

SELSEY HAVEN FEASIBILITY STUDY – VAIL WILLIAMS REPORT

1. Introduction

This commercial viability study is prepared by Ian Froome BSc MRICS, an RICS Registered Valuer and Partner of Vail Williams LLP, 1000 Lakeside North Harbour, Western Road, Portsmouth PO6 3EN.

The purpose of this report is to assist the stakeholders in the proposed Selsey Haven scheme in assessing the likely commercial viability of the operational harbour.

This study is not a development appraisal, so it assumes that the capital funding for the initial development of the haven is provided by other means and is not funded directly from the income generated by the haven business. The purpose of this study is to seek to ensure the ongoing viability of the harbour, such that it is able to self-fund its ongoing operational, management and maintenance needs.

2. Scope of this Report

The intention of this report is to prepare a preliminary business case for the development, construction and operation of the harbour in order to determine its optimum size and capacity. This is to include ancillary operations such as cafes, retail outlets and other businesses considered compatible with the harbour proposal.

We have based our appraisal on research into the local markets to establish anticipated levels of demand and expected pricing points for both leisure and commercial mooring facilities within a new harbour at Selsey. We have also undertaken research into the indicative levels of demand and rental levels that might be anticipated for ancillary business operations.

The conclusions are necessarily relatively generic, particularly in respect of the ancillary retail, restaurant and other business operations. There is no point at this early stage in us being overly prescriptive on building sizes and precise occupiers of a proposed building. Such matters would require firstly detailed input from architects, planners and other professionals to design a detailed scheme that could then obtain planning permission. We are also some years away from the completion of any proposed harbour, so even if we had identified specific likely occupiers of buildings today, then by the time the haven was built, such detailed information would be out of date.

Our approach in respect of the buildings therefore has been to consider the likely general levels of demand for different uses and to establish a reasonable level of rental value that might be expected for such ancillary business operations when placed in Selsey, adjoining a new small harbour development.

3. Leisure Marina Commentary

The Selsey Peninsula lies at the eastern end of the Solent, which is one of the prime leisure sailing areas in the UK. In addition to active yacht racing communities, the Solent benefits

from a wide range of harbours, inlets and marinas giving a range of destinations for leisure day sailors.

These destinations include large cities such as Southampton and Portsmouth, with their busy harbours. Smaller, more leisure orientated sailing towns and harbours include Lymington, the River Hamble and, on the Isle of Wight, Yarmouth and Cowes. There are also numerous quieter harbours, creeks and inlets such as the Beaulieu River in the western Solent, as well as Langstone and Chichester Harbours in the eastern Solent and Bembridge Harbour on the Isle of Wight. Further east is the town of Littlehampton, with its small harbour at the mouth of the River Arun.

The nearest significant leisure sailing destination to Selsey is Chichester Harbour. Although occupying a very large area, much of Chichester Harbour is shallow, including mud banks that dry at low tide. For this reason, it is not a commercial harbour and has therefore remained relatively undeveloped. The harbour is now designated an Area of Outstanding Natural Beauty (AONB) as well as a Site of Special Scientific Interest (SSSI).

The relatively undeveloped nature of the harbour makes it an attractive location for leisure sailing. The relatively narrow channels are restrictive for large vessels, but there is a thriving dinghy sailing community, as well as a large number of leisure marinas and other moorings.

The principal marinas within Chichester Harbour, running clockwise from the eastern side of the harbour entrance can be summarised as follows:

