

# Department of Transport, Isle of Man Government

## Ramsey Marina Economic Study

### Summary of Economic Assessment and Supporting Assumptions

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Draft for Review





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# Department of Transport, Isle of Man Government

## Ramsey Marina Economic Study

### Summary of Economic Assessment and Supporting Assumptions

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#### Draft for Review

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# CONTENTS

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1	SUMMARY .....	1
2	BACKGROUND TO THE STUDY .....	4
	2.1 Study scope and methodology .....	4
	2.2 Summary of primary financial impacts .....	5
3	ECONOMIC APPRAISAL.....	6
	3.1 Approach .....	6
	3.2 Assumptions .....	6
	3.3 Other direct spending by visiting yachts .....	7
	3.4 Direct spending by tourists .....	8
	3.5 Direct spending by spectators .....	9
	3.6 Property development .....	10
	3.7 Indirect and induced benefits.....	10
	3.8 Employment.....	11
	3.9 Treasury receipts.....	11
	3.10 Project evaluation .....	12

# Appendices

Appendix A  
Assumptions

# 1 SUMMARY

As part of the investigations into the feasibility of an impounded Marina at Ramsey Harbour, the Isle of Man Government has commissioned Hyder Consulting and Fisher Associates to undertake an economic evaluation of two preferred options:

**Option 5:** Impoundment of the old Harbour with a half tide flap gate.

**Option 3:** Impounded harbour formed by a new half tide gate, just upstream from the swing bridge, providing a much larger harbour area, encompassing the Old Harbour where the marina will be located.

Both options would enable the development of a Marina with 160 berths within the old harbour area. The larger scheme would also impound the outer harbour, creating a permanent body of water and bringing with it greater amenity, recreational and tourist potential.

An assessment of the economics of the two options has been undertaken. This assessment has measured the additional benefits of each option compared to the current baseline in the following areas:

**1 Gross Value Added (GVA) derived from:**

- Direct revenue from marina berth charges
- Direct spending by visiting yachts and the crews of boats involved in events such as regattas
- Direct spending by tourists and spectators visiting the marina
- Indirect spend by those businesses providing goods and services to the marine leisure and tourism sectors
- Induced demand for goods and services from the spending of additional salaries earned through job creation.

**2. Employment**

- Direct and indirect employment in terms of full time equivalents (FTEs).

**3. Government receipts**

- Income tax and revenue receipts generated through additional economic activity

The main difference between the two schemes lies in their potential to attract visitors to Ramsey and the increased spending from visiting yachts and competitors in events. The table below presents a summary of the economic assessment:

Table 1: Summary of Economic Impacts

£'000	Option 5	Option 3
<b>Capital cost</b>	<b>10,861</b>	<b>11,881</b>
<b>Annual revenue</b>		
Direct revenue from marina berth charges	170	173
Direct spending by visiting yachts and the crews	64	285
Direct spending by tourists and spectators	95	427
Indirect and induced revenue	82	221
<b>Total additional direct and indirect revenue</b>	<b>411</b>	<b>1,106</b>
<b>GVA</b>		
Direct revenue to Harbours	170	173
GVA from other direct revenue	57	254
GVA from indirect revenue	29	79
<b>Total GVA</b>	<b>256</b>	<b>506</b>
Operating costs	-168	-183
<b>Net GVA</b>	<b>88</b>	<b>323</b>
<b>Employment (full time equivalent)</b>		
Direct employment	4.4	15.4
Indirect employment	0.7	3.5
<b>Total</b>	<b>5.1</b>	<b>18.9</b>
<b>Annual Government Receipts</b>		
Income Tax	5.3	19.0
Revenue Sharing	12.8	25.3
<b>Total</b>	<b>18.1</b>	<b>44.3</b>

In comparison to Option 5, the larger Option 3 could provide an additional £0.235m per year to the economy and 13.8 more jobs, for an additional spend of £1.02m. At a discount rate of 3.5%, this would break-even at Year 5 and return an ENPV of £0.95m by Year 10.

