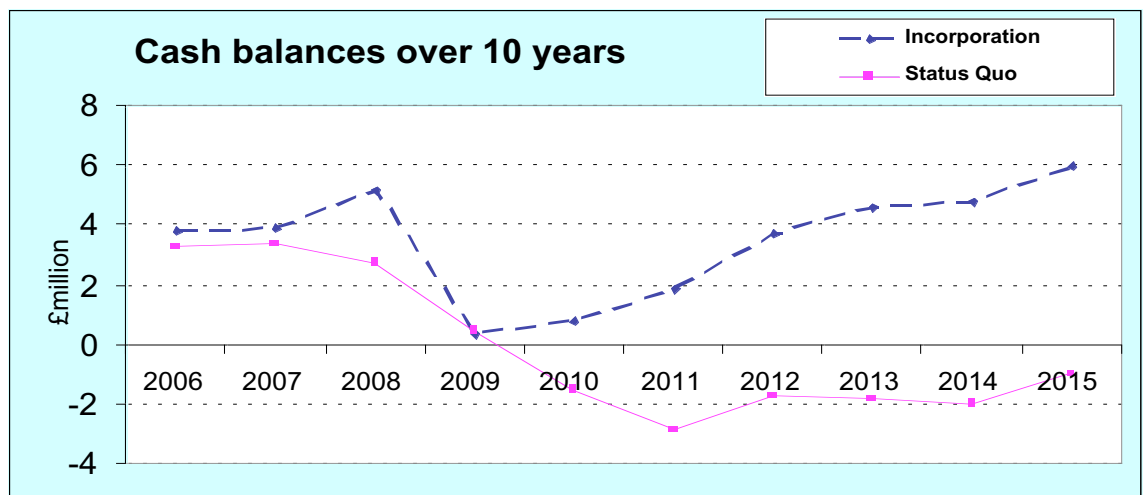
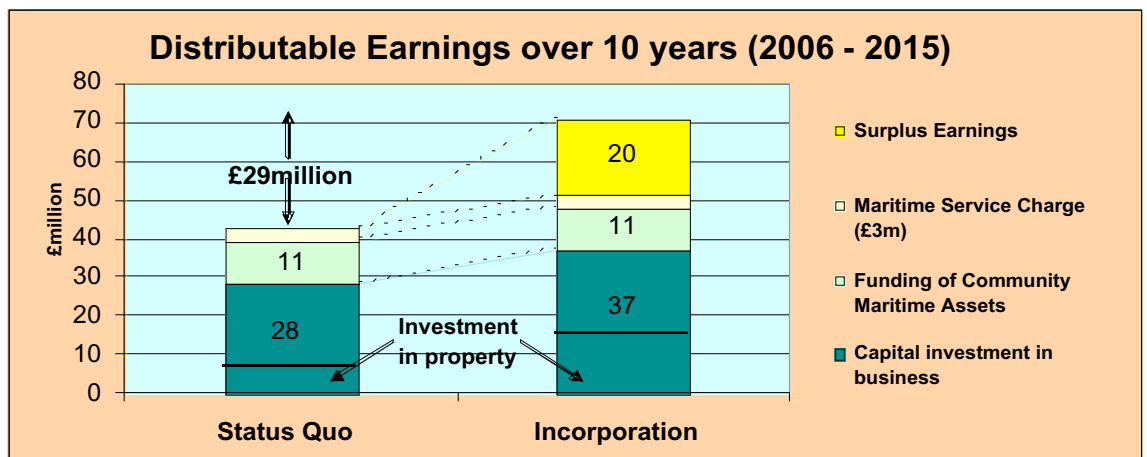
The analysis proves that a return compatible with competitive tariffs is achievable through a balanced and commercial tariff policy.

- The benefits of incorporation from the Cost Benefit Analysis are estimated at approximately £1.7M pa.

These figures are based on our 'intermediate' scenario of zero economic growth (as opposed to the States target of 2% growth)

- The cost of Incorporation has been estimated as a one off cost of approx £2M with ongoing costs of £5.2M (£0.52M pa). The one-off part of that figure has been accounted for within the estimated financial returns over the next ten years.