- Sparkes Marina, Hayling Island – this is a circa. 150 berth marina with a sizeable boat yard located on Sandy Point, close to the harbour mouth. The marina is operated by MDL Marinas Limited, one of the country's largest marina operators.
- Hayling Yacht Company, Mill Rythe, Hayling Island – a boatyard with circa. 150 pontoon moorings and a number of buoyed deep water moorings. The pontoon moorings are half tide, meaning they dry at low water.
- Northney Marina, Hayling Island – a 230 berth marina with boatyard facilities, located at the northern end of Hayling Island. This marina is also operated by MDL Marinas Limited.
- Emsworth Yacht Harbour – a 225 berth marina located at Emsworth, in the north western corner of the harbour. This marina also has a boatyard and a small café/restaurant which is well used by locals as well as marina customers.
- Thornham Marina, Thorney Island – this is a boatyard marina which has circa. 100 berths, the majority of which are on drying pontoon moorings.
- Chichester Marina – this is one of the largest marinas in the UK, with over 1,000 berths within a locked basin. The boatyard has recently been redeveloped and provides a range of boat sales, repair and servicing facilities. There is also a restaurant which, like that at Emsworth, generates much of its business from the surrounding community, rather than from marina customers.
- Birdham Pool Marina – this is a circa. 250 berth marina located close to Chichester Marina. It also has a locked basin and a boatyard.

In addition to the above commercial marinas and boatyards, there are a large number of buoyed swinging moorings within the harbour, the majority of which are operated by the Harbour Authority, Chichester Harbour Conservancy.

The harbour also has a number of active sailing clubs. Whilst clubs will often focus on dinghy sailing and, in particular, racing, they do also have many members with larger cruising yachts so sailing clubs will often administer their own moorings, albeit usually swinging moorings that are in turn leased from the Chichester Harbour Conservancy.

In short, Chichester Harbour has a large number of existing moorings for leisure craft, ranging from simple swinging buoyed moorings, to cost effective half tide drying moorings, to full service marinas providing a comprehensive range of services and ancillary facilities. Clearly therefore, any new offer for leisure sailors to be provided within a new haven facility at Selsey will have to compete with the established moorings provision.

Chichester Harbour has the advantage of an attractive setting and sheltered water. The major drawback is the shallow nature of the harbour which means there are relatively narrow and winding navigable channels and a strict 8 knot speed limit. This means that motor boats in particular, must navigate slowly and carefully through these channels before reaching the open sea.

Our research indicates that occupancy levels within the main Chichester Harbour marinas are generally healthy, with occupancy usually reported at over 80% and in some cases 90% or more. This generally high occupancy level is encouraging, indicating that a new small scale leisure moorings facility in Selsey would not face undue competition because if the majority of the existing marinas are at or close to capacity, then this suggests that demand is keeping pace with supply.

It was notable that the Chichester Harbour Conservancy themselves report a rather different picture, suggesting that moorings occupancy is struggling. This however will be a reference to the buoyed swinging and mud moorings that the conservancy manage themselves. It indicates that there is a general move amongst boat owners away from such basic moorings towards the convenience of a walk-ashore pontoon mooring within a boatyard or marina, with all the conveniences that brings, such as parking, showers/toilets and often a range of boatyard facilities.

This suggested move away from swinging buoyed moorings, towards more expensive but more convenient pontoon berths may also be a result of a wider trend within leisure sailing, of an aging demographic. The evidence is still largely anecdotal, but marina managers to whom we have spoken have suggested that their customers are aging, with relatively few younger buyers taking their place.

Whilst this trend is a potential concern, it is counter balanced by the very low rate of new marina construction. The UK as a whole has seen only a handful of new coastal marinas built in the last two decades, due to various factors including planning and environmental constraints, as well as the high cost of construction. This relatively static level of supply of marina berths provides a useful degree of market security, even if demand overall is static, or rising only slowly.

Many south coast marinas saw occupancy levels fall after the 2009/10 recession. Some owners moved their boats to cheaper areas, such as the east coast. Others sold their boats abroad. Since then, the rate of new boat sales has remained modest, at least in comparison with pre-recessionary levels. However the lack of new marina development has meant that most marinas have seen occupancy levels recover and almost all have been able to increase their mooring prices in recent years, generally keeping pace with inflation.