These additional benefits need to be considered against the following operational issues:

- Both options will have an impact on the operation of the harbour, with additional boat movements displacing some existing activities
- Alternative arrangements will be required for access to the boatyard as the winch slips will be submerged by impounded water
- An alternative location will need to be provided for the boat maintenance grid

An operational plan will need to be developed and alternative facilities provided where necessary to ensure that the harbour can continue to function effectively for all users. In particular, the continued operations of the boat without the use of the winch slips will be a key consideration, and alternative provisions, which have not been costed or included within the economic assessment, will need to be taken into account.

## 2 BACKGROUND TO THE STUDY

The Isle of Man Government has identified the marine leisure sector as a potential growth sector in the economy, and has begun investing in the infrastructure required to meet its vision of becoming a leader in marine leisure in the Irish Sea region. It is now investigating the potential to develop Ramsey Marina and has recently commissioned a study into the options for its development. The next stage is to evaluate the financial implications and economic impact of each of these options.

The Department of Transport now wish two options to be taken forward for evaluation:

- **Option 5:** Impounded harbour formed by a new half tide gate at the entrance the Old Harbour to create a Marina with 160 berths. No development is proposed in the Outer Harbour area, except possibly some dredging to enable navigation to the new marina.
- **Option 3:** Impounded harbour formed by a new half tide gate, just upstream from the swing bridge, providing a much larger harbour area, encompassing the Old Harbour where the marina will be located.

The economic study builds on Fisher Associates' previous study into the Economic Benefit Potential of the Marine Leisure Industry carried out for the Isle of Man Harbours and completed in June 2007. The study is required to identify the level of this additional economic activity that will be generated from each of the above options and to evaluate the relative cost/benefit of each option.

This report is an extract from the full report which is currently in draft form.

### 2.1 Study scope and methodology

The financial appraisal considered three options as follows:

- Baseline (Do Nothing)
- Option 5
- Option 3

These options were assessed against revenues and costs for over a 20 year period. Existing data from Ramsey and Douglas harbours was used to prepare a financial model for each option within Ramsey Harbour.

By comparing each option against the baseline, a comparative assessment has been undertaken, taking account of direct and indirect income generated.

## 2.2 Summary of primary financial impacts

The summary for the primary financial impacts on Ramsey Harbour is listed in Table 1. These cover the main elements of the profit and loss account and the impact:

<b>Income</b>	<b>Option 5</b>	<b>Option 3</b>
Harbour Dues - Goods ( Cargo )	No Primary Impact	No Primary Impact
Harbours Dues - Fishing Vessels	No Primary Impact	Minor Impact on Access
Harbours Dues - Manx Pleasure Vessels	Increased Revenue	Increased Revenue
Harbours Dues - Tonnage	No Primary Impact	No Primary Impact
Harbours Dues - Visiting Pleasure Vessels	Increased Revenue	Increased Revenue
Other Rentals - Other Rent	No Primary Impact	No Primary Impact
Other Rentals - Services to Tenants	No Primary Impact	No Primary Impact
Other Services - Other Services	Storage Included	Storage Included
Registration Fee	No Primary Impact	No Primary Impact
Personnel	Additional Staff Required	Additional Staff Required
Expenses	Increased	Increased
General and Miscellaneous	Increased Required	Increased Required
Energy Costs - Electricity	Increase Demand	Increase Demand
Energy Costs - Fuel Oil	Increase Demand	Increase Demand
Structural Maintenance - Reactive	Increased Asset Base	Increased Asset Base
Structural Maintenance - Routine	Increased Asset Base	Increased Asset Base
Waste Management Transport Costs	Increase Demand	Increase Demand
Water Charges - Metered-Unmetered General	Increase Demand	Increase Demand

Table4.1: Primary Financial Impacts on Ramsey Harbour

Wider benefits to other activities with in Ramsey Harbour, e.g. cargo, are covered in the economic appraisal. However there is the potential to further directly improve the cargo and fishing facilities as part of the wider harbour improvements, whilst a marine contractor is working on site.

