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# 2020 the year of the Pandemic

# Plans for 2020



Where we were at the start of the year

- **New vessel purchase agreed and deposit paid February** (10<sup>th</sup> Feb) – due to enter service May 2021
- **Bon Marin** - to be sold (Finnish buyer found to take delivery in March/April)
- **Sark Belle** - to be sold (UK buyer found and was planning to take delivery in late July/August)
- **Sark Venture** – In order to ensure resilience against the planned fleet reduction; modernisation work was planned for the Sark Venture. The Sark Venture fitted with new main engines, radar and plotter replaced and cabin refurbished. (seats re-covered, panels replaced, flooring renewed)

# Plans for 2020



## What happened to the plans?

- **New vessel purchased March 19<sup>th</sup>** – paperwork completed 24 March. The vessel is currently in St Malo and being superintended by previous owner. Company is working with Bureau Veritas to complete certification and re-flagging.
- **Bon Marin** - to be sold to Finnish buyer – Finnish buyer postponed purchase but is still looking to purchase and take delivery at some point in 2020.
- **Sark Belle** - to be sold UK buyer found and was planning to take delivery in late July/August – still interested but will re-contact us October/November.
- **Sark Venture** – Further work on the Sark Venture was stopped in the last week of March. At this stage the Company was trading at **-£169,254** further cash liabilities due in April of **£50,000** to general creditors and a further liability of **£50,600** with only cargo revenue coming in and no short term prospect of revenue from passenger traffic in order to not make the financial situation worse work was stopped.

In addition, as the potential impact of the Pandemic increased with the number of cases Guernsey a decision was taken to “Silo” one crew in order that IF there was an infection of the operating crew we would have an alternative crew to operate the cargo service. Working hours were reduced for crew and Office staff in the first stages and subsequently (with the support of the States of Guernsey and no cost to the Company) several crew and office staff were “Furloughed”.

# Plans for 2020



## What happened to the plans?

- **Sark Venture (continued)** – Although things appear to be “back to normal” in Guernsey, and despite our best efforts the impact of the Pandemic is still effecting the UK and efforts to get the Venture into service.

From: Javed Munir [<mailto:Javed.Munir@mcga.gov.uk>]

Sent: 18 August 2020 10:56

To: Yan Milner

Cc: Christopher D Alcorn; Mark Bickell; Southampton Marine Office

Subject: RE: Isle of Sark Shipping - Sark Venture Lightship and incline survey

Good Morning Yan

As explained in our telephone conversation , I wanted to confirm that currently MCA surveyors are not travelling overseas for surveys and neither attending ships arriving into mainland UK ports from overseas as a policy control measure for Covid 19.

The situation is monitored constantly and should there be any ease in above restrictions we would be more than happy to attend the Sark Venture.

Please keep in touch with Mark / Southampton MO for further updates.

Thank you ,

kind Regards

Javed

-----  
Capt. Javed Munir  
Maritime and Coastguard Agency

Principal Marine Surveyor

## What Happened? – a timeline

Up until the middle of March, although there were signs that the season might be disrupted the scale of the disruption that would be caused by the pandemic was unknown.

As local (Guernsey) cases increased Sark took the decision to close its borders to visitors on 21<sup>st</sup> March. Initially this was to be for a 14 day period and to be reviewed.

Guernsey and Sark issued “Lockdown” instructions on 24<sup>th</sup> March. All normal passenger services to Sark ceased on 25<sup>th</sup> March.

With the prospect of no passenger revenue for the remainder of the season financially the Company was in a serious situation.

Financial projections and cost saving/operating plans to keep within the projections were produced and support was requested from Chief Pleas, Eventually a package was agreed with P&F and the Bank to carry the Company through the season and 2021.

## What Happened? – a timeline

Following instructions received from the ROS the clear stated prime objective for the Company was:

- ***To maintain the lifeline cargo service at the most economical operating cost.***
- ***To ensure the long term financial viability of the Company, to operate within the financial forecast, saving costs wherever achievable in order to maintain or reduce the negative financial position projected in the forecast.***

*This approach and the forecast was also agreed with the lender (the bank)*

At this stage (April) we were told to expect no passenger revenue until the beginning of 2021 when modelling our operating schedule & budgets and we were to plan on operating a two day a week cargo only service.

This was done and Bank support was secured to carry the Company through.

## What Happened? – a timeline

On 1<sup>st</sup> June Bailiwick travel was allowed and Sark re-opened its borders.

Due to the uncertainty over the level of demand and in order to keep in line with our prime objectives (still in place) it was decided that it would be prudent to phase in the schedule rather than commit to a full schedule that may/could lead to the Company committing to services that could lead to further losses.

We therefore published a “core” schedule that with early demand indications we are fairly confident they will contribute to a positive financial position rather than lead to a negative financial position against the forecast. The schedule covered what are historical high demand days and times and gives certainty and the opportunity for staying visitors (who tend to book further in advance) the chance to book accommodation and travel. In order to ensure we do not commit to loss making services the less high demand services (0800/0900, 1700/1800 1145/1245) will be added to the schedule as demand dictates.

Day trip bookings, particularly in the case of Guernsey residents tend to be booked at very short notice and are highly weather dependant/influenced.

### Potential market estimate Guernsey resident only

<b>Average "normal" market size</b>	<b>Visitor</b>	140,000
	GY resident	50,000
	<b>Total</b>	<b>190,000</b>
<b>Average "normal" volume</b>		<b>50,000</b>
Percentage market penetration		26%
<b>Potential Market - no visitors</b>		<b>50,000</b>
<b>Estimated maximum potential volume @26%</b>		<b><u>13,000</u></b>

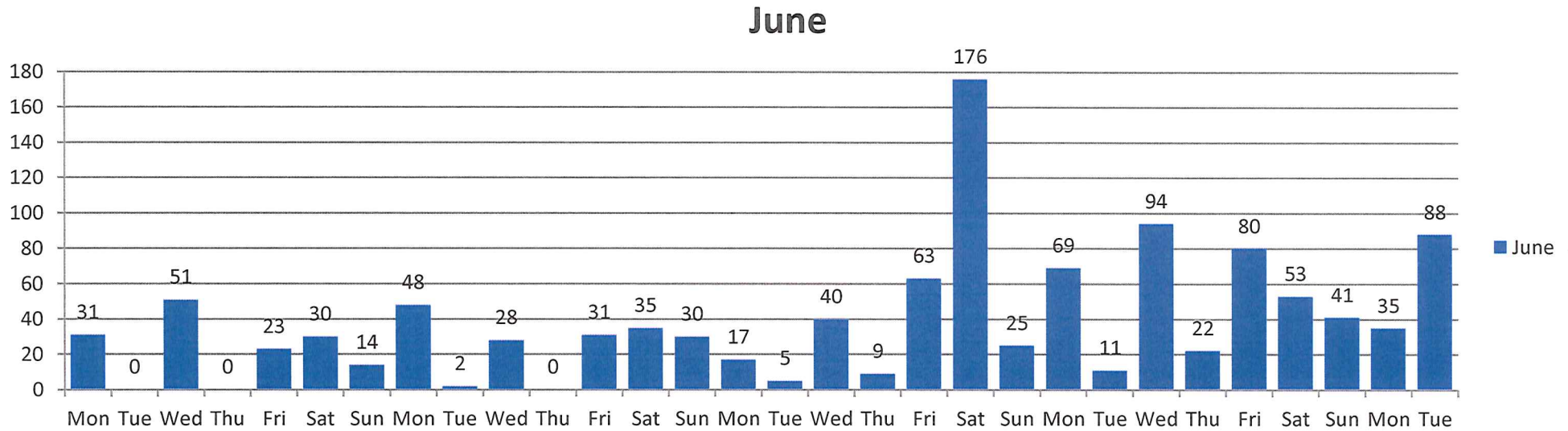
*Note: carried as of 18<sup>th</sup> August **12,093** passengers*

*Booked yet to travel **3,631** passengers*

**Total 15,724**



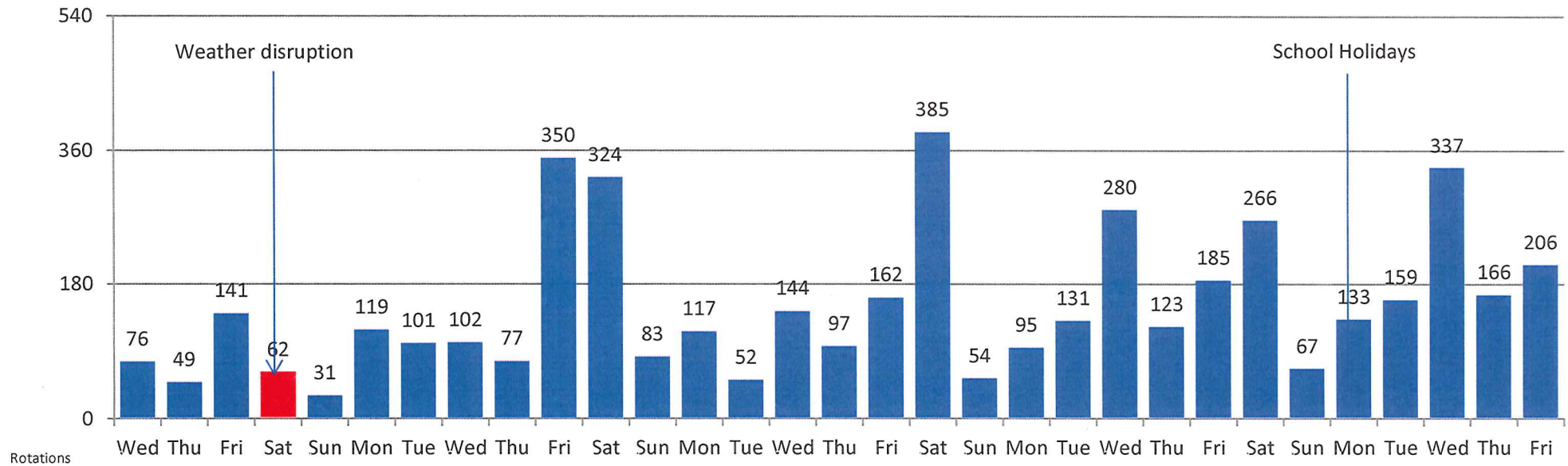
# Guernsey Sark am sailings June actual carrying/capacity on sale



Day	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Thu
Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Rotations	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	2	1	1	1	1	1	1
Travelled	31	0	51	0	23	30	14	48	2	28	0	31	35	30	17	5	40	9	63	176	25	69	11	94	22	80	53	41	35	88
Capacity (am)	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	360	180	180	180	360	180	180	180	180	180	180
Load Factor %	17	0	28	0	13	17	8	27	1	16	0	17	19	17	9	3	22	5	35	49	14	38	6	26	12	44	29	23	19	49

Throughout June capacity supplied on the core schedule was well in excess of the underlying demand.  
The average load facto for the month 19%

# Guernsey Sark am sailings July actual carrying/capacity on sale

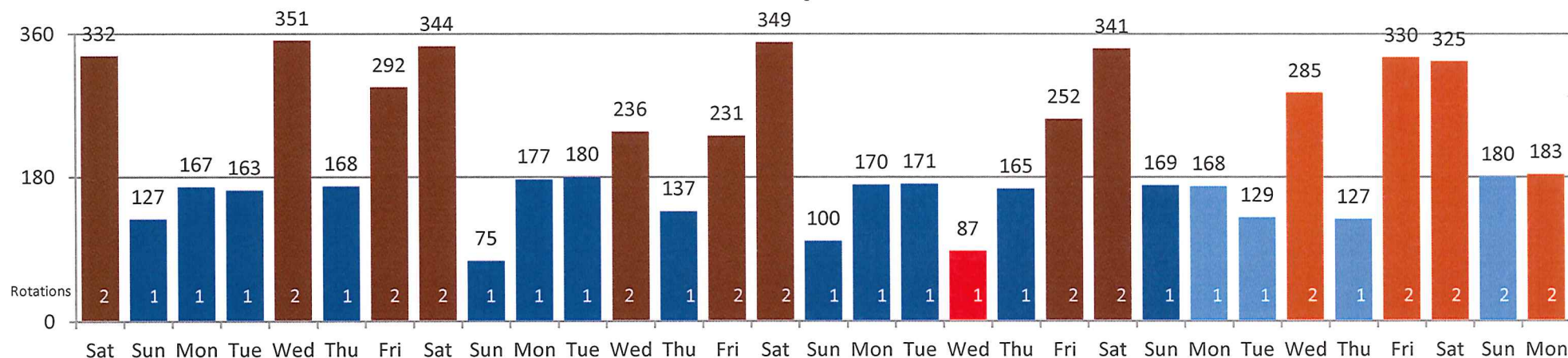


Day	wed	thu	fri	sat	sun	mon	tue	wed	thu	fri	sat	sun	mon	tue	wed	thu	fri	sat	sun	mon	tue	wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Rotations	2	1	1	1	1	1	1	2	1	2	2	1	1	1	2	1	1	3	1	1	1	2	1	2	3	1	1	1	2	1	2
Travelled	76	49	141	62	31	119	101	102	77	350	324	83	117	52	144	97	162	385	54	95	131	280	123	185	266	67	133	159	337	166	206
Capacity (am)	360	180	180	180	180	180	180	360	180	360	360	180	180	180	360	180	180	540	180	180	180	360	180	360	540	180	180	180	360	180	360
Load Factor %	21	27	78	34	17	66	56	28	43	97	90	46	65	29	40	54	90	71	30	53	73	78	68	51	49	37	74	88	94	92	57

It is accepted that there are/have been days where passenger may not be able to take their preferred day or time of travel (particularly Saturday) However, as the chart and table above illustrate there is available space on every day. The average load factor for the month 58%

# Guernsey Sark am sailings August actual/booked as of 23<sup>rd</sup> Aug carryings/capacity on sale

## Travelled/booked



Day	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon
Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Rotations	2	1	1	1	2	1	2	2	1	1	1	2	1	2	2	1	1	1	2	1	2	2	1	1	1	2	1	2	2	2	2
Travelled	332	127	167	163	351	168	292	344	75	177	180	236	137	231	349	100	170	171	87	165	252	341	169	168	129	285	127	330	325	180	183
Capacity (am)	360	180	180	180	360	180	360	360	180	180	180	360	180	360	360	180	180	180	180	180	360	360	180	180	180	360	180	360	360	360	360
Load Factor %	92	71	93	91	98	93	81	96	42	98	100	66	76	64	97	56	94	95	48	92	70	95	94	93	72	79	71	92	90	50	51

It is accepted that there are/have been days where passenger may not be able to take their preferred day or time of travel (particularly Saturday) However, as the chart and table above illustrate there is available space on every day. Sailings are added to the schedule where required.