The table below identifies the 2017 annual mooring prices for leisure boat marinas in Chichester Harbour. This is expressed per metre per annum including VAT. The information is either gathered directly from the marina or from the Practical Boat Owner magazine April 2017 Marina Moorings Guide.

| Marina | Tidal Access | Annual mooring rate, £ per metre incl. VAT |
|------------------------|--|---|
| Sparkes Marina | All tide access | £593 |
| Hayling Yacht Company | Dries at low water, access at HW +/- 2 hours | £275 |
| Northney Marina | All tide access | £622 |
| Emsworth Yacht Harbour | Access at HW +/- 2 hours | £365 |
| Thornham Marina | Dries at low water, access at HW +/- 2 hours | £234 |
| Chichester Marina | Locked basin, access at HW +/- 4 hours, possibly all states for shallow draught and neap tides | £471 |
| Birdham Pool Marina | Locked basin, access at HW +/- 3 hours | £401 |

A new leisure boat marina at Selsey could have the benefit of comparatively deep water. Provided that the dredging regime can be cost effectively maintained, the marina could be accessible at all states of tide, which makes it superior in this respect to many of the Chichester Harbour marinas.

This does not necessarily mean that a leisure boat marina at Selsey will be a prime location. The entrance to a small harbour here will be somewhat exposed to southerly winds so it could be tricky to enter and exit, particularly in rougher seas. A marina at Selsey will only appeal to boat owners wanting direct access to the open sea, and not to those who cruise around the harbour. This means that its market might well be limited to mainly motor boaters who do not wish to be restricted by the harbour speed limits.

It is our expectation that a leisure boat marina at Selsey would have a relatively limited market. We may be wrong, and there may be sufficient demand for it to charge higher mooring fees, but for the purpose of this feasibility study we have adopted a prudent approach of assuming that mooring fees will need to be below those of the main “full service” Chichester Harbour marinas to ensure that it fills. We have therefore adopted a rate of £300 per metre, per annum, including VAT.

4. Commercial Moorings Commentary

The Selsey Fishermen's Association is understood to comprise approximately 40 members, with up to 20 boats at present. We should not however necessarily design a haven at Selsey solely around the current fishing community because fishermen's needs will vary and the haven will last for many years, so it must be able to accommodate the changing needs of its users.

We have therefore assumed that up to 30 commercial berths will be made available within the new haven. We have assumed an average vessel size of 12 metres in length. This is an average and the eventual design must ensure that some larger boats can be accommodated if necessary.

Additional commercial moorings might be used by other businesses, notably dive operators. The waters of Selsey and the eastern side of the Isle of Wight are popular with leisure divers as there are a range of attractions including the Mixon Hole, other reefs and a large number of wrecks to explore. There are limits to this popularity, however and the Solent is certainly not as popular as, say the West Country with leisure divers. Diving in the Solent is more challenging, with often limited visibility and a tidal range of over 5 metres on spring tides, which is notably higher than the waters west of the Isle of Portland.

We would not expect many dive boats to be based permanently at Selsey. There is just one local dive operator, Mulberry Divers who have shop premises nearby. The majority of dive boats are however smaller vessels, commonly rigid inflatables. Such boats are ubiquitous amongst dive clubs who will trailer them to appropriate launch sites, depending on their chosen destination. It is therefore possible that dive clubs may wish to visit a haven from time to time, but on a daily visitor basis and not as permanent berth holders.

The majority of diver visitors to the haven are likely to be relatively self-contained. Some will be local commercial operators, but many will be clubs which tend to have their own smaller boats, towed to site and launched from the nearby slipway. In addition, their local spend will be minimal, they might buy a snack from a café, or various consumables such as gas and air from the local dive centre. They are unlikely however to be major retail consumers.

Similar comments will probably apply to dinghy sailors. These will almost all be members of local clubs which would all have their own clubhouse facilities. Dinghies and other small racing boats will rarely venture outside of Chichester Harbour, so there is little point in establishing sizeable and expensive facilities for small boats when the take-up may be minimal. There is, in addition an existing slipway a short distance to the north on East Beach.

There may be other commercial mooring customers, but they are unlikely to be significant in income terms. These could be charter vessels or passenger trip boats of various kinds. These could be offering day fishing trips, or high speed "thrill" rides. There are a number of these operators in The Solent but they tend to operate from larger population centres, especially Southampton, where there is a much larger potential catchment. There is likely to be space at Selsey Haven for such operators, but we would not expect material levels of demand, at least not on a permanent basis.