## 3 ECONOMIC APPRAISAL

### 3.1 Approach

The economic benefits of the project are measured in terms of the net change over the baseline case in:

1. Gross Value Added (GVA) derived from:
  - Direct revenue from marina berth charges.
  - Direct spending by visiting yachts and the crews of boats involved in events such as regattas.
  - Direct spending by tourists visiting the marina.
  - Indirect spend by those businesses providing goods and services to the marine leisure and tourism sectors in turn consuming goods and services.
  - Induced demand for goods and services from the spending of additional salaries earned through job creation related to the project.
2. Employment
3. Government taxation receipts

### 3.2 Assumptions

#### 3.2.1 Direct spending by resident yacht owners

The assumptions relating to direct revenue from marina berth charges are set out in Appendix A. This revenue is earned from the charges paid by residents for annual and monthly contracts; the daily dues paid by visiting yachts and yachts in events; a service charge for the use of the pontoons; and revenue from winter storage.

#### Boat maintenance and repair

Resident yacht owners would also spend money on boat upkeep and repairs. In our baseline case we have assumed that there are currently 110 moorings occupied in the harbour. This would increase to 230 under both Options (there is a mixture of pontoon berths and moorings under both Options). We have no information on the proportion of these berths that would be taken by boats that are new to the Island. We have therefore made a working assumption that 75% of the boats under each scheme would have been moored elsewhere on the Island, and only 25% would be either boats that residents have kept off the Island and would now be able to bring nearer to where they live, or are new boats that have been bought in response to there being space available in a non-drying harbour.

We have assumed that only the 25% of 'new' boats would account for an increase in spending on maintenance and repair, as the existing boats would be maintained already somewhere on the Island. As the boatyard and other marine services such as electronics are located in Ramsey, it is possible that some of that maintenance already takes place in Ramsey. For simplicity we have assumed one boat to be maintained per berth, although there may be more in practice. The average annual spend on maintenance and repairs is estimated at £600 per

boat. This is consistent with information gathered by the British Marine Federation (BMF) on spending on boat repairs at marinas<sup>1</sup> divided by the number of berths. At Tollesbury the spend per berth is around £500 and at Port Solent is around £625. A review of Cahersiveen Marina in Ireland, which has 92 berths, the average spend on repairs, maintenance and chandlery was estimated at €2,227 (approximately £1,700) in 2005<sup>2</sup>

If the marina goes ahead, there is likely to be scope to expand the amount of yacht related work carried out in the boatyard: Booth W Kelly Ltd, the owner and operator of the boatyard, estimate that only 20% of its business is currently marine related, although this can vary substantially year on year. With an increase in demand, BWK would be prepared to develop its employees' skills to meet the demanding requirements for specialist services for yachts and superyachts. There is therefore scope for the company to increase its level of activity and maintain yachts which are not necessarily berthed on the Island.

We have not allowed for this possible upside, because it is very dependent on the marina generating sufficient new demand and on the boatyard being able to meet that demand. Some of the services are already provided elsewhere on the Island such as boat building and repairs in fibreglass and wood; and marine radio, radar and electronics. Other services such as sail making and repairs are highly specialist and so not likely to be viable for BWK to take on. For the purposes of this economic impact study, we need to ensure that benefits of this scheme do not merely reflect the displacement of activity from elsewhere in the Isle of Man economy.

### 3.3 Other direct spending by visiting yachts

We have assumed that the passengers and crew on visiting yachts will spend money in the local economy whilst they are in port; they will use local restaurants and bars and buy provisions in local shops. In estimating their daily expenditure we have referred to the Isle of Man Government 'Passenger Survey Annual Report 2007' which estimates the average daily spend of day trip visitors at £43 per person. This does not include any expenditure on travel to/from the Island or accommodation, so is appropriate for visitors arriving on their own boat and sleeping on board.