Additional rotations have been added:  
 0800/0900 & 1700/1800 Friday 7<sup>th</sup> August  
 0800/0900 Friday 14<sup>th</sup> August, Friday 21<sup>st</sup> August  
 0800/0900 & 1700/1800 & 2030 x Sark Friday 28<sup>th</sup> August (mower hill climb)  
 0800/0900 & 1700/1800 Monday 31<sup>st</sup> August  
 0800/0900 Sunday 30<sup>th</sup> August  
 We have also added 1800 Sark – Guernsey 16<sup>th</sup> 23<sup>rd</sup> & 30<sup>th</sup> August

# Volume Performance/Financial



## Volume performance

	Staying Visitors		
	2020	2019	2018
July	3131	3438	2772
August	3720	2764	2419
September	658	1308	1507
<b>Total</b>	<b>7509</b>	<b>7510</b>	<b>6698</b>

	Day trippers		
	2020	2019	2018
July	2797	8439	7775
August	3785	8408	8229
September	304	4521	4867
<b>Total</b>	<b>6886</b>	<b>21368</b>	<b>20871</b>

Day trip % reduction 2019      **-68**  
 Day trip % reduction 2018      **-67**

Staying visitor 2019 %variance      **0**  
 Staying visitor 2018 %variance      **12**

## Financial performance

### Bank overdraft at end of month (July)

Forecast	Actual
<b>(-£200,642)</b>	<b>(- £10,044)</b>

The current projections for August both volumes and revenues are likely to improve the position further.

# Venture update 7<sup>th</sup> August 2020



## **Engines pipework (fuel and cooling) fitting complete.**

Main engine control and monitoring electronics nearly complete final fitting taking place w/c 10<sup>th</sup> August

General electronics (lighting, emergency lighting, 240 volt etc.) to be completed w/c 10<sup>th</sup> August

## **Port upper exhaust system complete**

Starboard upper exhaust system to be completed Monday 10<sup>th</sup> August/Tuesday 11<sup>th</sup> August

Radar/plotter replacement system to be fitted following completion of exhausts (to avoid risk of damage to upper outside electronic from proximity to welding)

## **Passenger cabin replacement panels fitted.**

## **Seats 50% fitted in tracks (not priority fitted around other work)**

New flooring will be fitted when cabin is complete (not required for certification low priority)

Stat X fire suppression system (This was a item not budgeted in the project but we will now be required to replace the current system with an updated installation – paid for and with supplier ready for fitting) date to be confirmed will be scheduled in the next 2 weeks

Main engine commissioning – We will be required to have a representative of the manufacturer/supplier of the main engines present for commissioning in order to ensure that we meet the terms and conditions for warranty. (Proteum have been advised that the target date is last week of August and are able and willing to attend)

**Lightship & and incline survey Target date 1<sup>st</sup>/2<sup>nd</sup> week September–** MCA have been contacted currently they are NOT undertaking overseas surveys (this includes Guernsey) However, We have asked for dispensation if the situation remains unchanged in September. As an alternative we have also asked for a view if we should sail the Venture to the UK to undertake the survey in either Southampton or Weymouth. We are awaiting a response from the Technical Manager but with either case the target date (unless things change ref Covid) is considered achievable and realistic.

# New Vessel update 7<sup>th</sup> August 2020



The vessel is currently in St Malo in the inner harbour. It is being looked after by the previous owners who are turning over the main engines and ensuring the batteries are charged (no cost)

The Company is working with Bureau Veritas to complete a drawing /plan review. This is nearly complete and we are awaiting confirmation from BV of outstanding items required to be in place before survey.

The next step is to complete a “Class Renewal Survey” . Advice from BV is that this could be more readily done in France rather than in Guernsey or the U.K. – If there is work required to be done that arises from the drawing review that must be done before the survey we will plan to move the vessel to Guernsey to carry out the work (Due to lack of resources/manpower this will be timed to take place once work on the Venture is completed. (If required delivery to Guernsey will be carried out by previous owners).

Once the class survey is complete the Guernsey Harbour authority have indicated that they would consider issuing a passenger operating certificate based on the BV survey rather than involving the MCA (not a certainty but GHO supportive).

There will also be a requirement to carry out a tonnage survey to complete the changeover to UK Flag , all other paperwork except the tonnage survey and the passenger certificate is with the registry and has been accepted.

Target date to get the vessel certified – early October- priority is Venture first.  
Crew familiarisation, port trials, modifications and re branding to be carried out over winter.

# Summary



Despite the challenges that have been brought about due to the Pandemic the Company is in a stable situation.

Volumes and revenues are positive and our financial situation is much better than was forecast (as the forecast, loans etc. were based on zero passenger volume and revenue ALL passenger carryings improve the situation as long as control is kept on cost to ensure that the margin is maintained between the cost of the operation and the revenue from the reduced market volume). This is being ensured by efficient use of crew and maintaining good load factors (filling the boat where possible) whilst servicing the demand. Forward bookings are also looking positive and staying visitor numbers are very encouraging.

Work is continuing to get the new vessel and the Sark Venture into service and progress is being made on both; albeit slow in the circumstances as many of the issues, such as the MCA survey is out of our control.

We do realise that this year is to say the least “unusual” schedules are not as normal (to ensure efficiency) and some of the changes may have been inconvenient for residents, please be assured that what we have done/are doing is in the best interests of the Company and to ensure our long term viability and the viability of the lifeline route to and from Sark

# Conclusion



## A way Forward? Options

The Memorandum of Understanding 3.4 – Gives Sark the opportunity to appoint an independent Liaison Person to work on their behalf.

- 3.4 Finance & Resources Committee will appoint a liaison officer who will act as the principal point of liaison between Chief Pleas, Finance & Resources Committee, Harbours & Shipping Committee and the Company on a day to day basis. The liaison officer will assist and support the Company in meeting its obligations under this memorandum of understanding and will provide a sounding board for the Company and its executive directors on matters of shareholder interest. Finance & Resources Committee will take into account the views of the Harbours and Shipping Committee in relation to operational costs, and the pricing structures and levels for passenger and freight services. Nothing in this Memorandum of Understanding shall render the liaison officer as an employee of the Company.

The Company has already offered to open up the financial details, from the day to day processes and procedures to the planning and budgeting process to the Sark Treasurer acting on behalf of Policy and Finance and invited them to visit the office on a regular basis to see the financial operation ask questions and be aware/privy to the financial planning process

To date we have had no response but the offer still stands



# Conclusion

## A way Forward? Options

The Memorandum of Understanding 5.4 – Gives Sark the opportunity to require the Company to commission and independent review

- 5.3 The Company will, if required by Finance & Resources Committee, commission a triennial external efficiency review of its operations, the arrangements and terms of reference for which will be subject to the approval of the Finance & Resources Committee. The Company will be responsible for meeting the costs of this review.

The Company Directors would be more than happy to commission an independent review and agree to abide by the findings or recommendation of the review.

# **Operational Service Level Agreement**

**between:**

**The Isle of Sark Shipping Company Limited**

**and**

**Chief Pleas of Sark**

(acting by and through the Harbours & Shipping Committee).

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**This Agreement** is dated the 31 AUGUST 2018, and is made

**Between:**

- 1 Harbours & Shipping Committee: Chief Pleas, being the government of Sark, acting by and through the Harbours & Shipping Committee, whose address for service is at the Committee Office Chasse Marette, Sark GY10 1SF, and
- 2 Company The Isle of Sark Shipping Company Limited, (registered in Guernsey with company registration number 1735), whose address for service is at White Rock, St Peter Port, Guernsey GY1 2LN

and together referred to as 'the parties'.

**Background**

- (A) The Isle of Sark Shipping Company Limited is wholly owned by the Sark Government of Chief Pleas and is a key community resource. The Company provides a year-round lifeline passenger and freight service for the residents and businesses of Sark and visitors to the Island.
- (B) The Service is licenced under the Alderney and Sark (Licensing of Vessels) Law, 1951. The licence is issued by the office of the Lieutenant Governor.
- (C) The relationship between the Company and Chief Pleas as shareholder is governed by a memorandum of understanding between the parties and dated with the same date as this Agreement.
- (D) This Agreement addresses and governs the relationship between the Company and Chief Pleas (acting by and through the Harbours & Shipping Committee) in relation to the procurement and operation of shipping and freight services for the Island of Sark.
- (E) A reference in this Agreement to any committee of Chief Pleas includes any committee or other body which succeeds to the functions of that committee.

**Operative Provisions**

**1. Objectives**

- 1.1 The Isle of Sark Shipping Company Limited has agreed a Mission Statement which has as its' primary objective:

*"To ensure the sustainable provision of a safe, reliable, friendly and efficient passenger and freight shipping service for the residents of Sark and visitors to Sark"*

- 1.2 Whilst the island's requirements are not expected to change materially in the next five to ten years, the Company must ensure that achieving growth in the visitor market and providing adequate capacity for cargo shipment is an ongoing objective of its business plan.
- 1.3 The Company will work pro-actively with the island businesses' and all relevant committees of the Sark Government with the aim of increasing the volumes of passengers and cargo to and from Sark.
- 1.4 Where commercially appropriate for the economic prosperity of the island and the financial health of the Company, the Company will endeavor to align with, assist and support Sark Tourism Sales, Marketing, and promotional initiatives.

## **2. Term and Renewal**

- 2.1 This Agreement shall commence on the 1<sup>st</sup> August 2018 (commencement date) and shall continue in force until the expiry date of 31<sup>st</sup> July 2023 (expiry date) unless it is terminated in accordance with clause 2.3.
- 2.2 Unless:
  - 2.2.1 terminated in accordance with clause 2.3; or
  - 2.2.2 the Harbours & Shipping Committee gives to the Company not less than six months written notice before the expiry date to the contrary, this Agreement shall continue in force for a further period of five years (or such other period as may be agreed) on the same terms and conditions as are contained in this Agreement except
    - (a) for this clause 2.2; and
    - (b) that the expiry date of the Agreement shall be amended to the date of the expiry of the further term; and
    - (c) the rates and other payment provisions to apply under the Agreement shall be those as are then agreed between the parties.
- 2.3 This Agreement may be terminated by the Harbours & Shipping Committee at any time by giving to the Company not less than six months' notice in writing.

## **3. Company Obligations**

### **Compliance with Regulations**

- 3.1 The Company shall at all times undertake to ensure that it complies with all relevant and applicable legislation regulations and codes (Regulations) relating to shipping operations for the routes operated by it.

- 3.2 The Company will ensure that all seagoing and office staff are appropriately trained and qualified for their roles.
- 3.3 If new regulations come into force during the term of this Agreement, the Company must notify to, and agree with, the Harbours & Shipping Committee the likely effects of the change, including:
- 3.3.1 whether any changes are required to this Agreement or the performance measures in operation;
- 3.3.2 any ways in which the Company can mitigate the effect of the specific change, including those steps the Company propose to take to minimise any increase in costs.

#### **Health and Safety**

- 3.4 The Company shall maintain a Safety Management System relating to both ship and shore side operations, as required by Regulations.
- 3.5 In addition to the statutory reporting, The Company will report to the Harbours & Shipping Committee agreed health and safety performance information and metrics.
- 3.6 In the case of any accident or incident
- 3.6.1 where there is a statutory requirement to report to an external authority; or
- 3.6.2 if there is a risk of adverse media interest or reputational damage to either the Company or to the Government or Island of Sark,
- the Company must inform all members of Harbours & Shipping Committee and, additionally in the case of any serious incident, the Sark Tourism Office, immediately in writing or by e-mail, and shall continue to provide regular updates to them as appropriate.

#### **Insurance**

- 3.7 The Company shall maintain adequate insurance cover, including third party liability cover, for all of its ship and shore side operations.

#### **Company Law requirements**

- 3.8 The Company shall ensure that it will comply at all times with Sark and Bailiwick of Guernsey company law requirements.

#### **Maintenance and Certification**

- 3.9 All vessels in the Company's fleet will comply with any Regulations and the requirements of any regulatory authority including a harbour authority, any classification society, insurers and or other agency requirements or standards that may be applicable.

- 3.10 The Company shall design and schedule its vessel maintenance programme so as to ensure, with all reasonable foresight, provision and continuation of the Services in accordance with the Performance Measures and shall ensure the ability to provide the "Minimum Service Schedule" and capacity for both passengers and cargo services.

## **Compliance**

The Company shall provide evidence of compliance with each of the requirements of this clause 3 promptly upon request by the Harbours & Shipping Committee. The Company shall report to the Harbours & Shipping Committee promptly any non-conformity of which it becomes aware particularly where there is a significant or material risk of actual or potential damage to the Company, the Government or Island of Sark or their respective reputations.

## **4. Information/Confidential Information**

- 4.1 All financial and operational performance information is agreed by the parties to be commercially confidential within the meaning of this clause 4 unless otherwise agreed in writing by both parties.
- 4.2 The Company will share data and information as reasonably appropriate to aid and encourage tourism to Sark.
- 4.3 Neither party shall use or disclose to any third party the other's confidential information for any purpose other than to achieve the objectives or perform its obligations as set out in this Agreement except where:
- 4.3.1 it is used and or disclosed with the consent of the party whose confidential information it is;
  - 4.3.2 that information is already in the public domain without a breach of the duty of confidentiality contained in this Agreement by the party wishing to use or disclose it;
  - 4.3.3 that information was already known to the party who wishes to use or disclose it free from any confidentiality obligations;
  - 4.3.4 it is disclosed pursuant to clause 4.4.

Except as set out in clauses 4.3.1 to 4.3.3 (inclusive) each party shall treat all confidential information belonging to the other as confidential and shall make all reasonable and proper efforts to safeguard it appropriately,

- 4.4 Neither party shall disclose any confidential information to a third party except:
- 4.4.1 to its employees, officers or advisors where it is necessary to fulfil any of its obligations under this agreement and or achieve the objectives and on condition that the disclosing party shall ensure that their employees, officers or advisors do not disclose such confidential information except to fulfil those obligations or achieve the objectives; and or

4.4.2 (in the case of the Harbours & Shipping Committee) to Chief Pleas, any other Committee of Chief Pleas or to its auditors pursuant to its obligations of good governance.

## **5. Service Review**

### **Comprehensive Service Review**

- 5.1 In order to ensure that the service offered meets the needs and requirements of the market, and aligns with the objectives set out in this Agreement including any strategic requirement of the Sark Government as agreed by Chief Pleas, an in house comprehensive service review shall be undertaken by the Company no later than the third anniversary of the commencement date and (if the term of this Agreement is extended) upon each subsequent third anniversary of the date of this Agreement.
- 5.2 The comprehensive service review shall benchmark the service from that existing at the commencement date.
- 5.3 The review must cover all aspects of both the passenger and cargo service to include, but not be limited to, capacity, times, frequency, seasonal variation, products and pricing.
- 5.4 The final signed off comprehensive service review report shall be forwarded by the Company to the Harbours & Shipping Committee and which may be disclosed by them to any relevant Committees of Chief Pleas (including the Finance and Resources Committee) as part of the Harbours & Shipping Committees strategic report.