The mooring prices that fishermen and other commercial users will be prepared to pay will be different to those paid by leisure boat owners. Owners of leisure craft will have a choice

of other leisure marinas, the pricing structure for which is visible and is outlined in the section above. At present however, the majority of Selsey fishermen will be paying little or no mooring fees, especially those who currently haul their boats up the beach. Some may be paying the Crown Estate mooring fees for a swinging mooring just off the beach, but these will be relatively modest when compared to a pontoon berth within a sheltered harbour or marina.

One tendency that must be resisted is any suggestion by the fishing community that they are contributing to the harbour by donating their existing land and facilities so they should expect a free or heavily discounted mooring within the haven in perpetuity. Such an approach would materially harm the future day to day viability of the haven business. The preferred approach would be to purchase the land at an appropriate market value in order to facilitate the construction of the haven. This would then allow commercial berths to be offered to all commercial users on the same terms, irrespective of whether they were previously on East Beach or not.

It has been estimated in discussions with representatives of the Fishermen's Association that the potential savings to the fishermen of being able to operate from a sheltered harbour year round could be up to £2,000 per boat. No doubt some fishermen will not see this level of saving, but that may be because some existing practices are unsustainable in the long run in terms of health and safety. One example is the practice of using a winch to haul a boat onto a publicly accessible beach.

We have based our income projections on a commercial moorings rate of £200 per metre, including VAT or £167 plus VAT. This will mean that a 12 metre vessel pays £2,000 plus VAT, with lower pricing for smaller boats. This represents a significant discount compared to leisure moorings, but this is quite common, especially when harbours are specifically designed for use by local fishermen and other commercial operators.

We have not sought to benchmark the commercial mooring rates with other commercial harbours, such as those at Ventnor or The Camber in Portsmouth. This is because the characteristics of each site and the benefits available to its users might be very different. Also we are conscious that this report is likely to be in the public domain and the details of specific agreements made between commercial operators and harbour operators may be confidential. In due course a benchmarking exercise could be worthwhile, but as a separate exercise with appropriate levels of confidentiality.

5. Commercial and Retail Buildings

The fishing fleet at present operates from a collection of buildings within compounds to the rear of the beach. It is proposed that these would be replaced by the haven development, so alternative provision will need to be made for the storage of fishermen's equipment, etc. This is most likely to comprise a compound within which each operator is allocated space and/or buildings. It might comprise a large single building which is sub-divided into individual units. There might in addition be some alternative storage provision. One innovative solution used in Bembridge Harbour is that the fishermen's pontoon there is wider than usual and includes storage bins along its length to enable the fishermen to store some items next to their boats, but without obstructing the pontoons and jetties.

The access to and from the fishermen's jetty would need to be straight forward, allowing easy loading and unloading from boats to vans and vice versa. Vehicular access to the bridge head is essential, as is somewhere for general maintenance of equipment to be undertaken.

We would expect the majority of the fishermen's compound to be used for these activities of general equipment storage and maintenance, so the compound and its buildings would be largely ancillary to the fishing operation and would not generate any extra income themselves. This therefore raises the likelihood that fishermen would require such facilities to be provided in order to enable them to pay a sensible mooring fee for their boats and to seek an additional rent for space within a compound or buildings might be unsustainable. However this cannot be an open invitation to the fishermen to take as much space within a compound as they like. Perhaps a sensible compromise would be to allocate a certain provision of storage compound and/or covered storage space to each fishing berth, with any additional space required being chargeable at a commercial rent. The exact layout of the site and the precise floor areas will need to be determined later, at the detailed design stage of the haven.

There may also be demand for facilities to store and process the fishermen's catch. This could include salt water tanks or it could be fish processing units. Provision may also be needed for the retail sale of fish, but this does suggest that the business model needs to change away from simply landing the catch and selling to wholesalers, towards a more integrated model where the fishermen are more directly involved in the processing and sale of the catch to retail customers, be they private individuals or local restaurants and the like.

It is not our task to establish ways of encouraging the fishing industry to develop such a sales model, but it is prudent to ensure that any outline designs for the harbour include the potential for fish processing and retailing operations to take place on site.