We have increased this average daily spend to £45 to allow for some inflation – in 2008 inflation averaged 4% but the Retail Price Index in 2009 has been falling as a result of lower interest rates reducing mortgage payments. The Consumer Price Index may be a better indicator to use in this context, and that was nearer 4% in early 2009. Interestingly average spend in 2005 was £47, so this represents a slight fall in recent years.

There are assumed to be an average of three passengers on a visiting yacht, and six crew members on a boat competing in an event. The average length of stay of a visiting yacht is assumed to be three nights (equated to three days) and for a boat in an event is two nights.

In addition we have made provision for refuelling and the purchase of boat supplies at an estimate of £30 per visiting boat per visit. It could be argued that visiting yachts would also consume marine services such as maintenance. However, the number of visitors is quite small and the average length of stay is quite short, so we have not made any provision for this.

Option 3 has the potential to attract more visiting yachts than Option 5 because it can offer non-drying moorings in addition to the pontoon berths.

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<sup>1</sup> The Economic Impact of Coastal Marinas, BMF, 2007

<sup>2</sup> A Review of Cahersiveen Marina and Watersports Centre Project, Tourism Development International, May 2005

## 3.4 Direct spending by tourists

It is well-recognised that marinas enhance the local environment and are seen as having an important role in regeneration schemes, particularly as the land around docks and estuaries is often run-down. If a marina involves the refurbishment of the quayside areas, then the waterfront can become an attraction in its own right for visitors who like to take a stroll around and look at the yachts. If the scheme also encourages food outlets, bars and retail outlets then there is greater potential to increase the value added through visitor spend.

It is, however, very difficult to quantify how many visitors will be attracted to Ramsey simply because a marina has been built, and to distinguish between the overall attractiveness of the two Options. Under Option 5, the Old Harbour would be impounded, but the Outer Harbour would continue to dry out as at present. Under Option 3, there would be water in the Outer Harbour at all states of the tide. As can be seen, the West Quay in the Outer Harbour borders the town, so Option 5 would make little direct impact on the appearance of / or view from the West Quay area and have fewer linkages with the rest of the town.

The above view is also expressed by a number of local people with whom we consulted including the Manx Yacht Club and local Chamber of Commerce. Local businessmen were concerned that Option 5 would not encourage any further development, particularly of properties along the quayside, whereas Option 3 would provide a good visual amenity and smarten the place up. Other comments included 'the small scheme is not worth bothering with... it is too far away from the middle of town' and 'the small scheme would not cater for visitors'.

Conversely, however, there was one concern that Option 3 would not make any real difference to the appearance of the West Quay area as the quay faces north so does not get much sun and 'it is not very attractive with the tide in at present, so will not be very different'.

Under Option 5, we have allowed for visitors coming to look at the marina, but we consider that they are less likely to walk round to the town, so we have reduced their average spend. Under Option 3, it is more likely that visitors will come to the whole harbour area, and hence are more likely to spend money in the town.

Estimating the number of visitors was very difficult as we were unable to obtain any information on tourism numbers to Ramsey. We were able to obtain visitor numbers for Manx National Heritage Attractions though. These sites are not comparable to a marina, but they charge for admission. The annual visitor numbers in 2007 ranged from over 155,000 for the Manx Museum in Douglas to just over 2,000 for the Old House of Keys in Castletown. One of the attractions, The Grove, is located in Ramsey and received 12,800 visitors in 2007. We have therefore, used this as a guide to the number of potential visitors to the marina area.

Under Option 5, we have assumed that 4,000 visitors each year are attracted to Ramsey because of the marina and would not otherwise visit the town, and 13,000 visitors under Option 3. Of these visitors, we have assumed that 75% of them are Isle of Man residents and the remaining 25% are tourists; the latter would reflect a ratio of 1 in 20 tourists staying in paid accommodation making a trip to Ramsey that they would not otherwise make.