### **Annual Service Review and proposed changes to the Service**

- 5.5 Not later than 31<sup>st</sup> October in each year and prior to the publication of schedules for the service in the following year the Company will review the performance of the service and present to the Harbours & Shipping Committee the annual performance report and any proposed changes to the service.
- 5.6 Following any initial feedback from the Committee the Company will also consult with all relevant stakeholders (customers, staff, accommodation providers, restaurants, carters, and carriage hire providers and similar) to obtain feedback on the schedule, the performance of the service and any proposed changes including those relating to frequency, times, capacity or prices.
- 5.7 Any proposed changes to the service, taking into consideration the feedback referred to in clause 5.6, should then be re-presented to the Harbours & Shipping Committee for final approval.
- 5.8 If there is any dispute regarding the proposals between the Company and the Harbours & Shipping Committee the changes will be referred to Chief Pleas for debate.



5.9 The Company is not required to operate services in excess of the "Minimum Service Schedule" (see table 1) and "Minimum Capacity" requirements (table 2). The company is at liberty to apply any price increases that fall within the passenger and freight price adjustment threshold.

## **6. Agreement and Service Specification Changes**

If either party requires a variation to the terms of this Agreement or a change to the specification of the services listed in this Agreement to be provided by the Company (including but not limited to the service requirements), it shall serve a written change notice on the other party.

- 6.1 The request for change should set out the proposed variation required in sufficient detail to enable the other party to evaluate the proposed variation, and its implications.
- 6.2 The written request should specify the reasons for the proposed variation; and specify any applicable time constraints or deadlines relating to the proposed variation.
- 6.3 Within a reasonable period of time following the receipt of the request the Company shall set out a detailed change analysis of the proposed variation to contain:
  - 6.3.1 the anticipated impact of the proposed variation on the provision of the service by the Company;
  - 6.3.2 any impact on costs or revenue that may result;
  - 6.3.3 any other amendments required to this Agreement as a result of such proposed variation;
  - 6.3.4 a proposed timetable for implementing the proposed variation.
- 6.4 As soon as practicable after delivery of a change analysis the parties shall meet to consider the proposed variation. Neither party shall unreasonably refuse or delay consent to a change notice where the change is required to meet a legal requirement or is to meet reasonable health and safety concerns.
- 6.5 If there is any dispute regarding the proposals between the Company and the Harbours & Shipping Committee the changes will be referred to Chief Pleas for resolution.

### **Contingency Changes**

- 6.6 It is recognised that from time to time there may be a need to adjust or reduce schedules for unforeseen operational, technical, or weather reasons. If the duration of the alteration to scheduled/timetabled services is greater than 24 hours the Harbours & Shipping Committee shall be informed of the likely impact, duration and consequence of the alteration, and the Company's contingency plans that are being implemented to mitigate the impact of the alteration to scheduled services or capacity.

6.7 During any disruption to the scheduled service the Company will use reasonable endeavours to ensure that all passengers are informed of the alteration to services and re- booked as appropriate.

## 7. Services

### Minimum Service Schedule

7.1 The Minimum Service Schedule sets out the minimum requirement for both passenger and freight services to and from Sark using the Company's current vessels at the commencement of this Agreement. It is assumed that these services will be provided using the Company's current vessels.

7.2 Although not closely defined, the Company will provide services within the Minimum Service Schedule that are scheduled to depart and arrive at optimum times, as defined by the market, in order to increase or maintain passenger and cargo volumes, provide day trip and period return opportunities, minimise expense, and maximise operational efficiency.

7.3 The Minimum Service Schedule and seasonal variations are listed in Table 1:

Table 1

Minimum Service Schedule (number of rotations per week)					
Sector	Winter Season (November to second week of April)	Early Season (Second week of April to first week of May)	Shoulder Season (Second week of May to end of June)	Summer Season (First week of July to second week of September)	Late Season (Third week of September to end of October)
Passenger	3 x a.m. rotations to Sark 3 x p.m. rotations to Sark	9 x a.m. rotations to Sark 7 x p.m. rotations to Sark	10 x a.m. rotations to Sark ( <i>must include 6X @ 10:00 plus or minus 15 minutes</i> ) 10 x p.m. rotations to Sark	15 x a.m. rotations to Sark ( <i>must include 7X @ 10:00 plus or minus 15 minutes</i> ) 13 x p.m. rotations to Sark	10 x a.m. rotations to Sark 7 x p.m. rotations to Sark
Freight	2 rotations	3 rotations	3 rotations	3 rotations	3 rotations
Extra sailings	10 x "shopping days"  Additional Christmas – as required  Additional sailings for Easter Holiday period providing capacity to meet historic demand	Additional sailings for Easter Holiday period providing capacity to meet historic demand		Additional rotations for Folk Festival & Sheep Racing - providing capacity to meet historic demand	

7.4 The agreement does not require the Company to provide any services above the Minimum Service Schedule. It is acknowledged that from time to time the Company may operate additional services that exceed the minimum requirement in response to commercially viable circumstances. The operation of these services does not oblige the Company to continue the enhanced service and at any time it may revert to the Minimum Service Schedule.

7.5 Any request to change the schedule to less than listed in table 1 must be made using the Service Specification Changes process in clause 6.

### Minimum Capacity

7.6 The Minimum Capacity sets out the minimum requirement for both passenger and freight services to and from Sark prior to the commencement of this agreement.

7.7 The capacity requirements and seasonal variations are listed Table 2:

Table 2

Minimum Capacity					
Sector	Winter Season (November to second week of April)	Early Season ( Second week of April to the first week May)	Shoulder Season (Second week of May to end of June) [Note 1]	Summer Season (First week of July to second week of September) [Note 1]	Late Season (Third week of September to end of October) [Note 1]
Passenger	80 passenger spaces per rotation to Sark  80 passenger spaces per rotation from Sark	80 passenger spaces per rotation to Sark  80 passenger spaces per rotation from Sark	180 passengers x 6 @ 10:00 am rotations to Sark 120 x remaining 5 rotations. 120 passengers per rotation from Sark [Note 2]	240 passengers x 6 10:00 @ am rotations to Sark 120 x remaining 9 rotations. 120 passengers per rotation from Sark [Note 2]	120 passenger spaces per rotation to Sark  120 passenger spaces per rotation from Sark
Freight	60 tonnes per week each way Or equivalent cube volume	90 tonnes per week each way Or equivalent cube volume	90 tonnes per week each way Or equivalent cube volume	90 tonnes per week each way Or equivalent cube volume	90 tonnes per week each way Or equivalent cube volume
Extra sailings	80 passengers each way per "shopping days" plus additional Christmas – as required			Additional rotations for Folk Festival & Sheep Racing - providing capacity to meet historic demand	

7.8 In the event that multiple vessels are required to meet the minimum capacity, multiple vessels will only be used if there is sufficient customer demand on the day

7.9 Shoulder Season and High Season pm capacity should match or exceed outward 1000 am demand/sales.

- 7.10 The agreement does not require the Company to provide any availability above the minimum capacity. It is acknowledged that from time to time the Company may operate additional services and provide additional capacity that exceeds the minimum requirement. The operation of these services, and the additional capacity that they provide, does not oblige the Company to continue the enhanced service and at any time it may revert to the Minimum Service Schedule and Capacity.
- 7.11 Any request to change the capacity to less than that listed in Table 2 must be made using the Service Specification Change process in clause 6.

#### **Non-core operations**

- 7.12 Under no circumstances shall additional or non-core services be allowed to impact on the normal service provisions to or from Sark unless prior agreement has been obtained from the Harbours & Shipping Committee

#### **8. Fares and Charges**

- 8.1 All information and details on standard fares, tariffs, freight and other charges will be available to all customers before they have to commit to doing business with the Company.

#### **Passenger fares and products**

- 8.2 The Company will offer a range of fares and products suitable for the market including: single sector fares, period return, day return, and promotional fares.
- 8.3 Fare categories will include as a minimum, adults, children, infants, Sark students and a category for domestic pets. Neither the Company nor its directors or employees have any discretion to agree free transport for any purpose to any person or organisation not being part of the Company except only as may be included as part of a genuine promotional activity on behalf of the Company.
- 8.4 From time to time, for commercial or promotional reasons, the Company may introduce other categories of fares or products, however these additional fares and products may be withdrawn at any time without reference to the Harbours & Shipping Committee.

#### **Maximum Fares**

- 8.5 The maximum fares are the maximum cost for any of the fare type or passenger categories from the commencement of this agreement. The maximum cost as at the commencement date are shown in Table 3: *(Note these fares are to be reviewed to show current prices)*

*Table 3*

<b>Maximum Passenger Fares</b>
--------------------------------

Fare Type	Single	Return	Day Return
Adult	£14.25	£28.50	£28.50
Child	£6.60	£13.20	£13.20
Infant	Free	Free	Free
Sark Student	Less 10%	Less 10%	Less 10%
Dog	£5	£10	£10

8.6 The Agreement does not require the Company to provide any fares below the maximum fare. It is acknowledged that from time to time the Company may offer additional fares and products that are priced below the maximum published fare. The availability of these fares does not oblige the Company to continue with the enhanced offers and at any time it may revert to the Maximum fare.

#### Fare Changes

8.7 Fares may be increased by the Company on an annual basis by the same annual increase in the Guernsey Retail Prices Index (RPI) using the index figure for March and comparing it with the March figure in the previous year (indexation).

8.8 Fare changes in excess of indexation must be referred to the Harbours & Shipping Committee for approval using the Change of Service Specification process in clause 6.

8.9 In the event that the Harbours & Shipping Committee cannot agree the increases with the Company the fare increases may be referred to Chief Pleas for resolution.

8.10 In the event that the Company wishes to introduce any supplements or surcharges such as a fuel supplement or surcharge the request should be referred to the Harbours & Shipping Committee using the Change of Service Specification process in clause 6.

#### Freight Charges

8.11 The Company shall publish a full and detailed list of cargo tariffs to and from Sark which will be made available to all customers from time to time.

8.12 The range of prices and conditions as in place at the commencement date shall apply.

8.13 Prices may be increased by the Company on an annual basis by the same annual increase in the Guernsey Retail Prices Index (RPI) using the index figure for March and comparing it with the March figure in the previous year (indexation).

8.14 Price changes in excess of indexation must be referred to the Harbours & Shipping Committee for approval using the Change of Service Specification process in clause 6.

8.15 In the event that the Harbours & Shipping Committee cannot agree the increases with the Company the price increases may be referred to Chief Pleas for resolution.

8.16 In the event that the Company wishes to introduce any supplements or surcharges such as a fuel supplement or surcharge the request should be referred to the Harbours & Shipping Committee using the Change of Service Specification process in clause 6.

### Offers and promotions

8.17 All special offer fares or promotions will be made available to both Guernsey originating and Sark originating traffic where it is commercially or operationally appropriate to do so.

### 9. General services promotion and advertising/information

9.1 The Company will use reasonable endeavours to ensure that access to promotions, awareness and information regarding promotions is made accessible to Sark residents through a variety of media.

9.2 The Company will make available, on the vessels, in the offices and waiting room, display space for promotional material, for the use by Sark Tourism and Sark businesses. The Company may refuse to display material from Sark businesses that is reasonably considered by them to be inappropriate.

### 10. Performance Measures (KPIs)

10.1 The Harbours & Shipping Committee and the Company have agreed a set of operational performance and customer service measures covering both the passenger and freight services.

10.2 The Company shall provide the Harbours & Shipping Committee with monthly reports on its performance against the performance measures set out below, including, where relevant, measures put in place to mitigate against these issues in future:

Item	Topic	Key Performance indicators
1	Freight and Passenger Volumes	<ul style="list-style-type: none"> <li>Passenger and freight volumes are a measure of the Company's revenue,</li> <li>and can be used as a measure of success for sales and Marketing initiatives.</li> <li>Passenger numbers (volumes)</li> <li>Freight Tonnage (split Guernsey and Sark originating)</li> </ul>
2	Cancellations	Cancellations should be reviewed against a category of cause, i.e. weather, technical operational.
3	Schedule performance	<p>Schedule performance is a measure of punctuality and should record any material delay to the scheduled service also recording the cause of the event.</p> <p>The Company will report to the Harbours &amp; Shipping Committee on a monthly basis any material delays (+20minutes) to any scheduled sailing arrival and/or departure time in the month the report showing the cause of</p>

		the delay and noting any remedial action taken to prevent recurrence.
4	Customer satisfaction	Customer satisfaction records should include: <ul style="list-style-type: none"> <li>• Complaints – and the subject.</li> <li>• Compliments- and the subject.</li> <li>• A record of the result of the customer feedback forms</li> </ul> Once, in each period of 12 months, a broader customer feedback survey should be undertaken.
5	Sales and Marketing Activity	The Company will report on passenger volumes to and from Sark and Sales and Marketing activities that have been put in place to enhance or support the volumes to assess whether the Company is meeting the objectives set out in this Agreement.
6	Health and Safety	Health and Safety reporting is a measure of compliance and performance against the operational and legislative framework that the Company works to. The Company shall report on Health and Safety, and the Safety Management System performance.

10.3 The Company shall promptly report to the Harbours & Shipping Committee, and or any other relevant Committee of Chief Pleas, any incident where there is either a legislative requirement to report or record the incident with a third party, or where this Agreement requires the matter to be reported.

## 11. Ticket Office

11.1 A portacabin sized 7350mm x 3050mm x 2500mm owned by the Company may be placed at Maseline Harbour free of charge for use as a ticket office and waiting room. It or any replacement of it, shall be placed in a position to be jointly agreed by the Company and the Harbours & Shipping Committee subject to approval of the Development Control Committee.

11.2 The licence in clause 11.1 may be revoked by Harbours & Shipping Committee by giving not less than 28 days written notice to the Company.

11.3 In the event that future changes to Maseline Harbour require the portacabin to be moved Harbours & Shipping Committee will use all reasonable and proper efforts to make available to the Company a similar sized space free of charge.

11.4 The Company will make available to the Harbourmaster a separately partitioned off section measuring not less than 3050 mm x 1030 mm for use as an office.

11.5 The Company is responsible for the payment of all utility charges supplied to the portacabin which is being used by them, and Harbours & Shipping Committee is responsible for the payment of all utility charges which are being used by Sark Harbourmaster. The Company is responsible for maintaining the interior and exterior of the portacabin in good condition and for public liability and other insurance.

## 12. Dispute Resolution

12.1 Any dispute arising regarding any provision of this Agreement or the provision of services that cannot be resolved by the parties may be referred by the Harbours & Shipping Committee to the full body of Chief Pleas for resolution.

12.2 During any period of negotiation the Company shall continue to operate under the conditions of the agreement, until the dispute is resolved.