**4.3.4 Financial Graphs**



## 4.4 VALUING OUR PEOPLE

**We are committed to care for the safety and well being of staff and the public, and enhancing understanding and support of the Port and its purpose**  
(Strategic Aim 2/3 - Social)

The analysis shows that the organisation will be able to achieve clear and effective management and supports the Deloitte report in this regard. Efficiencies can be achieved which can match those being made by the States of Jersey

The organisation needs re-structuring to ensure that it is fit for purpose to meet the demands of a commercial entity through the alignment of resources to core business activities, meeting the needs of the business.



Clear strategic direction is needed as a priority to identify those demands, and the organisation must be valued by its current Governance (the States of Jersey) enough to give that direction through firm political and subsequent executive leadership, and ensure it is resourced to achieve it.

The role of Harbour Master and Chief Executive may be combined into one role providing an efficient, accountable and unambiguous leadership. Port operational management can still be delegated to the appropriate senior staff.

Separation from Government and separation from the role of regulator will better protect and enhance the well-being of the public in relation to port activities and allow the Port to focus on its core business and core competencies, and in meeting the needs of the customer (which in our case is also the public at large).

Much of the analysis and associated work has been achieved without detailed staff consultation due predominantly to the commercial confidence that applies, and also since this analysis is about the benefits to be achieved by the identified approach, not how those benefits will be implemented.



Therefore, a comprehensive and effective communications and consultation strategy is now required to involve all staff in the development of the shared vision that the emerging business plan offers, including work towards future arrangements that will meet the newly identified needs of the organisation.

Ideally, this should be facilitated and achieved through a partnership approach, best exemplified in a vehicle such as the TUC Partnership Institute.

'Headline Assurances' for current employees are needed for any potential change, which would include for example that, subject to full political approval:

- As a minimum, any transfer would be under TUPE style arrangements (TUPE is a recognised vehicle designed to protect current employees current terms and conditions).
- Full PECRS rights are guaranteed for current employees (these are financially underwritten within the Harbours' analysis and business plan).
- There will be a period 'no compulsory redundancy' agreement for staff transferring.

This report concludes that whilst the cultural change will be significant, the benefits shown in the analysis make change worthwhile for all concerned – management and staff.

## 4.5 VALUING OUR ENVIRONMENT

**We are committed to using and impacting the surrounding environment and heritage in a positive and sustainable way** (Strategic Aim 3/3/- Environmental)

### 4.5.1 Outlying Harbours and hinterlands

A commercial return cannot be expected for **non-commercial land** and indeed it is not the decision of Jersey Harbours as to what level of service is required, or even if the service should be continued.

This can be resolved by such land being stewarded by Jersey Harbours under an agency arrangement, where it can make a 'heritage charge' to look after such assets (which may in turn be considered to be a reduction in the expected dividend). Those assets would remain within the States asset register and remain a States obligation.



Also, the land conveyance difficulties appear to be greatest issue outside the area of St Helier Harbour and to relate principally to the "land" areas comprising or surrounding the small ports, lighthouses and beacons around Jersey.

*"An attractive proposition in this connection would be actually to convey the St Helier land (all land that has commercial potential), but to use the agency arrangement for all other harbours and such like. These harbours are part of Jersey's heritage. Therefore, the States should retain them but give JHL [sic] agency rights to act as the owner (save with regard to sale or long lease) over them as part of its maritime operations. The States would then fund (annually or through 5 year (or 10 year) agreements) any operational deficit by paying, as it were, a heritage due instead of a harbour due. In addition the States, as continuing owner, would reimburse agreed major works on these beautiful structures that have such limited economic use". **Andium Report***

**Exceptions:** There are two potential exceptions to this. Both Gorey and St Aubin's are providing a (limited) commercial return and offer some commercial scope.

This report concludes that initially, the Port of St Helier and its commercial land should be transferred, but subsequent analysis should examine other commercial opportunities for those (and any other) maritime estates and convey those as and when required, or whatever for those two ports, within say 5 years.

The Cost Benefit Analysis indicates that Jersey Harbours can provide sufficient return to cover the costs of such obligations to maritime assets in the form of a proportion of the dividend. A contingency has therefore been made in the business plan for regular major works on maritime structures.

### 4.5.2 Environmental Management

Within the Business plan, specific and tangible efforts will be made to align our business with the environmental sustainability. New projects will undergo environmental impact studies and a sustainable development plan has already been produced to set some targets and align business processes.