We have allowed for different levels of spending between residents and tourists, as the latter are likely to spend more than locals on eating out and souvenirs. We have assumed daily spending for residents of £5 per person under Option 5 and £10 under Option 3, whereas for tourists we have used £25 per person per day under both Options on the basis that they are more likely to make the effort to visit the town whilst they are in Ramsey.

It could be argued that the spending by tourists would be the same if they did not go to Ramsey, so this is just displacement of activity. However, Ramsey does have a good variety of independent shops not found elsewhere on the Island, these include boutiques, gifts, the only fair trade shop on the Island, beauty products, jewellery, a delicatessen and a good selection of cafés and coffee shops. It is therefore probable that visitors would spend more than if they did not go to Ramsey.

We have not made any allowance for visitors staying in paid accommodation in Ramsey, as we consider it unlikely that people would decide to take a holiday on the Isle of Man purely because Ramsey has a marina. The tourists are people who would have visited the Island anyway; they may stay in Ramsey, or they may stay elsewhere on the Island, but there is not a net gain to the Island in terms of revenue from accommodation and transport that can be attributed to the marina.

These estimates of the number of additional visitors to Ramsey are, however, likely to be very conservative if the waterfront along West Quay is developed.

### 3.5 Direct spending by spectators

Events can be a large attraction for spectators, who will then spend money in the town. Option 3 provides more capacity for berthing boats competing in regattas because the Outer Harbour would not dry out. We have not ruled out hosting races under Option 5, as the Manx Yacht Club manages to organise a Round the Island Yacht Race each year under current conditions, but the number of races and number of boats participating is lower than under Option 3.

Under the Baseline case there is assumed to be one event a year with 30 competitors; under Option 5 this rises to two events with 50 competitors and in Option 3 there are four events with 100 competitors. The Yacht Club is confident that with Option 3, they could accommodate races with 100 yachts quite easily; in the past they have had over 150 competitors but this has dwindled to around 30 boats today and reflects the fact that modern boat design and materials are not tough enough to withstand drying out moorings.

In estimating spectator numbers, we have assumed that the more boats there are in a race, the greater an attraction it will be. We have assumed the following numbers of spectators per event per day:

- Baseline: 1,500
- Option 5: 2,000
- Option 3: 3,000

It is difficult to make comparisons with other regattas as they vary enormously in size and location, but Tarbert in Argyllshire estimate that about 2,500 visitors come to watch their regattas. These events are typically larger than those proposed for Ramsey (with 160 to 200 boats), but Tarbert itself has a much lower population (1,600 compared to 7,300 for Ramsey). Tarbert is arguably more remote, although may attract more tourists than Ramsey if its provision of hotel accommodation is an indicator.

We have made the same assumptions regarding the mix of spectators between residents and tourists as for general visitors. We have not made any distinction between the average spend under Option 5 and Option 3 though, as an event is the attraction rather than the marina as such. We have assumed average spend of £10 for residents and £25 for tourists per person per day.

As with general visitors described in Section 3.4 above, it could be argued that the spending by tourists would be the same if they did not go to a regatta in Ramsey, so this is just displacement of activity. However, the same arguments apply concerning the retail offering and, in this case, it is possible that some tourists would decide to make a trip to the Island because of a regatta who would not otherwise have come. Although we have not included the additional spend a regatta would bring, Period Visitors in Paid Accommodation in 2007 spent on average £415 per trip when accommodation and transport are taken into account.