### 13. Law

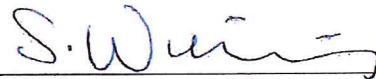
This agreement shall be governed by the law of Sark and the parties agree (subject to the provisions for dispute resolution) to submit to the jurisdiction of the Court of Sark.

### 14. Notices

Notices may be served personally or by prepaid post and sent to the address for service set out for the party on page 1. A notice will be treated as having been validly served at 9.00am on the next business day after it has been delivered personally or two business days after posting.

This Agreement was signed by the duly authorised signatories of the parties on the date set out on page 1.

Signed by Chief Pleas of Sark acting by and through the Harbours & Shipping Committee



Authorised Signatory

Signed by The Isle of Sark Shipping Company Limited



EXECUTIVE DIRECTOR

Authorised Signatory



## **POLICY & FINANCE COMMITTEE (P&F) HARBOURS & SHIPPING (INCLUDING PILOTAGE) (H&S)**

01/19

Minutes of the meeting with Isle of Sark Shipping (IoSS) held in Guernsey at Carey Olsen House, Les Banques. on **Monday 21<sup>st</sup> January 2019** at 12MD.

Present: IoSS : Peter Gill (PG) *Chairman*; Mark Dunster (MD), Yan Milner (YM), Paul Burnard (PB), Richard Graham (RG), Andy Cook (AC),  
P&F Committee: William Raymond (WR), Peter (Sam) La Trobe-Bateman (LTB), Simon Couldridge (SC), Chris Drillot (CD).  
H&S: Philip Long (PL), Sandra Williams (SW)

Lynda Higgins (LH), *Deputy Treasurer, ex officio*;  
Wendy Kiernan (WK), *Non Chief Pleas Member*  
Zannette Bougourd (ZB), *Committee Support Officer*

As with all Committees, these minutes are **confidential** and available only to Committee Members or as directed by The Chairman.

### **Vessel replacement.**

PG referred to YM who outlined the history of the Bon Marin (Bon). Since 2002 repairs and maintenance have been increasingly expensive and progressively difficult to source parts, after the last 5-year inspection it was noted that the passenger certificate would not be renewed beyond another 18 months taking it to the end of the 2019 season. The vessel has a wooden deck which does not comply with current standards for passenger vessels.

The options are:

- a) Build a replacement vessel
- b) Purchase a suitable secondhand vessel.

Current estimates for a new build are in the region of £3 million, or 3.5 million Euro, concern was noted regarding the effect of Brexit on the Euro which could be significant.

During the 2018/9 winter season there have been reliability issues with the Sark Venture (Venture), the engine is now obsolete, and parts are increasingly difficult to source. 100K has been budgeted for a re-engine at the end of the 2019 season.

Maintenance costs for the Sark Belle (Belle) are currently 23/4K pa, with a estimated 67K required for other works. The annual cost of standard maintenance is increasing and is currently 23/30K pa. Maintenance costs for the Sark Viking are approximately 50% of the other vessels. The current fleet is 30+ years old, annual paint costs are 4K alone.

CD asked what time frame was envisaged for replacement. YM - Initial enquiries showed that there were no suitable secondhand vessels in the UK, a 10-year-old replacement vessel would be in the region of 1 -1.5million, plus refurbishing costs and an allowance for a new engine giving approximate life span of 10 years.

SC asked if alternative construction from the current specification had been considered, YM replied that aluminium required a 5-year paint cycle, plastic was not much lighter and running costs would be similar, but it came down to cost. A new vessel would be able to carry more passengers, possibly 200-250, currently the Bon's maximum capacity was 130, if all the interior and exterior seating is used, the Belle's capacity varied between 80-160 depending on the weather. A new vessel could reduce journey times to approximately 30 minutes and reduce costs but must comply with local regulations and harbour restrictions. Current costs are 210K pa, including crew costs per vessel.

### **Fleet options for 2019 season (Repair Bon, or charter)**

YM – 2019 maintenance costs for the Bon were estimated at 60K.

PG noted that the MCA considered that the Bon was only able to be used to the end of the 2019 season. YM it was possible to maintain the current schedule if the Venture & Belle were 100%

but both vessels had reliability issues. A new vessel must be in place for next year and ideally before the winter. LTB confirmed IoSS recommendation of a second-hand charter with an option to purchase was recommended. MD noted that the timeframe was a significant limiting factor in decisions. A new build would take 12-14 months from initial order to being in service. A 10-year-old vessel, Star Riviera had been identified as a possible replacement, purchase price around 1.2 million + refurbishment and new engines. A new build would require funding from Chief Pleas, WR noted that in the current financial climate with other capital projects imminent CP were not able to provide additional funding. SC asked if a new vessel would reduce journey times, YM confirmed this to be correct.

PB noted that IoSS had approached their bank and had received a favourable response up to 2.5 million with a guarantee from Chief Pleas, a replacement vessel would require a loan in the region of £1 million, IoSS predicted that there would be cash reserves at the end of the 2019 season in the region of 900K. LTB noted that there was a meeting of CP on the 6<sup>th</sup> February when this matter could be placed on the agenda, PG noted that there was no need for a written request, WR noted that CP may require a cap on the funds guarantee and also noted that the working relationship between IoSS and CP remained combined and conducive.

### **Business plan**

PB noted that the business plan is based on the IoSS being self-sufficient and the only factor which could change this would be if CP decided to subsidise the company. IoSS are confident that the business plan is sustainable and in order to maintain transparency would publish it on their website.

### **Draft audited accounts Y/E September 2018 & Operational reports.**

PB noted that there were two amendments, see addendum. In light of essential expenditure, the Directors did not recommend a dividend. WR asked if IoSS had considered changing to reporting accounting instead of auditing, PB noted that the bank would probably need audited accounts and the costs were very competitive. The Bon had now been written off within the accounts. The accounts were approved.

### **Draft budget for year ended 30 September 2019**

PB – based on a three year average the profit projection is 95K. The 2018 season was exceptional, with the weather playing a significant role, however a three year average was considered prudent. Fares were comparable with other voyages/vessels and any reduction would require CP subsidies. Fuel costs had been conservatively estimated with regard to fluctuating fuel prices and using the same consumption figures as 2018. Likewise freight charters had been estimated at 3 for 2019.

### **AOB**

PB noted that the SLA & MOU had been sent to committees for signature last April and remained outstanding. SW took the SLA on behalf of H&S, ZB took the MOU on behalf of P&F, both documents will be signed after the next committee meetings.

RG asked if there were any concerns within Sark regarding the service level, all agreed that the current service was satisfactory.

SW noted that the 2018 timetables had been produced without reference to H&S, AC noted that under the current MOU unless there are significant changes, IoSS are not required to notify H&S. YM confirmed that there had not been any significant changes.

SW noted that the current mandate for H&S did note that IoSS would provide the committee with draft timetables prior to publication, the matter will be tabled for discussion at the next H&S

meeting. It was also noted that there were no imminent renewals for non-executive directors, MD would be the next Director eligible for renewal in October 2019.

SC noted that the general public expressed concern regarding the fare structure, YM noted that even offering a reduced fare on the 8am Gsy-Sark sailing didn't attract more passengers, in general the highest demand was for the 10am sailing, and unless CP were prepared to subsidise fares, IoSS were not able to offer any reduction. YM also noted that there was a special offer due in February.

WR asked if it were possible to synchronise sailings with Condor, YM replied that due to Condor timetabling and intermittent reliability issues this was not possible.

LTB asked about cargo timings, the turnaround time can be very tight on occasions, especially with a full boat and challenging weather conditions. YM said that from IoSS perspective, they didn't have any problem with necessary delays, LTB noted that passengers didn't always appreciate the difficulties, it was noted that the IoSS website does say that "departure times are inductive and will vary dependant on the volume of cargo".

WR asked if any market research had been carried out regarding Sark as a Port of Entry, SW noted that a working party had been set up to investigate a service from France to Sark via Guernsey, Isle de Manche had indicated they may be interested in running a service, SW – H&S are currently exploring this option. PG noted that any service direct from France would be considered international, requiring compliance with current legislation. MD noted that this would also require vessels to be subject to different licensing/coding requirements.

CD noted that there had been two safety incidents during the last 12 months, both incidents had been dealt with extremely efficiently by the crew and he commended IoSS on their training and personnel.

Meeting closed @ 13.50hrs.

Minutes prepared by Zannette Bougourd 23<sup>rd</sup> 2019

File Ref: Committee Minutes 2019/P&F 190121

**Post meeting note:** YM & Conseiller John Guille met on the 19<sup>th</sup> January to discuss options for a second-hand replacement vessel. JG will report back asap with their findings.

On 8 Aug 2019, at 15:33, Chief Secretary Zannette Bougourd <[zannette.bougourd@gov.sark.gg](mailto:zannette.bougourd@gov.sark.gg)> wrote:

Dear Mr Burnard,

Please find attached a letter from Policy & Finance regarding the proposed new vessel survey.

Kind regards

Zannette Bougourd

Chief Secretary

**From:** Paul Burnard <[Paul.Burnard@SarkShipping.gg](mailto:Paul.Burnard@SarkShipping.gg)>

**Sent:** 08 August 2019 16:04

**To:** Chief Secretary Zannette Bougourd <[zannette.bougourd@gov.sark.gg](mailto:zannette.bougourd@gov.sark.gg)>

**Cc:** [p.gill@cwgsy.net](mailto:p.gill@cwgsy.net); [mark.dunster@careyolsen.com](mailto:mark.dunster@careyolsen.com); [rgraham@cwgsy.net](mailto:rgraham@cwgsy.net); Yan Milner <[yan@sarkshipping.gg](mailto:yan@sarkshipping.gg)>

**Subject:** Re: loSS new vessel survey

Dear Zannette 08/08/19 16.04hrs

With all due respect this is best left to be discussed at our forthcoming meeting.

We are very well aware of the terms of the MOU and a survey/gap analysis has already been commissioned by the bank and the company.

That should be sufficient to satisfy the committee's requirements, without incurring unnecessary additional cost.

Kind regards

Sent from Paul Burnard's iPhone

On 12 Aug 2019, at 11:40, Chief Secretary Zannette Bougourd <[zannette.bougourd@gov.sark.gg](mailto:zannette.bougourd@gov.sark.gg)> wrote:

Dear Paul,

Further to your email below, please can you send a copy of the survey to me asap, we have a meeting later this afternoon and the Committees will discuss it then.

Many thanks

Zannette Bougourd

Chief Secretary

Hi Zannette, 12/08/19 12.04hrs

I am en route from Dublin to Guernsey at present but, as per my earlier e-mail, this matter is better left until our (hopefully imminent) meeting with the committees, at which our respective responsibilities and obligations can be agreed.

Having been away since 1 August, I have not yet seen the survey myself.

Sent from Paul Burnard's iPhone

Hi Paul, 12/08/19 15.39hrs

Thank you for your reply. Not allowing the Committees of Chief Pleas to see the survey report ahead of any meeting is not conducive to productive discussions. If you are unwilling to release the survey, please can we have the specification given to the surveyor prior to inspection?

IoSS are asking for this purchase to be guaranteed by Chief Pleas, and you have stressed that you need the matter expedited, we cannot do this without time to consider all relevant information.

Kind regards

Zannette Bougourd

Good evening Zannette 12/08/19 19.35hrs

Apologies for the delay in getting back to you - I have been travelling for most of the day.

Please be assured that we in no way wish to be obstructive or to withhold information.

The survey that was commissioned by ourselves was a full survey of the hull and machinery of the Star Riviera.

The advice of the Regulator (Guernsey Harbours) and on the instruction of the MCA was that the output of the survey should take the form of a Gap Analysis outlining any shortcomings against the UK/MCA "Small Seagoing Passenger Ships Code". (30 sections – 145 pages)

The code covers all aspects of the operation and construction of vessels. The survey output is what will drive any requirements for modifications to the vessel and related cost.

In order to produce the Gap Analysis the surveyor (Richard Rapp of Sterling Global Marine) inspected the vessel against all areas and sections of the code.

As you may be aware Guernsey Harbours is the regulator for the Bailiwick (the UK MCA are contracted to survey against Guernsey Harbours requirements) and although for the most part vessels operating in Bailiwick waters would be required to comply with the UK "Small Seagoing Passenger ships Code" there are certain areas where Harbours can apply dispensations. Currently a copy of the Gap analysis is with Guernsey Harbours and they will advise us of any areas where dispensation will be given (the requirement for a rescue craft, EIAPP compliance, and certain sections relating to disabled access are

sections where we are likely to be given dispensation and will therefore not be required to make any modifications to the vessel).

The documents are fairly technical in nature and we hope you would agree that it would be best to walk through the documents with the Committees rather than expect the Committee members to take in the scale and implications without advice and context.

In addition we are due to meet with the Bank at lunchtime tomorrow to go through the valuation survey and gain more clarity on the loan.

Once again we are not being secretive or obstructive but are attempting to ensure that all parties make decisions from a fully informed position and in this case we believe that the best way forward would be through a face to face meeting later this week.

Best regards

Paul Burnard

## ISLAND OF SARK

EXTRAORDINARY MEETING of the CHIEF PLEAS to be held on  
WEDNESDAY 19<sup>th</sup> FEBRUARY 2020 at 7.00 PM  
in the ASSEMBLY ROOM

### AGENDA

1. MATTERS ARISING from the Extraordinary Meeting of Chief Pleas held on Wednesday, 17<sup>th</sup> December 2019.
2. To CONSIDER a Report with two Propositions from the POLICY & FINANCE COMMITTEE entitled "**Agreement to Purchase and Loan Guarantee for Isle of Sark Replacement Passenger Vessel Corsaire Des Iles 2**" (copy attached or to follow).

7<sup>th</sup> February 2020

Paul Armorgie  
Deputy Speaker of Chief Pleas

#### NOTES:

1. This meeting has been called under The Reform (Sark) Law, 2008, Section 32 (2) (b) "by the Deputy Speaker, with the consent of the Seigneur."
2. Under the Provisions of Rule 12(11) of the Rules of Procedure of the Chief Pleas of Sark the Deputy Speaker of Chief Pleas has waived the notice required and allowed this meeting to be called.
3. Anyone wishing to see any of the Reports and Supporting Papers may do so at the Committee Offices, Monday to Friday, 10.30 - 12.30 and 2 - 4.30 and at other times when the offices are open; copies may be obtained from the Committee Office. The Agenda, Reports and Supporting Papers may also be seen on the Sark Government Website at [www.gov.sark.gg](http://www.gov.sark.gg)

## **ITEM 2**

### **POLICY & FINANCE COMMITTEE**

**Report with propositions to Extraordinary Chief Pleas, February 2020**

## **AGREEMENT TO PURCHASE AND LOAN GUARANTEE FOR ISLE OF SARK REPLACEMENT PASSENGER VESSEL CORSAIRE DES ILES 2**

Members of Chief Pleas will be aware of the decision made by the Board of Directors of Isle of Sark Shipping Company Ltd to decommission and dispose of the vessel Bon Marin de Serk and to seek a replacement. Such a replacement has been found which is acceptable to the company. The vessel currently named the Corsaire des Iles 2 is operating under the French flag out of St Malo. The cost of the vessel together with essential modifications and essential spares is £750,000, and the Board have allocated the sum of £450,000 from the company cash reserves, and the bank have agreed to loan the company £300,000. The bank require that Chief Pleas undertakes to guarantee this amount.