There will be potential for other commercial uses that are not so directly related to the fishing industry to be included. This could be cafes and restaurants, or it could be more general retailing.

The consultation and research has indicated that there should be an opportunity for a higher quality seafood themed restaurant to take advantage of the attractive water front position overlooking the harbour and the beach and specialising in locally caught fish.

The demographics of Selsey itself may be such that a higher quality restaurant would need to draw customers from a wider catchment, particularly Chichester and the downland villages to the north. However, there are quality restaurants south of Chichester, such as the Crab & Lobster at Paghams and Crouchers at Birdham to prove that a high quality restaurant offer can be successful south of Chichester.

In our view a separate café type establishment could co-exist with a higher quality restaurant. A café would offer drinks, snacks, breakfast etc, and its market would be day trippers, divers and other harbour users, as well as being drawn from the local area.

The potential demand for retail units is very difficult to forecast. It is likely to be a highly seasonal demand, with potentially high levels of passing footfall during the summer but virtually none in winter. A retailer or restaurateur has to pay the rent and the bills all year round, including in winter and this creates its own challenges in a location such as this.

There are lessons to be gained from other water front developments along the south coast. One example is the Port Solent Marina development in Portsmouth Harbour. This is a large marina with over 800 berths, so much bigger than Selsey. It is located just off Junction 12 of the M27 and within the catchment of the city of Portsmouth. Surrounding the marina is a mixed use development including housing, a gym, a multiplex cinema and a development of shops and restaurants known as The Boardwalk. This development did well during the 1990s when there were few other options, but in the late 1990s and early 2000s its market share fell rapidly, with the opening of the Gunwharf Quays development, as well as the development of other multiplex cinemas in places such as Chichester and Fareham. The Boardwalk has, in recent years reinvented itself as primarily a restaurant location, with some niche retailing. What this scheme tells us is that it is not enough to just provide shops alongside a marina, in the expectation that customers will flock to them on a year round basis.

The town of Newhaven has a marina and a small harbour but demographically it is well behind the more affluent area of Brighton. There is a small parade of retail units alongside the Newhaven Marina and occupiers include a dive centre and a café. Other units are occupied by an army surplus store and a charity shop, neither of which have any link to the marina or the water. There is in our view a danger that if too many retail units are constructed at Selsey Haven, then there will remain empty units that will need to attract opportunistic and low rent paying traders such as those that have filled the empty units at Newhaven. This flies directly in the face of the originally stated aspiration of “high class retail outlets” as envisaged in the original draft Business Plan.

It is therefore essential that any retail and commercial offer at Selsey Haven is designed in such a way that units are flexible, both in terms of their use and the size of individual trading units that can be created. One solution would be a single block of up to say 5,000 sq ft that could be subdivided in a flexible manner to allow individual units to be repurposed and resized as market conditions and demand levels change over time.

We have had to assume building areas and rental levels for the sake of our outline viability assessment. We have assumed a total of up to 3,000 sq ft of café and restaurant space, with 2,000 sq ft of retail space. In time, the overall subdivision of this space may well change as the detailed design of the haven develops.

At this early stage of a proposed development it is difficult to establish what market rental levels might be appropriate for commercial buildings. This should be a very different development to Selsey High Street so there is little point in seeking evidence there. Similarly, it will be far smaller than other marina based developments such as The Boardwalk at Port Solent, although that does at least provide some guidance. Rents at The Boardwalk peaked at over £25 psf but then fell away to under £20. Rents of over £20 psf are not uncommon for leisure related development, such as those on the edge of towns, albeit that unit sizes tend to be much higher than those envisaged here at Selsey.

We have taken a prudent approach to the assessment of rental values, basing our appraisal on a rental value of £15.00 psf for the café and restaurant space, with a rent of £10.00 psf for the retail space. These are general estimates of rental value and assume leases to local traders based upon internal repairing leases, with the payment of a service charge to cover repairs to the exterior and common parts of the building.