Existing procedures, both routine and emergency, will also be reviewed for environmental impact.

## 4.6 THE ROLE OF THE REGULATOR

This report makes conclusions in line with analysis of the services offered and manpower requirements, along with best practices with regard to separation of roles.

Differing in this aspect from the Deloitte report, it concludes that the Government obligation and associated requirements for:

- Maritime legal framework
- Registrar of British Shipping
- Maritime monitoring and regulation

may be effectively grouped together probably into one role, remaining within the States of Jersey structure, under the Economic Development Committee / Minister or the Chief Minister given their respective transport strategy and legal policy roles.

This allows the port to focus on business development and its core business, and Government to play the appropriate role in ensuring the Regulator is effective.

This should be a self-funding role with income from British Shipping and Jersey Harbours (for legal and regulator services), and leads directly to the ability to combine the role of Chief Executive and Harbour Master, as the regulator role is now separate.

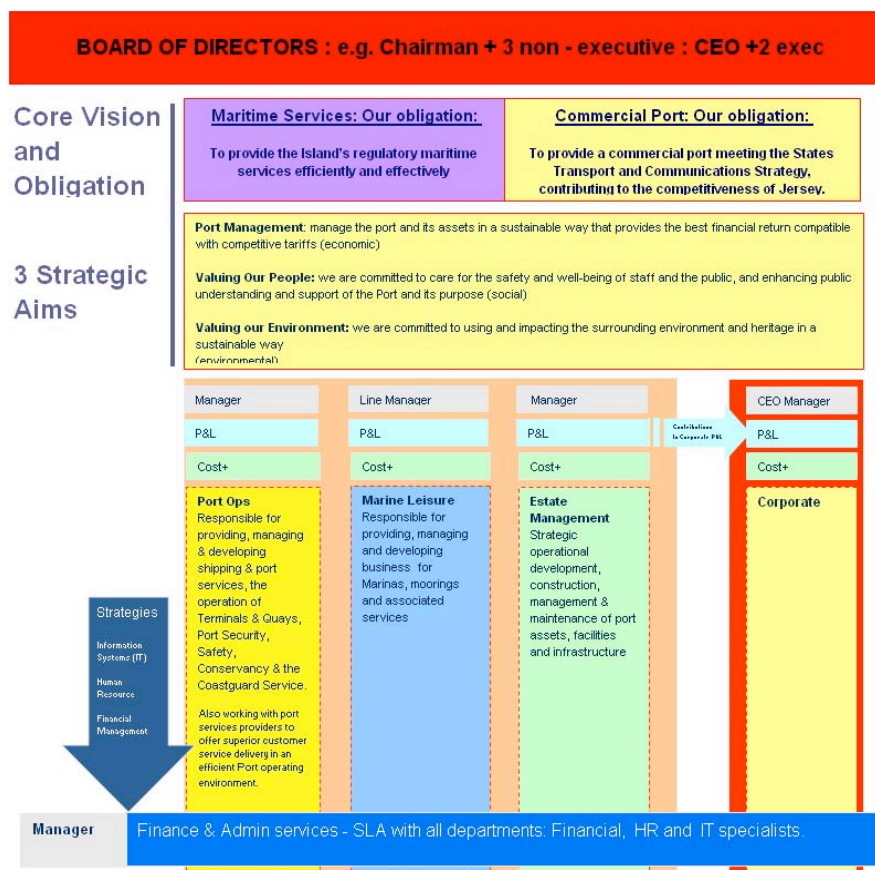
Delegation of the enforcement powers of the Harbour Master to his Deputy(s) for Marine and other regulatory matters must ensure that they are sufficient to allow the two distinct roles of Chief Executive and Harbour Master to be combined into one position giving clear leadership and unambiguous overall accountability.



Jersey Harbours retains a ‘delegated obligation’ on behalf of the Government for what is broadly the equivalent of the United Kingdom Maritime and Coastguard Agency, for Jersey Ships and the territorial waters of Jersey.