Under the Memorandum of Understanding Chief Pleas or a committee on behalf of Chief Pleas have to sanction capital expenditure in excess of £50,000. The prime cost of the vessel is c.£630,000.

With the impending visitor season the replacement vessel is essential to maintain the service to the Island.

Detailed information received from the Company in support of the proposition is attached.

**Proposition 1** – That Chief Pleas approves the purchase of the vessel currently named Corsaire des Iles 2, by Isle of Sark Shipping Company Ltd, for the price of Euros 740,000.

**Proposition 2** - That Chief Pleas authorises the Chairman of the Policy and Finance Committee to execute a guarantee to the lending bank to Isle of Sark Shipping Company Ltd in an amount of £300,000.

**Conseiller Peter la Trobe-Bateman  
Chairman, Policy & Finance Committee**





# Isle of *Sark* Shipping

## Business Case



Purchase of MV Corsaire des Iles 2  
Conseiller Briefing Document

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# Replacement Vessel (Corsaire des Iles 2)

## Executive Summary

The passenger volumes and consequential revenue has varied by no more than +/- 3% over the last several years albeit with an overall small positive gain in revenue and volume.

In the last 4 years the company has increased its marketing and promotional activities fairly significantly and there is evidence of positive growth in the passenger volumes against a shrinking Guernsey visitor market. However, we are in a position of relative stasis rather than significant positive growth.

Operating costs continue to increase as the vessels age and reliability of the individual vessels becomes less certain. A replacement, more modern, more efficient, faster vessel with capacity to exceed the current demand would change the dynamics of the company.

The Company is cognisant of the vital importance of maintaining a reliable ferry service to and from Sark and the importance of maintaining and ideally growing passenger volumes.

With a replacement vessel there would be the opportunity to adjust the schedule to offer more convenient timing and faster crossings, we believe this would give us the opportunity to increase our market share and better compete with Herm as a convenient and easy to access destination.

There are a number of sustainable cost benefits relating to operating a new vessel.

Reducing the fleet from four vessels to three will yield crew cost savings.*(not currently budgeted but could be IRO -£60 - £80K)*

There will be significant savings to be made in the area of general and annual maintenance, conservatively the saving on maintenance is estimated in the region of -£40,000 - £45,000.

*The average general and winter maintenance cost of the Bon Marin and Sark Belle is circa £30,000 As an indication the annual general and winter maintenance cost for the "Sark Viking is just over half the cost of the older vessels.*

**The Bon Marin de Serk has been permanently withdrawn from service. The vessel has been placed with a broker but to date there have been no firm offers. In the event of a sale not being achieved by the end of February 2020 the vessel will be offered for scrap. Prior to the withdrawal the vessel was fully depreciated on the IOSS balance sheet and currently has no book value with the Company. The company is currently NOT being charged lay by or mooring fees.**

( we could operate the service with the two remaining vessels, as was the case prior to the purchase of the Sark Belle, but the risk to revenue and volume is considered to be significant.)

Passenger/customer expectations of the service are higher than ever and we are offering a service with vessels and passage times that are 1980's style rather than 2020's.

To bring cost efficiencies and take the company forward, with a real chance of increasing volume/revenue, the only option is change.

However, Isle of Sark Shipping operate a "Lifeline" route and it is vitally important that we do not put the Company and its services at risk by making a wrong decision and/or straining the Company's financial viability.

The Company has identified a potential replacement Vessel – "Corsaire des Iles 2" – that is currently operating out of St Malo. The vessel meets virtually all of our identified criteria and is currently on the market within our price range.

(further details and photographs of the vessel are contained in the body of the document)

*Continued*

# Replacement Vessel (Corsaire des Iles 2)

## Executive Summary - continued

After full consideration the Company has the following recommendations

### Recommendations:

- It is the recommendation of the Directors that we plan to purchase a replacement vessel for the service and dispose of the Bon Marin de Serk and the Sark Belle within the next 12 months.
- Financially a new build, even at the lower end of the cost estimate would be in the region of £1.75 - £2.0 million pounds. It is considered by the Board that a loan of this magnitude may be beyond the scope of IOSS and would also constitute a risk to the viability of the Company. For this reason we believe that a new build is NOT a financially viable option at this time.
- Given the above we recommend that we pursue, as a matter of urgency, the purchase of “Corsaire des Iles 2” – (subject to independent valuation and survey/certification) as a replacement vessel for the Bon Marin de Serk and Sark Belle.

### Notes:

- *Hull and machinery surveys have been carried out and no serious issues have been highlighted.*
- *Bureau Veritas plan review has not highlighted any serious non compliances against class build.*
- *Verification survey will be required in order to obtain “Partial Survey Certification.*
- *Should the purchase of this particular vessel fall through we would ask Chief Pleas to authorise the Board to go out into the market to find a similarly priced vessel to the same specification.*
- *However, at this date and given the required timeline for a purchase if the current purchase option falls through it would be unlikely that the Company would be able to identify and complete purchase on a vessel before the end of the 2020 season.*
- *Although from a capacity/demand perspective the service could operate with Sark Venture and Sark Belle there would be some significant risk given the age and reliability of the vessels.*

# Background

## Abstract

The Isle of Sark Shipping Company fleet consists of four vessels. All the vessels are fully owned with no remaining finance/loans outstanding.

Due to their age, with the exception of the “Sark Viking”, the vessels are all getting more and more expensive to maintain and less economical to operate.

As the fleet ages there is greater risk of out of service time each year relating to age and mechanical reliability. In the past two years the “Sark Belle” was been unavailable for service for 15 days, during the last season, the Sark Venture 10 days January 2019, and the Bon Marin was unavailable for 28 days before finally being taken out of service for over 3 months. This was followed by a further 6 months (November 18 – May 19) of out of service time following a scheduled 5 year survey in 2018/19. Due to a latent defect in the main engines on the Bon Marin and the single compartment wooden deck structure the MCA (Marine and Coastguard Agency) advised that the Bon Marin would not be re-licenced for 2020. All of these issues with the vessels are despite ongoing general and preventative maintenance.

The Company is cognisant of the vital importance of maintaining a reliable ferry service to and from Sark and the importance of maintaining and ideally growing passenger volumes. In view of these circumstances the Company began a review of the fleet and consequently a vessel replacement project.

The timing of the project is in some ways beneficial as well as timely. The Company has for the past 4 years seen small but steady passenger volume/revenue increases, steady cargo revenues and reductions in operating cost along with efficiency savings. Five years ago the Company had just recorded two years of operating losses and consequent reductions of the balance sheet and ten years ago finances were still recovering from the purchase of the Sark Viking. The current financial stability and the cumulative increase of funds available on the balance sheet have meant that the bank has been comfortable to offer a loan and the Company also has funds to contribute to the purchase.

To obtain a replacement vessel there are two options:

Build a new vessel to IOSS requirements and specification

or

Buy a second-hand vessel and modify it to meet the route requirements and IOSS specifications

Both of the above options have been investigated - an outline of the options considered follow in the next section.

# Option Identification and Selection

The Company had four options:

## 1. - Do nothing

To continue to operate with the older vessels would only be a short term option.

Although we are confident that we could manage the service requirements the Board and Management Team would not recommend the “Do nothing” option as being a sustainable solution.

## 2. - Charter

The option to charter a vessel is not a long term solution and will only be considered as a contingency part of the other options. **We have had indications that chartering a small vessel will be difficult to virtually impossible..**

*There are two options available to obtain a new/replacement passenger vessel. The Company can either commission to build a new vessel or buy a suitable vessel on the second hand market.*

## 3. - Build

IOSS have had a specification and build estimate for a 200- 250 seat catamaran from “Damen” – The quote was in the region of £3 to £3.5 million depending on the full specification. This is for a “turn key solution” fully certified and ready to operate on delivery. This option was considered to be beyond our financial limits and has not been pursued further.

The scoping study commissioned at the behest of P&F listed estimated build costs of circa £1.3 million for a 100 pax capacity launch (£2.6 for the pair) The cost of a vessel similar to “Star Riviera” is circa £2.6 - £3.0 million depending on the final specification. The “Corsaire des Iles” build cost would be in the region of £2 million. It is unclear if this indication was inclusive of design, yard tendering, Tendering review, Yard contract, Build supervision and acceptance to Class. – The quote for these services from Longitude is in the region of £180 - £200K.- not including IOSS resource time and cost.

Mer et Design (Philippe Subrerro) - who have supplied designs for Granville - Chausey route (Vedettes Jolie France), St Malo – Chausey (Corsair) Perros Guirec (Armor Navigation) Quiberon and more. He has indicated – referencing recent builds he has been involved with - that the build cost to our specification would be circa £2 million + (again add the £180-£200K) He would not recommend a steel construction.

We have also been in contact with “Incat Crowther” (Ed Dudson) They are a leading design company for these vessels and larger. However, they have none of their current passenger vessel designs operating in or around UK or northern France. Although they would be willing to contract with us to supply a design and recommend a yard We would need to supply/contract yard supervision, acceptance etc.

Considering our requirements they would also recommend an Aluminium mono-hull design and quotation for a similar design recently built and supplied in Spain was circa £2 million.

Asked if we could build in steel at a lower cost the response was yes – if we built “like for like, probably not if we wanted anything close to the specification we outlined.

**In reviewing the current estimates to build it is the view of the Board that a new build is outside of prudent financial boundaries of the Company. There is also a serious time constraint and inevitably with a new build a risk of cost overrun and we would be commissioning an unproven design (Condor Liberation risk)**

# Option Identification and Selection

## *Continued*

#### **4. – Buy**

In view of the conclusion that a build is not affordable we have investigated the second hand market.

Unfortunately the UK market does not appear to have any vessels that would fit our scope or price range.

We have been in contact with brokers and Company contacts in France where there are several similar operations that operate vessels that fit our criteria.

“Corsaire des Iles 2” is the second vessel that has come under serious consideration. To re-flag a French vessel to the UK(Guernsey) requires a significant amount of paperwork and confirmation of vessel certification. The first vessel identified that was available was the “Star Riviera” however due to the age of the vessel we were unable to easily obtain the required paperwork, this combined with the relatively high asking price (1.25 million Euro) resulted in the Company withdrawing from the purchase.

The “Corsaire des Iles 2” is owned and operated by Corsaire St. Malo. The parent company is Armor Navigation who operate ferries in and around Perros Guirec. The vessel was built in 2007 by Ocea shipyard. (Brief vessel specifications page 17) The vessel meets our scope/criteria and the owners have accepted a preliminary offer, subject to finance and survey, of **€740,000** (appx. £630,000).

IOSS have contracted Bureau Veritas to carry out a plan review and survey in order to obtain a “Partial Declaration of Survey” which is required as part of the change of flag.

The Company has also commissioned independent hull and machinery surveys to ensure that the vessel is fit for purpose, has no hidden issues and so that we can assess and cost any work that may be required to bring the vessel up to code.

# New/Replacement Vessel Specification

Following consultation with the Masters we agreed on the following general specification for a replacement vessel:

## Essential:

- Load line length of less than 24m\*. **Corsaire Des Iles 2 meets this criteria**
- Vessel should be capable of and certified to minimum of operation in 2m to 2.5m significant wave height. **Corsaire Des Iles 2 meets this criteria**
- Covered (all weather) passenger capacity of 150 -180 total capacity of up to 200. **Corsaire Des Iles 2 +150 meets this criteria**
- Operating speed of 15- 20 Knots. (24 Knts max) **Corsaire Des Iles 2 meets this criteria**
- Twin engine conventional shafts and rudders. **Corsaire Des Iles 2 meets this criteria**
- Must have the capability to dry out. (@under 60 tonnes vessel can be lifted by Harbour cranes or at Marine and General.) **Corsaire Des Iles 2 meets this criteria**
- Multiple access and egress points (forward, amidships and aft) **Corsaire Des Iles 2 midships and aft - midships upper deck**

## Options:

- Either monohull or catamaran\*\*. **Corsaire Des Iles 2 is a monohull**
- **Aluminium, Plastic, or Steel construction\*\*\*. Corsaire Des Iles 2 is Aluminium**

## Desirable but not essential:

- Beam and length suitable for access to Creux Harbour. **Corsaire Des Iles 2 meets this criteria**
- Less than 70 tonnes gross unloaded weight\*\*\*\* **Corsaire Des Iles 2 meets this criteria**
- Shallow draft. **Corsaire Des Iles 2 meets this criteria**
- Second tier access and egress points (tide in Sark) **Corsaire Des Iles 2 meets this criteria**
- Modular/removable luggage pods. **none - but could be fitted if required.**
- Main engines with less than 750KW output (to comply with local code – above this output we will require additional training and qualification for Masters and Engineers). **Corsaire Des Iles 2 meets this criteria**

## Other:

- Marpol (International Convention for the Prevention of Pollution from Ships) compliant sewage system with pump out override to meet current Guernsey requirements. **Corsaire Des Iles 2 meets this criteria**
- Local or guaranteed availability of spare parts and servicing facilities. **Corsaire Des Iles 2 meets this criteria**

## Notes:-

\* 24m load line length is a marine calculation rather than a measure of length. To meet the Guernsey Small Commercial Vessel Code and for us to use our current crew the vessel needs to be below 24m. ('length of a ship', unless expressly provided otherwise, means 96 % of the total length on a water line at 85 % of the least moulded depth measured from the top of the keel, or the length from the fore side of the stem to the axis of the rudder stock on that waterline, if that be greater. In ships designed with a rake of keel the waterline on which this length is measured shall be parallel to the designed waterline)

\*\* a catamaran is likely to give more passenger capacity for length.

\*\*\* For fuel efficiency and to meet some of the desirable but not essential requirements Aluminium or Plastic would be the preferred alternative.

\*\*\*\* less than 70 tonnes would allow the vessel to be lifted out of the water in Guernsey.



# Replacement Vessel Funding

The Company is extremely conscious of its responsibilities as a lifeline operator and the impact any disruption to the service could have on the economy of Sark and the livelihood of the residents.

It is therefore vitally important that not only are services maintained in the present but they are as far as one can predict maintained in the future.

A shipping operation is expensive to operate and the Company has identified some specific high expenses that are coming up now or will come up in the short term e.g. re-engining and refurbishment of the Sark Venture £170k (including refurbishment of gearboxes, cabin etc.) and the introduction in Guernsey of a compulsory company pension scheme - that could add over 6% to our annual salary costs. In the medium term the Company IT and reservations system will require replacement, and the telephone system is coming towards the end of its useful life and not least the Sark Viking main engines will be due for major overhaul or replacement in the next 3 to 5 years. We are also cognisant of the outstanding loan of £254,000 from Chief Pleas that is due for repayment/review in 2021.