## 3.6 Property development

The scheme does not include any property development such as accommodation, entertainment, eating and drinking or retail. We have therefore not included this as a direct benefit because it is reliant on the private sector developing such businesses and is not directly part of the scheme. There are some complex issues regarding property development:

- The viability of an enterprise such as a café or bar on the West Quay, and the net contribution to the local economy, depends partly on the balance between supply and demand in general and hence how well other businesses are doing in the town: are they operating at capacity, or do they need the extra business? If a waterfront café takes customers away from establishments in the town, then there is no net benefit.
- Properties along the West Quay are already being bought up and applications made for development into apartments, which suggests that they are going to go ahead with or without a marina, unless the purchasers are speculating on the marina going ahead and would not develop otherwise.
- The Town Commissioners own land around the harbour and the marina could make it attractive to develop this land. This is a possible upside, but not something we can quantify as part of this project.
- Any increase in property values per se is not a measure of value added. It could be argued that increasing property prices is a negative externality as it prices locals out of the market.

The marina scheme could play a positive role in raising the attractiveness of having a waterfront apartment, which in turn could encourage people to Ramsey and increase the demand base for local services, but this is not an impact that we can quantify within the scope of this study.

## 3.7 Indirect and induced benefits

The businesses that would benefit from the indirect impact are those that are not immediately involved in the scheme or the tourism spend it generates, so if the scheme were not to proceed, they would not be directly affected. These businesses are further down the supply chain and so benefit from the additional spend on goods and services from those businesses that are directly affected.

The induced impact is the additional consumer spending in the economy generated by the additional employees (in direct and indirect employment) spending their wages and salaries.

We have used the multiplier approach to determine the ratio of indirect and induced benefits to direct benefits. The benefits which can be captured by the local economy depend on the supply chain linkages, for example if all additional goods and services are sourced from outside the Island, then the benefit to the local economy is minimal. We did not consider that it was appropriate to draw the geographical boundary for the 'local economy' around Ramsey, because the area is too small and the leakages would be significant. Instead we have used the

Isle of Man and therefore applied the multipliers used by the Government for the Island. This is consistent with our approach to assessing the direct benefits in not including activities which could have been displaced from elsewhere in the economy.

The Treasury advice for economic evaluations is to use a spending/ income multiplier of 1.25, ie for every £1 of value added generated directly, a further £0.25 will be generated by indirect impacts. The methodology used by the Government in the past has not taken account of induced benefits.

The Treasury multiplier is consistent with the guidance from English Partnerships<sup>3</sup> the UK National Regeneration Agency, which has produced composite (indirect and induced) multipliers for different levels of activity/ supply chain linkages in different sized areas. A 'low' level multiplier for a regional area would be 1.29; this would be for an area with limited local supply linkages and limited induced or income effects. The Isle of Man imports most of its consumer goods and has limited local participation in the supply chain, so the leakages from the local economy are likely to be significant.

## 3.8 Employment

Both Options would require the additional employment of 1.5 x Harbour Keeper I.

Based on the research of the British Marine Federation<sup>4</sup> we have assumed that £40,000 of tourism spending supports one full time job. Our approach to estimating other employment has therefore been to take additional visitor and tourism spending and divide by £40,000. The BMF also estimate that £80,000 of turnover generates one full time job, so we have taken direct revenue excluding tourism spend, and divided it by £80,000.

## 3.9 Treasury receipts

Government revenues from the scheme could comprise:

- Company taxation
- Income tax from additional employment
- Indirect taxes on goods and services

### Company taxation

This is only incurred on the profits earned by financial institutions and on land transactions, and the rate is 10%.

Whilst there could be some benefits to companies in the financial sector providing services such as boat mortgages, the impact from the net increase in new boats is not likely to be significant and we have not included it.

We understand that there are no land transactions in either scheme.

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<sup>3</sup> Additionality Guide, English Partnerships, September 2004

<sup>4</sup> The Economic Impact of Coastal Marinas, BMF, 2007

## Income tax

We have used the IoM income tax ratio (the percentage of earnings paid as income tax) provided by the Treasury. For the sectors of Tourism, Wholesale/Retail and Catering/Entertainment, the ratio is 5%. This has been applied to the net increase in employment, and hence wages earned, generated by each scheme.