## 5 Divisional Business planning

### 5.1 Core Business Units



### 5.2 Cost and Benefits for Business Units

NET BENEFIT OF WHOLLY STATES OWNED COMPANY	Lost opportunities	Future Opportunities	Improved Performance	Costs	Total
Port operations	£1.2M	£0.4M	£1.1M		£2.7M
Marine Leisure	£4.7M	£0.1M	£0.1M		£4.9M
Estate Management		£9.0M	£1.4M		£10.4M
Corporate Admin	£4.5M		£1.3M	£-7.2M	£-1.4M
<b>Total</b>	<b>£10.4M</b>	<b>£9.5M</b>	<b>£3.9M</b>	<b>£-7.2M</b>	<b>£16.6M</b>

#### 5.2.1 Port Operations

This business unit is responsible for the professional Port and maritime services (e.g. Coastguard service), and is the primary department responsible for meeting the States Transport and Communication strategy.

The unit has revenue from harbour dues as its main source of income, where the objective has been set to ensure cost related tariffs are achieved where possible, and costs are minimised seeking an efficient but effective service.

Port Operations will be responsible for all port operational assets, with Service Level Agreements with Estate Management to ensure planned maintenance, property, critical equipment and systems etc are managed and maintained to expected levels.

The role of Deputy Harbour Master leads this division and effectively takes delegated responsibility from the Harbour Master for port operations and maritime services, and all organisational safety and associated legislative requirements. In that role, he (or a deputy) also becomes the designated person for safety and security, with direct access to the Board (which may be required, for example, if the executive is seen to compromise safety for commercial interest).



Revenue increases will come from increased use and associated returns from operational land. This is with particular regard to warehouse and commercial opportunities, where operational land, due to its proximity to ship operations present clear operational and competitive advantage for operators. They will also come from more efficient resource allocation.

Support for conservancy, maintaining and developing the infrastructure, and other engineering and asset management is achieved through a clear and simple service level agreement with Estate Management.

### 5.2.2 Marine Leisure

Marine Leisure has been the emerging industry within Jersey Harbours, and has almost doubled its revenue over the last 10 years from c£1.2M up to c£2.3M. However, even with that increase, the financing of the Elizabeth Marina leaves Marine Leisure in a small internal 'deficit' situation.



The Cost benefit analysis indicates a net benefit of c£4.9M arising from incorporation for Marine Leisure. This assumes 10 years free operation through eventual achievement of tariffs at a level commensurate with providing a return on capital employed, balanced with the market forces within which they operate.

Marketing and PR need to be accounted for under a separate Service level agreement with Corporate Support (Marketing), who are responsible for organisational business development.

Further business developments for Marine Leisure have been identified, but not included individually within this analysis since full business plans have not been worked up. However, the need for flexible and timely action, within the rigours of a funding process, is seen as essential for success, with Joint Ventures being likely. A business planning forum is now in progress, in conjunction with the Waterfront Enterprise board (WEB), to look at the opportunities and impacts for aligning business plans especially for Jersey Marine Traders, St Helier Boat Owners and the Yacht Clubs.

### 5.2.3 Estate management

Estate Management is responsible for the strategic operational development, construction, management and maintenance of Port assets, facilities and infrastructure. This is largely underpinned by a service level agreement with Port Operations and Marine Leisure. All operational business developments involving property have been indicated within the Estate Management Section, whilst they may be accounted for operationally within the discrete Business units.

Specialist and general engineering support is a clear part of that responsibility with the division providing trades and services to meet most operational requirements (see main support and service activities on table).

A business planning forum has been formed in conjunction with the Waterfront Enterprise board (WEB) and the commercial port users, to look at the

opportunities and impacts for aligning business plans especially for Commercial ship and freight operators to ensure the alignment of business plans, commercial advantages, and that the significant capital programme is robust and aligned with the needs of the users (especially with regard to investment requirements for new gangways, linkspans, cranes, etc).

#### Engineering

Engineering External Work (Rechargeable Tasks)  
 Engineering Internal Work - Building & Property Maint.  
 Engineering Internal Work - Carpenters  
 Engineering Internal Work - Divers  
 Engineering Internal Work - Electricians  
 Engineering Internal Work - Maintenance Section  
 Engineering Internal Work - Mechanical Services  
 Engineering Internal Work - Navigation Section  
 Engineering Internal Work - Fitters/Crane Maintenance  
 Engineering Internal Work - Signwriters  
 Engineering Internal Work - Painters  
 Engineering Transport  
 Engineering Management

### 5.2.4 Corporate

The Corporate business unit includes Human Resource, Information Technology, Financial and general administrative support.