In spite of having funds currently available to make the purchase the Company will be requesting a bank loan of up to £300,000 in order to ensure that we retain a sufficient cushion of cash on the balance sheet for contingencies. The repayment schedule for the loan has been calculated to be well within the Company's ability to service from general revenue. The repayments against the loan are shown in the budget examples. As is normal practice the bank will require a guarantor for the loan. Chief Pleas are the sole shareholders with a considerable influence on the company as shown by the MOU and SLA and therefore the bank would expect that Chief Pleas Sark act as the guarantor.

This is NOT Sark making the loan but merely ensuring that the loan is covered should the Company be in default.

It is for these reasons that the Board has taken a risk averse approach and is limiting the spend, and borrowing to well within our means to repay and enable the Company to operate through the winter without relying on overdraft and still be able to afford for contingencies.

The following 7 pages outline the funding options/amounts that have been considered and the impact on the next two years operating budget showing average and worst case scenario.

*Note:- The "average" scenario budgets show revenues and volumes reflecting a conservative trading year with estimated actual costs showing known items, adjusted historic costs that factor in RPI/inflation increases and the finance repayments on the new vessel.*

*The "worst case" scenario budgets reflect revenues and budgets from a low volume/revenue trading year based on less than 98,000 passenger legs (average over the last 5 years has been over 102,000 passenger legs). Costs on the worst case scenario budgets show no in year cost saving over the average and include items such as disposal cost for Bon Marin and Sark Belle, rather than any potential sale revenue.*

*As shown in the notes, even in the worst case scenario the company would still be rebuilding its reserves (see notes page 14).*

# Replacement Vessel

## Funding options

### Funds available

Bank balances at 30 September 2019		<u>£900,862</u>
Cost of Vessel*	£630,000	
Modification/compliance fund available	£120,000	
<b>Estimated Project cost:</b>	<b>£750,000</b>	
<i>(including modifications to make vessel compliant to UK code)</i>		
Bank Loan	£300,000	
<b>Contribution from IOSS Funds to vessel purchase</b>		<u>£450,000</u>
<b>Surplus</b>		<u>£450,862</u>

### Expected net outflow to 31 March 2020:-

Bank balances at 30 September 2018	£747,631
Less: bank balances at 31 March 2019	£468,037
Estimated Net outflow (winter)	<u>£279,594</u>
Less: Bon Marin overhaul costs	<u>-£36,166</u>
	<b>£243,428</b>
Add: Re-engining of Sark Venture**	<u>£100,000</u>
Expected outflows trading 2020 winter	<u>£343,428</u>

<b>Cash in Bank following winter trading, Venture re-engine and replacement vessel purchase.</b>	<u>£107,434</u>
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#### Notes:

\* Cost of Vessel - the vessel cost is €740,000, Sterling estimate is based on current exchange rate.

\*\*Re-engining of Sark Venture - Capital cost £100,000, budgeted project cost including gearbox service and refurbishment £70,000 – total £170,000 (£70,000 is shown in operating budget)

# Financing

## Replacement Vessel

	Buy (£)	Buy (£)	Build*(£)
Expected cost, inclusive of modifications	£750,000	£1,250,000	£1,750,000
Contribution from IOSS	£450,000 <sup>#</sup>	£600,000	£600,000
Financing required	<b>£300,000<sup>#</sup></b>	<b>£650,000</b>	<b>£1,150,000</b>
Monthly cost over 7 years at 5.75% (base rate + 5%)	£4,346	£9,418	£16,800
<b>Annual cost</b>	<b>£52,152</b>	<b>£113,016</b>	<b>£201,600</b>
Monthly cost over 5 years at 5.75% (base rate + 5%)	£5,765	£12,491	£22,232
<b>Annual cost</b>	<b>£69,175</b>	<b>£149,892</b>	<b>£266,784</b>

### Notes:

\* We have investigated the option to build a vessel to IOSS/Sark specification.

We have made contact with "Incat Crowther" and are in contact with Philippe Subrero from "Mer et Design" There is also a risk of financial overspend (Viking lesson) and an unproven design (Condor Liberation lesson)

The £1.75 build price shown in the table above is based on a very basic £1.5million build with some contingency for Contracting professional assistance to undertake drawing up documentation and yard supervision. (We have a quote from "Longitude Engineering" to undertake these services for circa £180K).

Given the cost, timeline and risk the Board is of the opinion that with our current finances and resources a build could be a serious risk to the financial viability of the Company and therefore would not recommend this option.

# Although the purchase could very nearly be fully financed by IOSS we are cognisant that it is the nature of the business that we have a cash reserve. We are also conscious of the Chief Pleas **£254K** loan repayment date and therefore would wish to ensure that we can make the repayment as requested whilst retaining a financial cushion for any trading contingencies.

The £450,000 also includes the £120,000 contingency for required modifications.

# Sources of repayment

## Annual maintenance savings:-

Bon Marin (5 year average)	£29,475	
Belle (5 year average)	<u>£31,024</u>	
	£60,499	
Less: new vessel maintenance	<u>£15,000</u>	
		345,499

## Crew cost savings

1 full time crew less		£40,000
Reduced peak season operating hours:- 14 hours per week for 13 weeks for all crew = 546 hours each per skipper, engineer & 3rd hand		

Skipper	£21.45	£11,712
Engineer	£15.81	£8,632
Third Hand	£14.00	£7,644

Employers Social Security on crew cost savings		<u>£4,487</u>
		<u><u>£117,974</u></u>

As per annual accounts year ended 30 September	Profit	Depreciation	Impairment	Exceptional legal fees & dismissal claim	Cash generated from trading
2015	£79,663	£134,609			£214,272
2016	£113,664	£126,447			£240,111
2017	£33,408	£128,255	£58,741	£32,790	£253,194
2018	£7,480	£125,260	£38,691	£40,500	£211,931
2019	£161,478	£103,488			£264,966
					<u>£1,184,474</u>
					<b>ANNUAL AVERAGE CASH GENERATED</b>
					<b>£236,895</b>

# Financial Year 2019/20 Draft Budget (Average revenue performance) including New Vessel Financials

	October	November	December	January	February	March	April	May	June	July	August	September	Budget 20
Budget 19	4,000	1,097	1,478	893	1,079	1,838	6,008	11,988	16,654	21,917	22,285	12,500	101,737
Actual	3,687	1,287	1,368	1,176	1,146	1,633	6,753	13,945	15,633	24,533	22,984	12,427	106,572
Variance	-313	190	-110	283	67	-205	745	1,957	-1,021	2,616	699	-73	4,835
Budget 20	3,700	1,189	1,439	890	1,100	1,750	6,500	12,558	16,000	22,500	22,600	12,500	102,726
Variance	13	-98	71	-286	-46	117	-253	-1,387	367	-2,033	-384	73	-3,846
Volume change logic	continued downward trend loss of grp and weather	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	just under 3 yr ave	loss of folk fest	3yr ave	3yr ave	
													Budget 20
Turnover - Sark Passengers	42,582	15,734	20,474	11,732	14,311	21,752	78,805	110,872	144,128	220,758	219,031	132,898	1,033,078
Cost of Sales - Sark Passengers	-3,963	-1,201	-1,376	-901	-1,051	-1,664	-6,215	-12,314	-15,549	-21,928	-22,139	-12,383	-100,683
Gross Margin - Sark Passengers	38,619	14,533	19,095	10,832	13,261	20,088	72,590	98,686	128,579	198,830	196,892	120,515	932,392
Turnover - Agency Sales	6,411	1,739	0	0	0	1,406	9,177	42,504	54,207	46,759	38,425	41,190	241,819
Cost of Sales - Agency Sales	-602	-5	0	0	0	0	-806	-6,619	-7,848	-8,570	-5,575	-6,430	-36,455
Gross Margin - Agency Sales	5,809	1,734	0	0	0	1,406	8,371	35,885	46,359	38,189	32,850	34,760	205,364
Turnover - Groupbookings	1,994	0	0	0	0	1,668	2,753	12,459	20,255	18,055	14,218	5,584	76,987
Cost of Sales - Group Bookings	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Margin - Groupbookings	1,994	0	0	0	0	1,668	2,753	12,459	20,255	18,055	14,218	5,584	76,987
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972	421,936
cost of Sales	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-258	-278	-3,316
Gross Margin - Freight	30,455	25,610	30,365	21,943	29,887	35,717	31,790	39,543	40,614	51,116	42,886	38,694	418,620
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,866	4,924	110,692
Cost of Sales	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628	-40,007
Gross Margin - Shore Excursions	0	0	0	0	0	0	1,930	18,540	6,868	23,814	18,136	2,296	70,685
Gross Margin - Tender Charter Sales	0	0	0	0	0	0	0	1,500	3,500	3,500	3,500	0	12,000
Gross Margin - Agency Sales - Manche Iles Express	0	0	0	0	0	0	0	53	102	15	26	26	222
													0
<b>Total Gross Margin</b>	<b>76,878</b>	<b>41,878</b>	<b>49,460</b>	<b>32,775</b>	<b>43,148</b>	<b>58,879</b>	<b>117,434</b>	<b>206,537</b>	<b>245,278</b>	<b>333,521</b>	<b>308,509</b>	<b>201,874</b>	<b>1,716,171</b>
Vessel Depreciation	-7,311	-7,311	-7,311	-7,311	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-137,732
Vessel Overhaul and Repair	-3,989	-5,606	-4,455	-77,024	-11,924	-21,774	-9,558	-3,359	-3,330	-3,373	-3,265	-4,461	-154,718
Other Operating Costs	-56,867	-44,941	-57,337	-57,334	-54,003	-56,099	-72,472	-70,741	-77,880	-99,369	-75,786	-71,601	-794,429
<b>Total Operating Costs</b>	<b>-68,167</b>	<b>-57,858</b>	<b>-69,103</b>	<b>-141,669</b>	<b>-79,488</b>	<b>-91,434</b>	<b>-95,591</b>	<b>-87,661</b>	<b>-94,771</b>	<b>-116,303</b>	<b>-82,612</b>	<b>-89,623</b>	<b>-1,086,879</b>
<b>Operating Profit/(Loss)</b>	<b>8,711</b>	<b>-15,980</b>	<b>-19,643</b>	<b>-108,895</b>	<b>-36,340</b>	<b>-32,555</b>	<b>21,844</b>	<b>118,877</b>	<b>150,507</b>	<b>217,218</b>	<b>215,897</b>	<b>112,252</b>	<b>629,292</b>
<b>Overheads</b>													
Administration and General	-36,888	-29,181	-35,153	-36,261	-30,839	-31,272	-37,069	-33,865	-35,641	-44,602	-39,521	-33,396	-423,688
Advertising, Printings, Sales & Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770	-14,747
Establishment (rent rates etc)	-5,503	-6,513	-5,737	-5,595	-5,595	-6,188	-6,066	-5,321	-5,571	-5,667	-5,581	-4,915	-67,252
Legal and Professional	-2,636	-2,187	-2,187	-2,187	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-72,813
<b>Total Overheads</b>	<b>-45,707</b>	<b>-37,561</b>	<b>-43,567</b>	<b>-44,543</b>	<b>-48,006</b>	<b>-47,996</b>	<b>-51,959</b>	<b>-47,917</b>	<b>-50,949</b>	<b>-59,000</b>	<b>-54,262</b>	<b>-47,033</b>	<b>-578,500</b>
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0	1,000
<b>Profit/(Loss) Before Tax</b>	<b>-36,996</b>	<b>-53,541</b>	<b>-62,811</b>	<b>-153,437</b>	<b>-84,346</b>	<b>-80,251</b>	<b>-30,116</b>	<b>70,960</b>	<b>99,859</b>	<b>158,218</b>	<b>161,634</b>	<b>65,219</b>	<b>51,791</b>

**Note:**

- \*All revenue is recorded in the month of travel and does not include advance purchase revenue
- \*\* The overhaul costs include £70K exceptional spend for Venture refurbishment in addition to the £100K capital spend that is shown on the balance sheet.
- \*\*\* Legal and professional Includes monthly finance repayments on 300K vessel loan
- Includes full year depreciation and operating costs for Sark Belle.

The Operating Budget shown above represent a conservative volume/revenue estimate with most months based on a 3yr average so as to minimise the effects of weather impact on revenue planning in any particular year.

If trading matches the budget, including depreciation the contribution to the balance sheet will be **±£195,523**