For the Harbours, the salaries of the Harbour Keepers are a direct input into the analysis. For the other jobs created in the local economy we have used the average weekly earnings for someone in the Distributive trades, restaurants and hotels which was £369/week in 2008. Increasing this to annual earnings and allowing for inflation gives £19,955 per employee.

## Indirect tax revenue

The revenue received from indirect taxation is based on the revenue sharing agreement with the UK which replaced the Common Purse arrangement. Under this agreement, instead of receiving a share of VAT receipts, the Isle of Man Government receives revenue which is intended to reflect consumer spending on the Island. This is based on the contribution of an activity to the national income of the Island and is measured in terms of the salaries and generated profits that are retained on the Island, so if profits are taken off the Island, they do not count.

As a rule of thumb, customs revenues are 1/6<sup>th</sup> of Gross National Product (GNP), so we have applied this to the GVA generated by the projects.

## 3.10 Project evaluation

### Gross Value Added (GVA)

Table 5.1 below presents the results of the financial and economic analysis for each Option. We have not shown the Baseline case separately as the analysis has been based on the incremental impact of the two schemes and revenues and costs incurred in the Baseline case have been netted off.

There is a small difference in the capital cost of the two schemes with Option 3 being more expensive by £1.02m. The direct revenues earned by the Harbours from charges for berths and storage are similar under both schemes, as the revenue-earning infrastructure in place is the same for both schemes (i.e. pontoon berths are only provided in the Old Harbour). Option 3 has slightly higher Harbours' revenue because having a non-drying Outer Harbour would allow larger events to be staged and for more visiting yachts to be accommodated. Operating costs are also slightly higher for Option 3.

The main difference between the two schemes lies in their potential to attract visitors to Ramsey. The assumptions we have made concerning the attractiveness of each scheme to tourists and residents, together with the increased spending from visiting yachts and competitors in events, have led to revenue earned under Option 3 being over three times that of Option 5. This is then mirrored in the indirect and induced revenues. When the revenues are converted to GVA, Option 3 generates twice the GVA of Option 5.

The Net Present Value for Option 5 assuming a discount rate of 3.5% and a 20 year period is £1.1m higher than that for Option 3. However, when we take account of the economic benefits as well, the situation reverses and the ENPV of Option 3 is £2.1m higher than that of Option 5.

£'000	Option 5	Option 3
<b>Capital cost</b>	10,861	11,881
<b>Annual revenue</b>		
<b>Direct revenue - Harbours</b>		
Direct revenue from berths and storage	182	185
<i>less Baseline</i>	-12	-12
<b>Net revenue to Harbours</b>	170	173
<b>Direct revenue - Other</b>		
Visiting yachts	5	51
Event competitors	40	211
Tourists	40	179
Spectators at events	55	248
Spending on marine services by berth holders	19	23
<b>Total other revenue</b>	159	712
<b>Total direct revenue</b>	<b>329</b>	<b>885</b>
<b>Indirect benefits</b>		
Indirect and induced revenue	82	221
<b>Total additional direct and indirect revenue</b>	411	1,106
<b>GVA</b>		
Direct revenue to Harbours	170	173
GVA from other direct revenue	57	254
GVA from indirect revenue	29	79
<b>Total GVA</b>	256	506
<b>Expenditure</b>		
Operating costs	168	183

Table 5.1: Results of the financial and economic analysis.

## Employment

In terms of direct employment, Option and 5 would both require an additional 1.5 Harbour Keeper I.

Under Option 5 we estimate additional direct employment of 2.9 full time equivalent (FTE) employees and 0.7 indirect FTE, making a total of 5.2 additional jobs.

Under Option 3, the direct employment would be 13.9 FTE and indirect employment would be 3.5 FTE making a total of 18.9 new jobs.

## Government receipts

Table 5.2 summarises the annual receipts to Government from income tax and revenue sharing with the UK.

£'000 pa	Option 5	Option 3
Income tax	5.3	19.0
Revenue sharing	12.8	25.3
Total	18.1	44.3

**Table 5.2 Annual receipts to Government**

If we discount the revenue stream on the same basis as the NPV and ENPV calculations above, Option 5 has a PV of £241,000 and Option 3 has a PV of £589,000.