Key activities evidenced in the new Jersey Harbours chart of accounts (implemented Jan 2005) are shown in the table on the right.

The corporate division is responsible for corporate business planning and performance, and facilitating through supporting support services the performance of other business units.

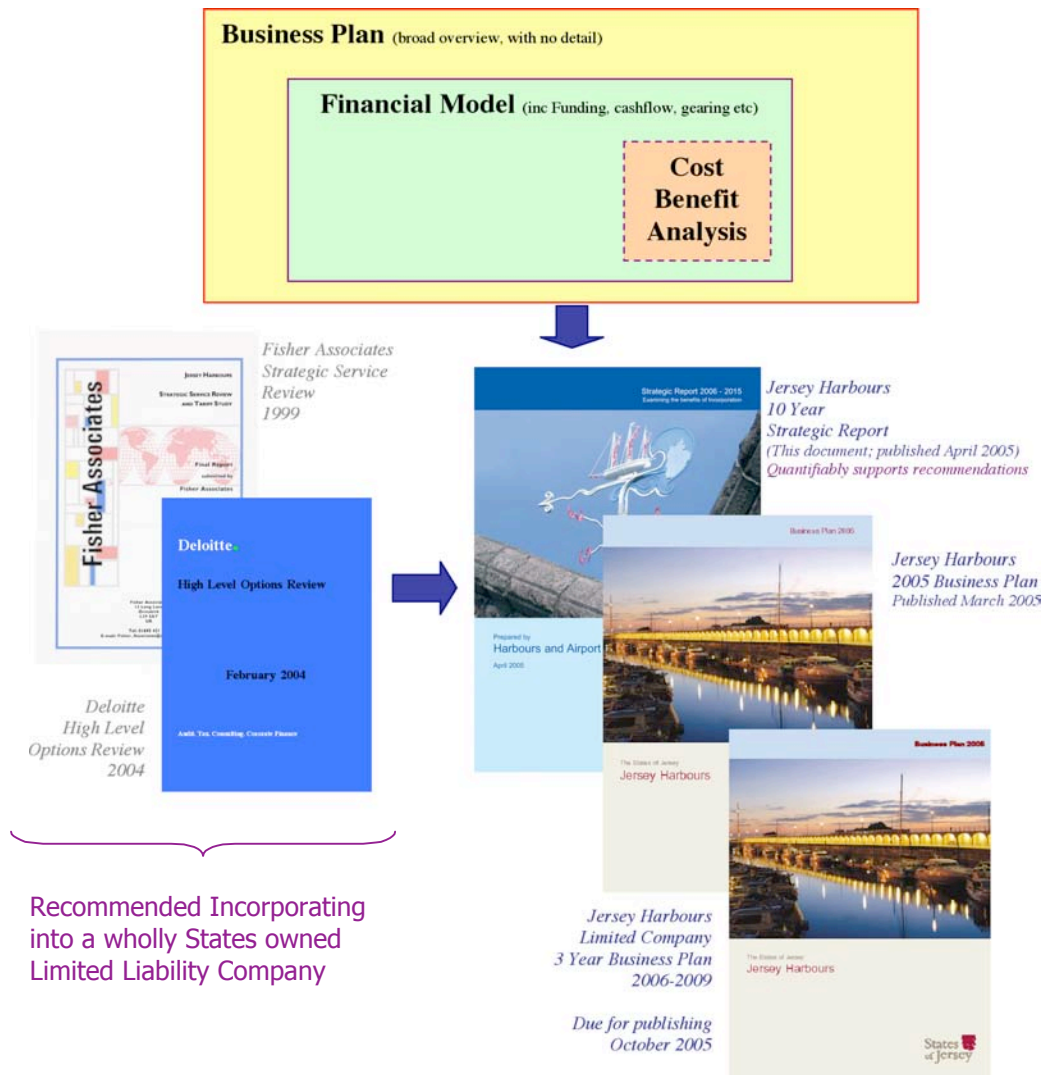
#### Corporate Support

Administration  
 Central Stores  
 Finance  
 Human Resources  
 Information Systems  
 Legislation  
 Marketing / PR / Business Development  
 Property Management  
 Corporate Communications (Fibre Optic Network)  
 Senior Corporate Management

It is also responsible for commercial and business development, particularly in the additional revenue streams that the cost benefit analysis identifies, and in achieving increased revenue through non-operational property development.