## Financial Year 2019/20 Draft Budget (low revenue/volume predicted costs – no savings) including new vessel financials

Draft Budget		Worst case (-5% volume/revenue cost as per 2020 budget showing no savings/cost control)													Budget 20
Budget 19	4000.00	1097.00	1478.33	893.00	1079.00	1838.00	6008.00	11988.00	16654.00	21917.00	22285.00	12500.00		101737.33	
Actual	3687.00	1287.00	1368.00	1176.00	1146.00	1633.00	6753.00	13945.00	15633.00	24533.00	22984.00	12427.00		106672.00	
Variance	-313.00	190.00	-110.33	283.00	67.00	-205.00	745.00	1957.00	-1021.00	2616.00	699.00	-73.00		4834.67	
Budget 20	3700.00	1189.00	1439.00	890.00	1100.00	1750.00	6500.00	12558.00	16000.00	22500.00	22600.00	12500.00		102726.00	
Budget 20 worst case -5%	3515.00	1129.55	1367.05	845.50	1045.00	1662.50	6175.00	11930.10	15200.00	21375.00	21470.00	11875.00		97589.70	
Variance	13.00	-98.00	71.00	-286.00	-46.00	117.00	-253.00	-1387.00	367.00	-2033.00	-384.00	73.00		-3846.00	
Variance worst case - 5%	-485.00	32.55	-111.26	-47.50	-34.00	-175.50	167.00	-57.90	-1454.00	-542.00	-815.00	-625.00		-4147.63	
Volume change logic	continued downward trend loss of grp and weather	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	just under 3 yr ave	loss of folk fest	3yr ave	3yr ave			
Turnover - Sark Passengers	40,196	14,923	19,609	11,039	13,527	20,704	74,859	105,341	136,936	209,814	208,082	126,355		981,386	
Cost of Sales - Sark Passengers	-3,618	-1,090	-1,314	-813	-1,000	-1,588	-5,935	-11,772	-14,859	-20,958	-21,164	-11,844		-95,956	
Gross Margin - Sark Passengers	36,578	13,834	18,295	10,226	12,527	19,116	68,924	93,669	122,077	188,856	186,918	114,511		885,430	
Turnover - Agency Sales	6,098	1,652	0	0	0	1,336	8,732	40,487	51,628	44,557	36,594	39,210		230,294	
Cost of Sales - Agency Sales	-572	-5	0	0	0	0	-775	-6,334	-7,522	-8,213	-5,343	-6,160		-34,925	
Gross Margin - Agency Sales	5,526	1,647	0	0	0	1,336	7,957	34,152	44,107	36,343	31,251	33,050	195,369	195,369	
Turnover - Groupbookings	1,800	0	0	0	0	1,505	2,485	11,261	18,314	16,301	12,832	5,059		69,556	
Gross Margin - Groupbookings	1,800	0	0	0	0	1,505	2,485	11,261	18,314	16,301	12,832	5,059		69,556	
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972		421,936	
Cost of Sales - Freight	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-258	-278		-3,316	
Gross Margin - Freight	30,455	25,610	30,365	21,943	29,887	35,717	31,790	39,543	40,614	51,116	42,886	38,694		418,620	
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,866	4,924		110,592	
Cost of Sales - Shore Excursions	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628		-40,007	
Gross Margin - Shore Excursions	0	0	0	0	0	0	1,930	18,540	5,868	23,814	18,136	2,296		70,585	
Gross Margin - Tender Charter Sales	0	0	0	0	0	0	0	1,500	3,500	3,500	3,500	0		12,000	
Gross Margin - Agency Sales - Manche Iles Express	0	0	0	0	0	0	0	53	102	16	26	26		222	
Total Gross Margin	74,358	41,091	48,660	32,169	42,414	57,674	113,086	198,617	234,582	319,947	295,649	193,637		1,651,783	
Vessel and Operating Asset Depreciation	-7,311	-7,311	-7,311	-7,311	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561		-137,732	
Vessel Overhaul and Repairs	-3,989	-5,606	-4,455	-77,024	-11,924	-21,774	-9,558	-3,359	-3,330	-3,573	-3,465	-4,661		-152,718	
Other Operating Costs	-56,867	-44,941	-57,337	-57,334	-54,003	-56,099	-72,472	-70,741	-77,880	-99,369	-75,786	-71,601		-794,429	
Total Operating Costs	-68,167	-57,858	-69,103	-141,669	-79,488	-91,434	-95,591	-87,661	-94,771	-116,503	-82,812	-89,823		-1,084,879	
Operating Profit(Loss)	6,191	-16,767	-20,443	-109,501	-37,074	-33,760	17,495	110,956	139,811	203,444	202,737	103,814		566,904	
Overheads															
Administration and General	-36,588	-28,981	-34,953	-36,061	-30,639	-31,072	-36,869	-33,665	-35,441	-44,402	-39,321	-33,196		-421,288	
Sales & Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770		-14,747	
Establishment	-5,503	-5,513	-5,737	-5,595	-5,595	-6,188	-6,068	-5,321	-5,571	-5,667	-5,581	-4,915		-67,252	
Financial and Professional	-2,636	-2,187	-2,187	-2,187	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952		-72,813	
Total Overheads	-45,507	-37,361	-43,367	-44,343	-47,806	-47,796	-51,759	-47,717	-50,749	-58,800	-54,062	-46,833		-576,100	
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0		1,000	
Profit(Loss) Before Tax	-39,316	-54,128	-63,410	-153,843	-84,880	-81,256	-34,264	63,240	89,363	144,644	148,675	56,981		-8,196	

### Note:

- Budget shows -5% revenue volume with no cost saving.
- \*All revenue is recorded in the month of travel and does not include advance purchase revenue
- \*\* The overhaul costs include £70K exceptional spend for Venture refurbishment in addition to the £100K capital spend that is shown on the balance sheet.
- \*\*\* Legal and professional Includes monthly finance repayments on 300K vessel loan
- Includes full year depreciation and operating costs for Sark Belle.

The Operating Budget shown above represent a worst case scenario volume/revenue estimate with no cost saving  
Despite the -£8196 loss there will be a +£137,132 contribution to the balance sheet accounting for the depreciation applied.

## Financial Year 2020/21 Draft Budget including New Vessel Financials

No adjustments made for revenue or cost increases - expect cost/revenue neutral													
Budget 21													Budget 2021
Passenger volume	3,700	1,189	1,439	890	1,100	1,750	6,500	12,558	16,000	22,500	22,600	12,500	102,726
Turnover - Sark Passengers	42,289	15,652	20,444	11,584	14,198	21,752	78,805	110,872	144,128	220,758	219,031	132,898	1,032,412
Cost of Sales - Sark Passengers	-3,777	-1,141	-1,376	-852	-1,048	-1,664	-6,215	-12,314	-15,549	-21,928	-22,139	-12,383	-100,385
Gross Margin - Sark Passengers	38,619	14,533	19,095	10,832	13,261	20,088	72,690	98,658	128,679	198,830	196,892	120,515	932,392
Turnover - Agency Sales	6,411	1,739	0	0	0	1,406	9,177	42,504	54,207	46,759	38,425	41,190	241,819
Cost of Sales - Agency Sales	-602	-5	0	0	0	0	-806	-6,619	-7,848	-8,570	-5,575	-6,430	-36,455
Gross Margin - Agency Sales	5,809	1,734	0	0	0	1,406	8,371	35,885	46,359	38,189	32,850	34,760	205,364
Turnover - Groupbookings	1,994	0	0	0	0	1,668	2,753	12,459	20,255	18,055	14,218	5,584	76,987
Gross Margin - Groupbookings	1,994	0	0	0	0	1,668	2,753	12,459	20,255	18,055	14,218	5,584	76,987
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972	421,936
Cost of Sales - Freight	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-258	-278	-3,316
Gross Margin - Freight	30,455	25,610	30,365	21,943	29,887	35,717	31,790	39,543	40,614	51,116	42,886	38,694	418,620
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,866	4,924	110,592
Cost of Sales - Shore Excursions	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628	-40,007
Gross Margin - Shore Excursions	0	0	0	0	0	0	1,930	18,540	5,868	23,814	18,136	2,296	70,585
Gross Margin - Tender Charter Sales	0	0	0	0	0	0	0	1,600	3,600	3,600	3,600	0	12,000
Gross Margin - Manche Iles Express	0	0	0	0	0	0	0	53	102	16	26	26	222
													0
<b>Total Gross Margin</b>	<b>76,878</b>	<b>41,878</b>	<b>49,460</b>	<b>32,775</b>	<b>43,148</b>	<b>58,879</b>	<b>117,434</b>	<b>206,537</b>	<b>245,278</b>	<b>333,521</b>	<b>308,509</b>	<b>201,874</b>	<b>1,716,171</b>
Vessel Chartered by IOSS													
Vessel and Operating Asset Depreciation	-13,661	-13,661	-13,661	-13,661	-13,340	-13,340	-13,340	-13,340	-13,340	-13,340	-13,340	-13,340	-160,964
Vessel Overhaul and Repairs	-2,722	-2,839	-3,188	-2,177	-15,257	-6,107	-8,508	-2,309	-2,280	-2,323	-2,215	-3,027	-72,632
Other Operating Costs	-55,367	-44,941	-50,337	-50,334	-54,003	-56,099	-72,472	-70,741	-77,880	-99,369	-75,786	-71,601	-778,929
Total Operating Costs	-71,650	-61,341	-67,086	-85,652	-82,600	-75,546	-94,320	-86,390	-93,500	-115,032	-91,341	-87,968	-1,012,425
Operating Profit/(Loss)	5,228	-19,463	-17,626	-52,878	-39,452	-16,667	23,115	120,148	151,778	218,489	217,168	113,907	703,746
Overheads													
Administration and General	-36,988	-29,281	-35,253	-36,361	-30,939	-31,372	-37,169	-33,965	-35,741	-44,702	-39,621	-33,496	-424,888
Sales & Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770	-14,747
Establishment	-5,603	-5,513	-5,737	-5,695	-5,695	-6,188	-6,066	-5,321	-5,571	-5,667	-5,581	-4,915	-67,252
Financial and Professional	-8,401	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-95,873
Total Overheads	-51,572	-43,426	-49,432	-50,408	-48,106	-48,096	-52,059	-48,017	-51,049	-59,100	-54,362	-47,133	-602,760
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0	1,000
<b>Profit/(Loss) Before Tax</b>	<b>-46,344</b>	<b>-62,889</b>	<b>-66,659</b>	<b>-103,285</b>	<b>-87,558</b>	<b>-64,463</b>	<b>-28,945</b>	<b>72,131</b>	<b>101,030</b>	<b>159,389</b>	<b>162,805</b>	<b>66,774</b>	<b>101,985</b>

**Note:**

- First complete trading year with new vessel.
- All revenue is recorded in the month of travel and does not include advance purchase revenue
- Depreciation includes full 12 months on new vessel and 4 months on Sark Belle.
- Includes £7k contingency against Sark Belle
- Legal and professional Includes monthly finance repayments on 300K vessel loan.

## Financial Year 2020/21 Draft Budget (Worst Case Scenario) including New Vessel Financials

Draft Budget	Worst case (-5% volume/revenue cost as per 2020 budget showing no savings/cost control- ticket price revenue increase to offset cost increase)													Budget 21	
<b>volume</b>															
Budget 20 worst case -5%	3,515	1,130	1,367	846	1,045	1,663	6,175	11,930	15,200	21,375	21,470	11,875			97,590
Variance worst case - 5%	-485	33	-111	-48	-34	-176	167	-58	-1,454	-542	-815	-625			-4,148
Turnover - Sark Passengers	40,489	15,005	19,639	11,187	13,640	20,704	74,859	105,341	136,936	209,814	208,082	126,355			982,052
Cost of Sales - Sark Passengers	-3,804	-1,150	-1,317	-862	-1,003	-1,588	-5,935	-11,772	-14,859	-20,958	-21,164	-11,844			-96,257
Gross Margin - Sark Passengers	36,685	13,856	18,322	10,325	12,637	19,116	68,924	93,569	122,077	188,856	186,918	114,511			885,795
Turnover - Agency Sales	6,098	1,652	0	0	0	1,336	8,732	40,487	51,628	44,557	36,594	39,210			230,294
Cost of Sales - Agency Sales	-602	-5	0	0	0	0	-806	-6,619	-7,848	-8,570	-5,575	-6,430			-36,455
Gross Margin - Agency Sales	5,496	1,647	0	0	0	1,336	7,926	33,868	43,780	35,987	31,019	32,780			193,839
Gross Margin - Groupbookings	1,800	0	0	0	0	1,505	2,485	11,261	18,314	16,301	12,832	5,059			69,556
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972			421,936
Cost of Sales - Freight	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-259	-278			-3,316
Gross Margin - Freight	30,455	25,610	30,365	21,943	29,887	35,717	31,790	39,543	40,614	51,116	42,886	38,694			418,620
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,866	4,924			110,592
Cost of Sales - Shore Excursions	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628			-40,007
Gross Margin - Shore Excursions	0	0	0	0	0	0	1,930	18,540	5,868	23,814	18,136	2,296			70,585
Gross Margin - Tender Charter Sales	0	0	0	0	0	0	0	1,500	3,500	3,500	3,500	0			12,000
Gross Margin - Agency Sales - Manche Iles Express	0	0	0	0	0	0	0	53	102	15	26	26			222
<b>Total Gross Margin</b>	<b>74,435</b>	<b>41,113</b>	<b>48,687</b>	<b>32,268</b>	<b>42,524</b>	<b>57,674</b>	<b>113,055</b>	<b>198,333</b>	<b>234,256</b>	<b>319,590</b>	<b>295,318</b>	<b>193,366</b>			<b>1,650,618</b>
Vessel Chartered by IOSS															
Vessel and Operating Asset Depreciation	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561			-162,732
Vessel Overhaul and Repairs	-3,172	-3,289	-3,638	-16,207	-15,607	-10,457	-8,858	-2,659	-2,630	-2,673	-2,565	-3,761			-75,516
Other Operating Costs	-56,867	-44,941	-57,337	-57,334	-54,003	-56,099	-72,472	-70,741	-77,880	-99,369	-75,786	-71,601			-794,429
<b>Total Operating Costs</b>	<b>-73,600</b>	<b>-61,791</b>	<b>-74,536</b>	<b>-87,102</b>	<b>-83,171</b>	<b>-80,117</b>	<b>-94,891</b>	<b>-86,961</b>	<b>-94,071</b>	<b>-115,603</b>	<b>-91,912</b>	<b>-88,923</b>			<b>-1,032,677</b>
<b>Operating Profit/(Loss)</b>	<b>835</b>	<b>-20,678</b>	<b>-25,849</b>	<b>-54,835</b>	<b>-40,647</b>	<b>-22,443</b>	<b>18,164</b>	<b>111,372</b>	<b>140,185</b>	<b>203,987</b>	<b>203,406</b>	<b>104,444</b>			<b>617,941</b>
Overheads															
Administration and General	-36,688	-28,981	-34,953	-36,061	-30,639	-31,072	-36,869	-33,665	-35,441	-44,402	-39,321	-33,196			-421,288
Sales & Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770			-14,747
Establishment	-5,503	-5,513	-5,737	-5,595	-5,595	-6,188	-6,066	-5,321	-5,571	-5,667	-5,581	-4,915			-67,252
Financial and Professional	-8,401	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952			-95,873
<b>Total Overheads</b>	<b>-51,272</b>	<b>-43,126</b>	<b>-49,132</b>	<b>-50,108</b>	<b>-47,806</b>	<b>-47,796</b>	<b>-51,759</b>	<b>-47,717</b>	<b>-50,749</b>	<b>-58,800</b>	<b>-54,062</b>	<b>-46,833</b>			<b>-599,160</b>
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0			1,000
<b>Profit/(Loss) Before Tax</b>	<b>-50,437</b>	<b>-63,804</b>	<b>-74,581</b>	<b>-104,942</b>	<b>-88,453</b>	<b>-69,939</b>	<b>-33,595</b>	<b>63,655</b>	<b>89,736</b>	<b>145,187</b>	<b>149,343</b>	<b>57,611</b>			<b>19,780</b>

**Note:**

- Budget shows -5% revenue volume with no cost saving.
- \*All revenue is recorded in the month of travel and does not include advance purchase revenue.
- \*\*Legal and professional Includes monthly finance repayments on 300K vessel loan.
- Includes £7K contingency against non sale of Sark Belle.

