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(Please note that "Information Only" reports do not require Equality Impact Assessments, Legal or Finance Comments as no decision is being taken)



Portsmouth
CITY COUNCIL

Title of meeting: Planning, Regeneration and Economic Development

Subject: MMD (Shipping Services) Ltd and Portsmouth International Port Trading Results and Capital Outturn Report 2017/18

Date of meeting: 04 September 2018

Report by: Port Director

Wards affected: All

1. Requested by

1.1 Director of Finance and Information Service & Section 151 Officer.

2. Purpose

2.1 To highlight the salient points for both the trading results of MMD (Shipping Services) Ltd and Portsmouth International Port for the year ending 31 March 2018, and their capital programmes.

3. Revenue Position Summary

3.1 MMD's trading results for 2016/17 and 2017/18 are summarised in Table 1:

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Table 1: MMD (Shipping Services) Ltd Trading Results 2016/17 & 2017/18

	2016/17	2017/18	Variance
	£000	£000	£000
Turnover	(15,512)	(13,159)	2,353
Cost of Sales	8,686	7,704	(982)
Gross Profit	(6,826)	(5,455)	1,371
Administrative Expenses	6,639	9,356	2,717
Other Operating Income	(241)	(4,201)	(3,960)
Operating (Profit)	(428)	(300)	128
Interest	215	199	(16)
Net (Profit) on Ordinary Activities Before Tax	(213)	(101)	112
Taxation	0	0	
Net (Profit) for the Year	(213)	(101)	112

3.2 The Port's trading results for 2016/17 and 2017/18 are summarised in Table 2 below:

Table 2: Portsmouth International Port Trading Results 2016/17 & 2017/18

	2016/17	2017/18	Variance
	£000	£000	£000
Turnover	(14,892)	(16,541)	(1,649)
Expenditure	8,136	8,171	35
Trading Surplus	(6,756)	(8,370)	(1,614)
Capital Charges	2,504	2,140	(364)
Insurances	197	280	83
IAS 19	468	638	170
Support Service Charges	376	522	146
Employee Benefit Accrual	19	(38)	(57)
Interest	30	1	(29)
Net (Profit) for the Year	(3,162)	(4,827)	(1,665)

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3.3 The combined financial position of MMD and the Port is summarised in Table 3 below:

Table 3: Combined Trading Results 2016/17 and 2017/18

	2016/17	2017/18	Variance
	£000	£000	£000
Turnover / Other Operating Income	(30,645)	(33,901)	(3,256)
Total Cost	27,270	28,973	1,703
Net (Profit)	(3,375)	(4,928)	(1,553)

3.4 MMD and the Port produced a combined income of £33.9m and a net profit of £4.9m in 2017/18. Net profit in 2017/18 was £1.6m higher than in 2016/17.

3.5 The Port's 2017/18 net profit of £4.8m was £1.6m more than the £3.2m generated in 2016/17.

3.6 The below sections analyse the financial results in greater detail.

4. MMD (Shipping Services) Ltd Trading Results

4.1 Stevedoring

4.1.1 Sales in 2017/18 were lower than in 2016/17. The reduction was primarily due to Geest transferring its business to Dover and Cool Carriers cessation of trading.

4.1.2 Gross profit stood at 43% in 2017/18, which compares to 55% in 2016/17.

4.2 Haulage

4.2.1 The haulage concession remained with NV Transport. The new distribution service allowed MMD to develop a solution for a wide range of customers. The basis of the agreement resulted in a rental of around £60,000 per annum.

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5. Portsmouth International Port Trading Results

5.1 Turnover

5.1.1 Overall the Port's turnover in 2017/18 was £1.6m higher than in 2016/17. The increase in income reflects an increase in Operational Dues as a result of a new operator agreement.

5.2 Expenditure

5.2.1 Expenditure (including capital charges and other corporate costs) in 2017/18 was £16,000 lower than in 2016/17.

5.2.2 The largest variance was driven by a change in the value of port assets. This reduced cost in 2017/18 by £360,000 compared to 2016/17. This was offset in part by an increase in pension scheme costs, which increased 2017/18 expenditure by £170,000.

5.2.3 Employment costs were £220,000 higher in 2017/18 than in 2016/17 as a result of a staffing restructure. Dredging costs were £190,000 lower in 2017/18 because of a large dredging scheme in 2016/17. Support service charges from Portsmouth City Council in 2017/18 were £150,000 higher than in 2016/17 because of an increase in council services provided to the port.

6. MMD (Shipping Services) Ltd Capital Position

6.1 During 2017/18 MMD invested £1,664,000 in a replacement Forklift fleet. The company also purchased a Bromma for crane 7 for £116,000 and incurred commissioning costs for crane 7 of £32,000.

6.2 The company continued to invest in its terminal management software (£61,000 in 2017/18) and obtained two 40ft Skeletal trailers for £10,000. The fabric of the site ground continues to be a concern and £163,000 was spent on repairing the surface. Site safety and security remains a high priority and £28,000 was invested in enhancing CCTV coverage and effectiveness on site.

6.3 A deposit was paid on a new Reach stacker of £47,000, which is to be delivered in 2018/19 (full cost £314,400). This will enhance container handling capability and replace aging existing equipment which is beyond economic repair.

7. Portsmouth International Port Capital Position

7.1 Capital expenditure in 2017/18 totalled £8.7m. The majority of this spend was attributable to the replacement of a linkspan. This structure is a floating bridge, which allows vehicles to move on and off ferries.

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- 7.2 Another significant area of capital expenditure related to the completion of the demolition of a navigation hazard project, which has allowed the port to accept larger ships.
- 7.3 The Berth 2 Finger Walkway project was completed in 2017/18. The walkway shelters passengers from the elements as they move between passenger shuttle buses and gangways for some cruise calls.

8. Statistics

- 8.1 Table 4 below summarises unit due numbers for MMD for 2016/17 and 2017/18.

Table 4: MMD (Shipping Services) Ltd Tonnage Dues

	2016/17	2017/18	Variance	Variance
	Number	Number	Number	%
Tonnes	906,768	730,122	(176,646)	(19.48)

- 8.2 The table highlights that tonnage dues in 2017/18 were 19.48% lower than in 2016/17.
- 8.3 Health & Safety continues to be prioritised. Accident days in 2017/18 stood at 140 days compared to 275 days in 2016/17. Unfortunately MMD experienced a fatal incident during 2017/18. A coroners hearing has not yet been set.
- 8.4 Table 5 below summarises unit due numbers for Portsmouth International Port for 2016/17 and 2017/18.

Table 5: Portsmouth International Port Unit Dues

	2016/17	2017/18	Variance	Variance
	Number	Number	Number	%
Passengers	2,032,908	1,993,840	(39,068)	(1.92)
Vehicle Units	690,812	677,780	(13,032)	(1.89)
Freight Units	246,571	247,141	570	0.23
Ships	2,896	2,835	(61)	(2.11)

- 8.5 The table highlights that with the exception of freight units, activity in 2017/18 was a little lower than activity in 2016/17. However, activity in future years is forecast to rise.

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9. Forecast

- 9.1 Investment at MMD is ongoing and the company is actively developing new business opportunities and pursuing a policy of diversification of commodity ranges. The company has recently signed a 10 year deal for the transshipment of wind turbine blades. With the continued change to more containerised traffic in 2018/19 and 2019/20 for AEL and Fyffes respectively, MMD's Board consider the prospects to be positive.
- 9.2 Portsmouth International Port is forecast to generate a healthy profit in 2018/19, with year on year growth forecast thereafter. The Port functions as a multi-user port, and actively looks to attract new business.

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Signed by (Director)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location