The CBA indicates costs of c£7.2M to achieve change, of which approx £2M are 'one off'.

## 6 Business Planning Methodology



### 6.1 Methodolgy

This Strategic Analysis Report is one of a suite of business planning documents. It has undergone a verification process, carried out by KPMG (as an independent body) for the financial model and Cost Benefit Analysis and consultation with key business leaders (also independent). This indicates that an acceptable level of objectivity has been achieved, managing to quantify the benefits against the Deloitte objectives to an acceptable level.

It was also determined that the only way a robust quantitative cost benefit analysis was possible was to relate the ongoing business planning process, supported by real time case studies (e.g. the Phase 3 project). The consequence of this approach has been a significant increase in time taken to achieve the resultant analysis and report as various business plans have been built and tested to be robust. However, in turn, the resultant analysis is as thorough, objective and robust.

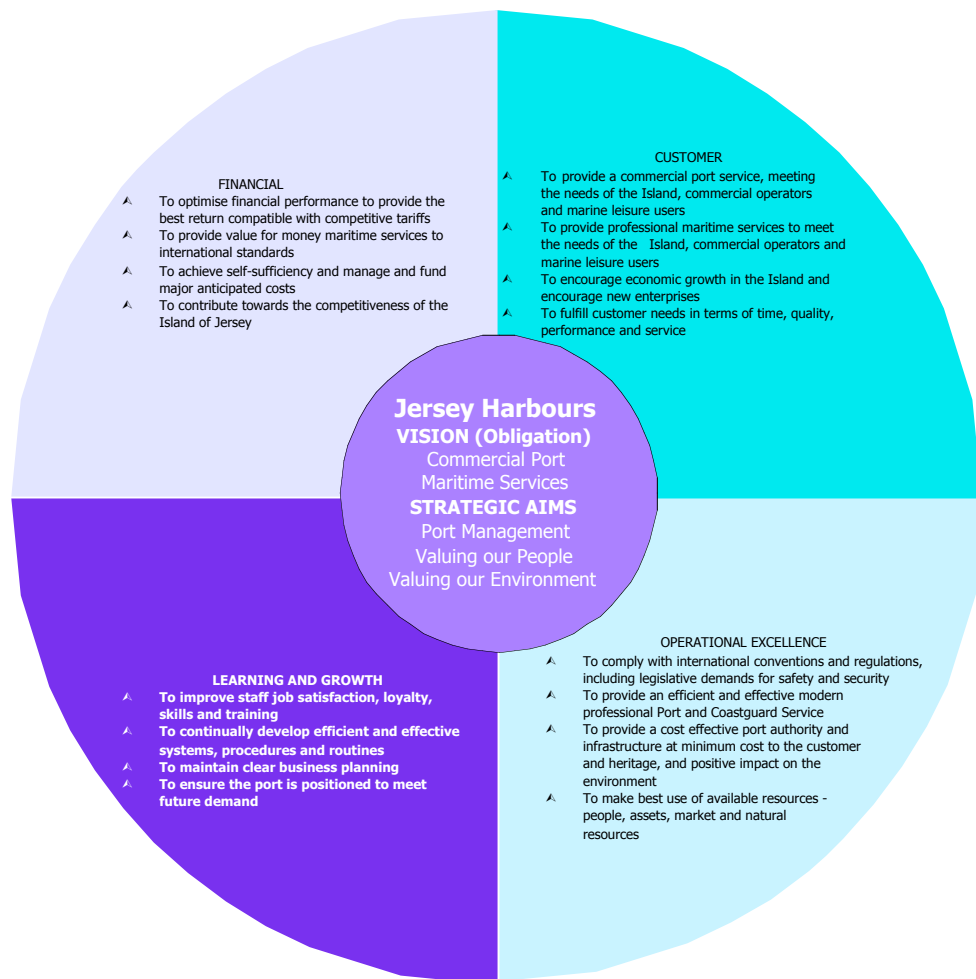
## 6.2 Balanced Scorecard

In the context of this report, the importance of the Vision, and Strategic Aims is apparent. Setting objectives to meet those aims and obligations are equally as important.