The Operating Budget shown above represent a worst case scenario volume/revenue estimate with no cost saving



# Corsaire Des Iles 2

## Day Passenger Vessel

### Main characteristics



<b>NAME – REF</b>	<b>CORSAIRE DES ÎLES - 012V452</b>
<b>Type / Material</b>	Monohull / Aluminium
<b>Built / Shipyard</b>	2007
<b>Dimensions</b>	23,00 m x 6,40 m - Draft : 1,50 m
<b>Gross Tonnage</b>	105 UMS
<b>Passengers / Category</b>	3rd category - 150 passengers / 3 WC (1 Disabled WC) Upper deck : 32 - Lounge : 86 – Aft. deck : 32 4th category - 157 passengers Upper deck : 32 - Salon : 86 – Aft. deck : 32 – Shelter deck : 7
<b>Classification</b>	Bureau Veritas
<b>Main engines</b>	Volvo D12 MH - 2 x 500 Cv (368 Kw) @ 1800 rpm Full overhaul : 06/2014
<b>Auxiliaries</b>	ZF type 350A – 1/2,636 / 2 x 5 Blades (+ 2 x 4 Blades)
<b>Bunkers</b>	GO : 8 000 L / Fresh water : 860 L / Black water : 390 L
<b>Speed / Consumption</b>	15 knots
<b>Electronics</b>	2 PORTABLE VHF ICOM / VHF ASN COBRA / VHF ASN FURUNO HS2721 / FURUNO RADAR / FURUNO SOUNDER FCV620 / FURUNO GPS GP32 / NAVNET C-Map / Invasion & fire alarm / Cameras (Lounge & Machine), BOUYER intercom / BOUYER sono (Upper deck, lounge, aft. deck)
<b>Miscellaneous</b>	Soundproof machine, 2 alternators 2 x 100 A Gearbox : 11/2017
<b>Inspection / Availability</b>	Available 11/2019
<b>Price</b>	750 000 € (excl. taxes)

## Corsaire Des Iles 2

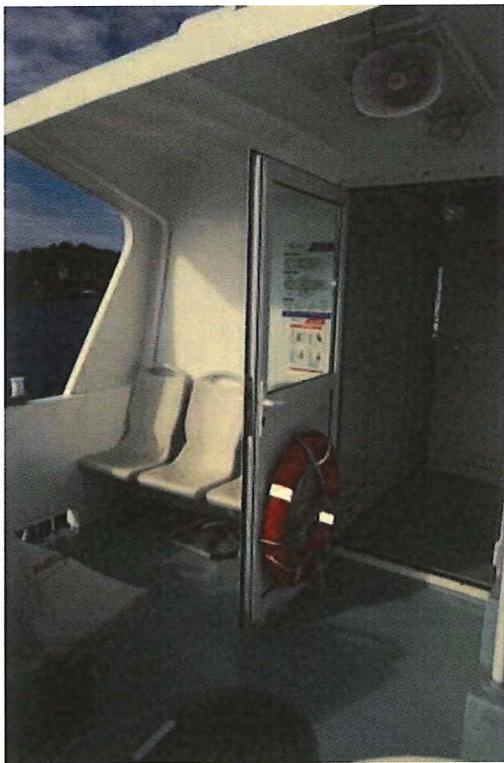
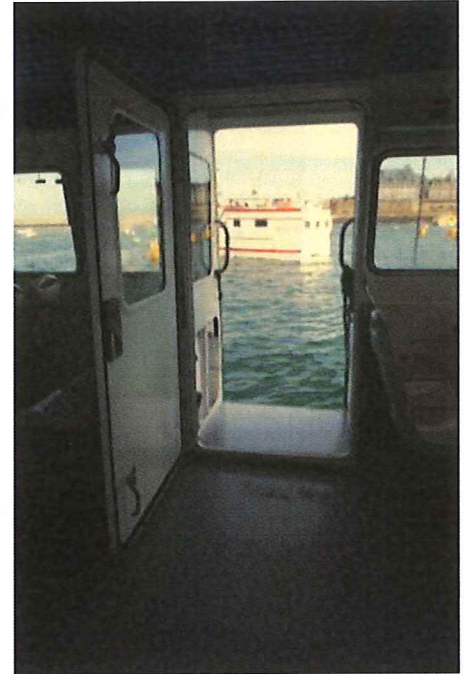


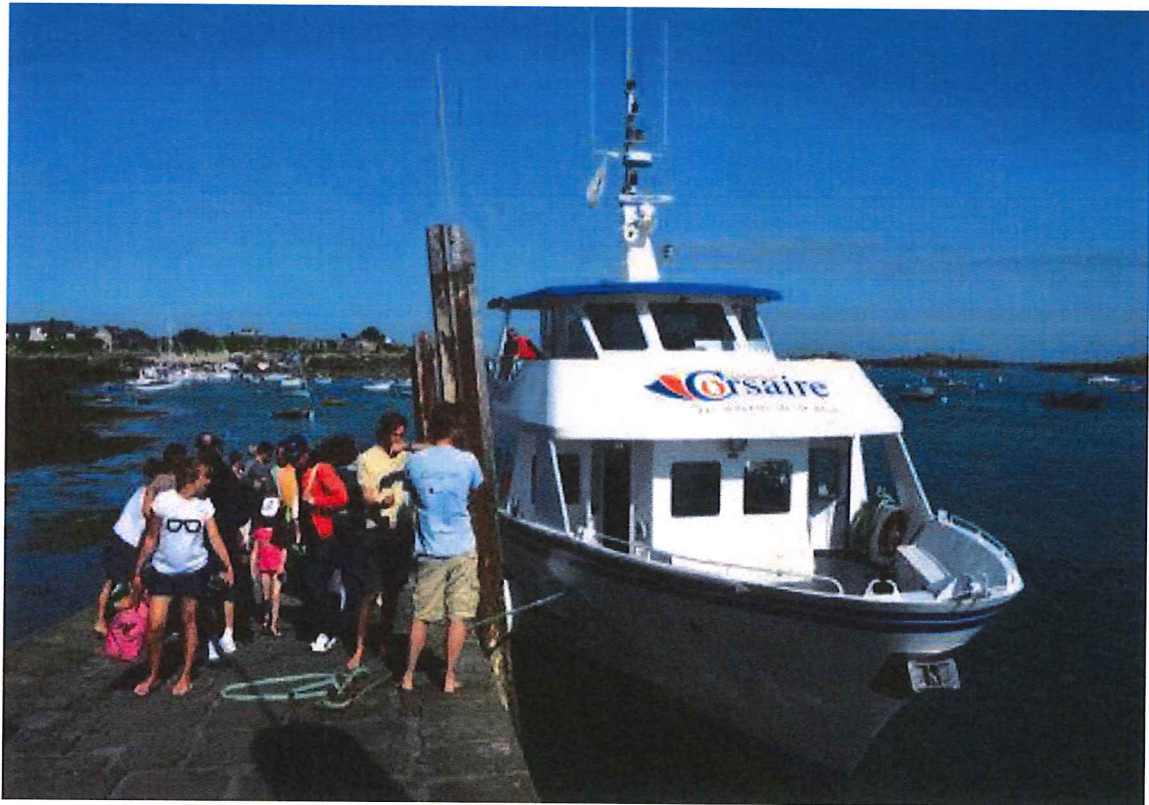
# Corsaire Des Iles 2



# Corsaire Des Iles 2







## Q & A

**Question** - Why do we need to replace the passenger vessels now?

**Answer** - The current passenger vessels are getting older, less reliable and more expensive to maintain year by year. The average cost of operating the Bon Marin de Serk and the Sark Belle is £30,000/ year. This compares to approximately half this amount for the Sark Viking.

**Question** – Why are we buying a second hand vessel rather than buying/building a new vessel?

**Answer** – There are two reasons that the Company has chosen this approach. Fundamentally the cost of specifying and building a new vessel would most importantly be beyond the current ability of the Company to finance and secondly the lead time (at least 18 months) would risk disruption to the service. In addition we will be purchasing a vessel that is of proven design, fits our requirements, and is at a cost that is affordable and still allows the Company to accrue capital to cover winter costs and contingencies.

**Question** – Why not keep one of the other vessels and replace the Sark Venture?

**Answer** – Sark Venture is the most capable winter operating vessel and also provides back up for the cargo service. We are currently replacing the main engines to ensure we maximise the reliability of the Sark Venture and minimise the cost of ongoing maintenance.

**Question** – How will we maintain the summer service with only two rather than three passenger vessels?

**Answer** – Prior to the purchase of the Sark Belle the Company operated with two passenger vessels (Sark Venture and Bon Marin de Serk) the purchase and subsequent retention of the third vessel (Sark Belle) was driven as a result of an extended mechanical breakdown involving the Bon Marin de Serk. The long out of service time was partly due to the age of the vessel mechanics and the lack of strategic spares available.

It is our intention to obtain a number of strategic spare parts for the replacement vessel (including a spare main engine) to ensure that we are confident that any downtime will be kept to a minimum. The vessel is also of straightforward construction and mechanical design that will allow us to undertake any work required using on Island support rather than relying on UK or European contractors. Replacing the main engines of the Sark Venture will also reduce the risk of downtime on that vessel.

Having reviewed and analysed peak passenger demand over the previous 5 years we are also comfortable that the capacity of the replacement vessel combined with the back up capacity provided by the Sark Venture provides sufficient capacity to meet demand even in the busiest periods and still allow for potential growth.

**Question** – How will we maintain the winter service with the replacement vessel and the Sark Venture?

**Answer** - In the past two years we have in effect operated the winter service with only two vessels one of which was the Sark Belle. We have analysed the demand and given the very low volumes we are confident that the winter service can be operated without risk of major disruption using the replacement vessel, Sark Venture, and Sark Viking. (it is likely that the replacement vessel will have a similar weather limitation to both the Venture and the Bon).

## Q & A - continued

**Question** – Will the replacement vessel effect a change in the timetable and will this affect Sark residents and visitors?

**Answer** – The replacement vessel has an economic service speed of 15knots (35 minutes journey time maximum speed 18 Knots). The shorter crossing times will allow the Company to schedule the first Guernsey departure at a later and more attractive time for the visitor without compromising the current arrival times and length of day in Guernsey for the Sark resident.

Operationally the proposed schedule and fleet structure will be easier to manage than the current operational schedule where we are dealing with three boats with three different speeds and capacities. Having a faster vessel with greater “covered” capacity will make the operation easier.

Although we will not confirm the summer schedule until such time as we have the replacement vessel we will also be modelling a number of options to best use the shorter rotation times and larger capacity to maximise efficiency and encourage additional volume.

The arrival times in Sark and in Guernsey during the winter season are likely to remain unchanged as they will be based on Venture and Viking passage times. The proposed summer season schedules are shown on page 24

**Question** – Will fares or other costs need to increase when the replacement vessel is purchased?

**Answer** – The business plan financials for the replacement vessel has been built on cost saving and efficiencies rather than the need to increase revenue. (passenger ticket prices or cargo charges) to cover the repayments on the loan. Ticket prices, if possible, will be restricted to RPI in line with the usual arrangements. We have modelled cash flow budgets on an average and “worst case” passenger/volume scenario and even with volumes below 100,000 passenger legs (50,000 passengers) the Company calculates that it would be able to service the loan. We will also continue to operate the special fares and promotions.

**Question** – The faster rotation times (just over 1.5 hours rather than 2 hours) may prove challenging for the Carters when delivering luggage and goods and returning for the arrival of the next rotation?

**Answer** – Following consultation the third am rotation Guernsey- Sark – Guernsey will be timed to leave 15 minutes later than originally scheduled to give the carters time to make deliveries and collections. *(see schedule on page 25)*.

**Question** – Long Term Loan

Chief Pleas has provided a long term loan of £254,788 which is due for repayment on 31 August 2021. Will this be repaid?

**Answer** – Following the purchase of the replacement, keeping aside cash required for winter trading and assuming that a portion of the £120k put aside for modifications to bring the vessel into UK code is spent; IOSS will have a contingency cushion of £100,000 plus any unspent money from the £120K . This will put the company in a position to repay the loan in full in 2021 without any adverse impact on the company’s finances.

**Question** – When

When will the new vessel enter service?

**Answer** – We are hoping that the purchase will go through in early to mid February dependent on finance and survey being satisfactory. There will be surveys to undertake and there is likely that some work may be required to obtain a UK passenger certificate; we will also undertake sea trials and crew training to ensure that the vessel is ready for service. If all goes to plan the target date would be end of April.



# Draft Schedule

Corsaire des Iles 2 has a service speed of 15 knots giving rotation times of 1H45 rather than 2 hours allows for later start times, additional sailings, or a combination of both.. As with the current schedule turnaround times could be variable according to volumes (passengers loaded to and from the vessel) and the additional speed in hand would enable us to maintain a schedule that is attractive to day trippers and staying visitors. The finance costs for the replacement vessel have been calculated using conservative volumes/revenues. However, we are optimistic that the schedule and the reduced crossing times will encourage additional passenger numbers.

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Dep GY		#0700		#0700	#0700		
Dep GY	0900		0900		0900	0900	
Dep GY	1030	1030	1030	1030	1030	1030	0945
Dep GY	1200	1200	1200	1200	1200	1200	1115
Dep GY	1545	1545	1545	1545	1545	1545	1500
Dep GY	1715	1715	1715	1715	1715	1715	1630
Dep SK		#0915		#0915	#0915		
Dep SK	0945		0945		0945	0945	
Dep SK	1115	1115	1115	1115	1115	1115	1030
Dep SK	1300	1300	1300	1300	1300	1300	1200
Dep SK	1630	1630	1630	1630	1630	1630	1545
Dep SK	1800	1800	1800	1800	1800	1800	1715

## NOTES:

- **0800** Guernsey departure moved to **0900** – currently on average only between 10% & 12% of IOSS am carryings travel out to Sark on the early sailing Visitors are reluctant to take the early am departure despite the lower fare applied. Moving the 0800 sailing to 0900 should encourage more passenger volume. The 0945 departure from Sark will arrive only 15 minutes later than the previous 0900 departure.
- **1000** sailing moved to **1030** – Sailing is still at a peak time and the arrival in Sark will be close to the previous arrival time of 1100. **1115** Sark departure time will arrive earlier than the previous schedule 1100 Sark departure.
- **1145** Guernsey departure moved to **1200** - Guernsey departure moved 15 minutes however, shorter crossing time gives earlier arrival in Sark which should encourage more passenger volume. **1245** departure from Sark moved to **1300** to allow more time for carters collection/delivery. Arrival time Guernsey will be 15 minutes earlier than previous schedule.
- **1500** Guernsey departure moved to **1545** – arrival time in Sark only +15 minutes, 45 minute delay to previous 1500 Guernsey departure allows more time for connections with both air and ferry journeys. Gives more day trip time for Sark residents.
- **1600** Sark departure moved to **1630** – this will give a small increase in the stayover time in Sark for Day trippers. The transit time for the new vessel will result in the same 1700 arrival time in Guernsey
- **1700** Guernsey Departure moved to **1715**- The additional 15 minutes will allow more time for flight or ferry connections.
- **1800** Sark Guernsey departure maintained, shorter crossing time gives an earlier arrival in Guernsey which makes the sailing more attractive to returning visitors.

The Sark Venture will be used if and when additional capacity is required and will operate outside the published scheduled times.

Retention of the Venture enables the Company to retain Cruise excursion and tendering income without impacting the scheduled service.

Winter service would be operated primarily by the Venture but the replacement/new vessel would be available throughout if there was demand.