The revenue sharing agreement with the UK is intended to reflect the contribution of an activity to the national income of the Island as measured by salaries and generated profits retained on the Island. Although the income received from revenue sharing by the Government will eventually be the same whether the project is operated by the Government (through the Harbours) or the private sector (assuming that private sector profits are retained on the Island), in reality the impact will be sooner if the project is operated privately. This is because the Government does not make profits as such, so any net revenue it receives will not go directly into national income.



# Appendix A

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## Assumptions

# Ramsey Harbour, Isle of Man

## Initial Economic Evaluation of Options

### Assumptions

Key:

Input Data

Calculated

### GENERAL

NPV Assumptions			
Investment period 1 (yrs)			5
Investment period 2 (yrs)			10
Investment period 3 (yrs)			15
Investment period 4 (yrs)			20
NPV discount rate			3.50%

Note Sensitivity Analysis will be done on the final figures in a separate Worksheet

Depreciation Periods			Years
Civils			60
Buildings			40
Pontoons			20

Financial			
Inflation			Excluded
Cost of borrowing (real)			3.5%
VAT			15.0%

## COSTS

Additional Staffing Assumptions		Option 5	Option 3	
Harbour Keeper II		0	0	
Harbour Keeper I		1.5	1.5	
Pro Rata of Harbour Master		100%	100%	
Cost for Harbour Keeper II		£37,000	£37,000	Estimate, based on the current staffing and staffing cost at Ramsey Harbour.
Cost for Keeper I		£22,000	£22,000	Estimate, based on the current staffing and staffing cost at Ramsey Harbour.

Other Costs		Option 5	Option 3	Notes
Capital Maintenance on New Assets		1%	1%	% of Capital Build / year Plus original spend
Power / Water Increase		£5,000	£5,000	
Waste Charge Increase		£250	£500	Assumption need to check
Dredging Mobilisation		£0	£0	
Cost / m3 dredged		£9.0	£9.0	
Volume Dredged (m3/annual)		1,000	1,200	Estimate based on current dredging in Douglas / Peel of 800t.
Miscellaneous		£10,000	£12,000	
Additional Insurance		£2,000	£3,000	Estimate

Capital Costs for Marina:		Option 5	Option 3	
Capital Civil Costs for Marina, less Pontoons		£9,610,705	£10,630,763	Total minus shower block and pontoons
Buildings Cost		£450,000	£450,000	Shower block
Pontoon Costs		£800,000	£800,000	Pontoons
Optimism Bias				
<b>Total</b>		<b>£10,860,705</b>	<b>£11,880,763</b>	
Number of Pontoons		160	160	
Capital cost / pontoon		£5,000	£5,000	

## REVENUE

Current Pontoon Charges	Baseline	Option 5	Option 3	
Pontoon Annual Charge per m		£118.00	£118.00	Min £565 <5m.
Pontoon Monthly Charge per m		£11.80	£11.80	
Pontoon Daily Charge per m		£2.00	£2.00	09/10 24hr Charge
Quayside / Mooring Annual Charge per m	£10.95	£10.95	£10.95	Harbour Dues 2009 / 2010
Quayside / Mooring Daily Charge per m	£0.89	£0.89	£1.38	Harbour Dues 2009 / 2010 (Impounded £1.38, non-impounded £0.89)
Multiplier	1.00	1.00	1.00	

Harbour Services		Option 5	Option 3	
Storage Space (No.)		50	50	Estimated from dwg HB2585 - 105, boat storage during the winter months.
Weeks		£25	£25	
Charge per Week		£22	£22	
Lift in / out		£100	£100	
Season cost for Winter Storage (exc.VAT)		£565	£565	Priced based on £25 / week. For a 22 week season + £100 lift in, lift out
General Revenue				Cost neutral, except Storage