Jersey Harbours is particularly concerned to ensure that the Port is positioned to meet future demand and the resultant financial objectives for the 'owners'. However, in particular view of the various needs represented by various stakeholders, a balanced approach is necessary.

The business planning process for 2006 onwards takes this forward by adopting the balanced scorecard (see below), where each business unit sets objectives against each element.

This has also been helpful in identifying and managing the risks against achieving the stated objectives and plans.



## 7 Timetable For Next Steps

DRAFT Timetable (requires extensive work by Project team to consolidate and confirm)

Issue	Start	Finish	Comments
Cost Benefit Analysis	Dec 2004	Jan 2005	PWC verify assumptions and calculations
Union	2004		T&GWU & CSA – on-going regular monthly working group
Scrutiny Report Published	15 February 2005		
Presentation to joint Committees	10 March 2005		Jersey Harbours Strategic Analysis & Business Plan presented to P&R, F&E and EDC
Agree statement to be made in Assembly	March 2005	April 2005	Internal drafting and tabled at P&R, F&E and EDC April meetings
Staff	23 March 2005		Briefing on progress for all staff
Line Manager's meeting	25 March 2005		Briefing on progress and discussion on communications plan
All staff	18 or early 19 April 2005		Briefing by President / CEO on Statement and a copy Strategic Report each
Statement in Assembly	19 April 2005		President of H&A gives statement to all States Members and Strategic Report published
Port Users	April 2005		Presentation of conclusions
Project Team	April 2005		Formalise and reform team
CEO and Management Team	April / May 2005		Formalise appointment of CEO (and as titular HM); confirm structure required to meet business plan; plan re-structure Senior Team accordingly
Communications and Consultation	19 April 2005	On-going	Consultation and communications strategy to be published, developed and implemented
Separation of Maritime Regulation from Business function	April 2005	May 2005	Formal separation agreed so that maritime safety regulation and shipping policy is a matter for central government and not Jersey Harbours
Web partnership	On-going		On-going commitment between WEB and Jersey Harbours for development of port land
Project Chair	May 2005	June 2005	Appointment of independent project chairman – consult with Appointments Commission
La Collette – Fuel Farm, etc	During 2005	2005	H&A Land Reclamation Sub-Committee wound up and, if agreed, transfer to Jersey Harbours trading accounts
Port boundaries	During 2005	2005	Transfer of administration to H&A (EDC) of all States land within Port Operational Area as shown in Island Plan
Financial arrangements			Treasury and Jersey Harbours agree interim financial separation arrangements under EDC
States Elections	October 2005	November 2005	Retirement of Harbours and Airport Committee
<b>Transition Period Under Economic Development Minister</b>			
ED Minister	January 2006		Chief Exec works directly to project team with policy oversight from ED Minister
Final R&P Developed	January 2006	March 2006	Driven by Shadow Board with full consultation with all stakeholders, staff and Scrutiny Committee
Lodge au Greffe	April 2006		
Debate	May 2006		R&P debate establishes principles, framework of governance, broad definitions of powers and duties, degree of States control, staff transfer and protection, pensions, financial and land separation
Shadow Chairman	June 2006	July 2006	On advice from Appointments Commission, ED Minister appoints Shadow Chairman
Shadow Board	August 2006	September 2006	On advice from Appointments Commission, ED Minister and Chairman appoint shadow Board
Law drafting instructions to LD	June 2006		
Land transfer	On-going	December 2006	Legal conveyances and leases drawn up and agreed
States debate on substantive Harbours Law	March 2007		
Appointed day Act	September 2007		Jersey Harbours Board assumes legal responsibility
<b>Jersey Harbours Limited</b>			
1 <sup>st</sup> AGM	March 2008		Election of Board Members to ensure retirement by rotation
2 <sup>nd</sup> AGM	March 2009		Presentation of first full-year set of independently audited accounts
Formal Review	2011		3 years after first company AGM, to report to Economic Development Minister on effectiveness of powers and duties and financial probity. This will include a report from the Auditor-General

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