Some initial studies indicated that there may be scope to develop other uses here, such as a hotel or even offices. We would not expect demand from any major hoteliers for accommodation at a small harbour development such as this and we do not see East Beach in Selsey as being a sustainable office location. If, following the completion of more detailed design work, there is spare land available then it might reasonably be offered to the market to ascertain levels of demand for alternative or ancillary uses. However, we would not recommend any expenditure on development of such ancillary facilities at this stage.

6. Harbour Design and Capacity

The initial Feasibility Studies prepared by Royal HaskoningDHV have provided an indicative land area available for development. Royal HaskoningDHV have also undertaken initial work outlining the size of a potential marina or harbour basin. This has indicated that there may be scope to accommodate up to 150 vessels. For the purpose of this report, we have assumed a total of 130 vessels. This is firstly because we have taken a prudent approach just in case the size of the overall basin has to be reduced at a later stage. It also allows for generous spacing between vessels, for example to allow room for storage bins on pontoons for fishing equipment, should they be deemed desirable.

Another reason for a lower density marina development is because of the need for clear separation between the fishing/commercial moorings and leisure moorings. The owner of a shiny GRP power boat will not want to moor next door to a commercial fishing boat. Similarly, fishermen will not want to have to take care of an adjacent fragile GRP cruiser when engaged in their day to day work.

Therefore, there should be entirely separately pontoons created for leisure and commercial operators. This could easily be achieved, provided that the need for this separation is incorporated into initial design phases.

We have outlined above the scope for ancillary commercial development as well as a fishermen's compound or similar. There will also need to be ancillary facilities provided to directly service the moorings basin. This should include a marina office which must have clear sight of the marina and its entrance to enable a manager to have a clear overview of the harbour operations. The marina must have showers and toilets, with facilities for leisure berth holders being separated from any publicly available WCs. It may sound clichéd, but it is un-deniably true that the quality of the showers and toilets go a long way to ascertaining the overall standard of any marina within many customers' eyes. Modern marina developments now have high quality facilities, for example including slate and granite worktops, high quality tiling, flagstone floors and recessed lighting. As well as providing an attractive and prestigious feel to a marina development, such finishes are also hardwearing, thus reducing maintenance expenditure.

The Yacht Harbour Association produces guidance for minimum standards in terms of the number of WCs, showers, etc for a given size of marina. Our preference would be to include unisex family bathrooms, comprising cubicles that contain a shower, wash basin and WC. This provides flexible accommodation and is very popular with families, particularly those with smaller children.

We have concluded that it would be appropriate to allow for 30 commercial moorings. We understand that there are currently in the region of 20 fishing vessels likely to require

accommodation within a haven, so to provide 30 commercial moorings allows some head room, as well as space for other commercial operators.

Assuming a total capacity of 130 berths, indicates that the leisure provision within the marina could be up to 100 vessels. The design should seek to maximise the available berth sizes, after all a smaller vessel can moor on a larger berth but not vice versa. We would expect the likely demand to be from a range of boat sizes and we have assumed a maximum of 12 metres (40 feet) in length. This should be revisited at the detailed design stage, once more is known about the precise size of the harbour and expected water depths. Our appraisal is based upon an average leisure boat size of 10 metres, which we consider a sensibly prudent approach.

The moorings pontoons should include services bollards providing electricity and fresh water supplies. The electricity will be metered and would be re-charged at cost.

The haven should also provide fuel sales facilities. Leisure boaters may well require fuelling from time to time, but the commercial and fishing operators will certainly need to refuel. If fuelling facilities are not provided within the haven, then fishermen will be tempted to use fuel cans and other unsatisfactory methods.

In addition, the fuel must be offered at a competitive price, again to discourage unsafe practices and ensure that all vessels use the appropriate fuelling facilities. We have assumed within our model that the gross margins on fuel will be minimal because of the need to ensure that it is properly used. It is our experience that in many marinas, fuel sales are usually considered by the marina operator to be a service to customers, rather than a significant profit centre in itself. We have adopted a similar approach here.

7. Trading Projections

We have prepared a set of indicative Profit & Loss Forecasts for a proposed Selsey Haven over the first five years of its operation. The income figures are informed by the commentary outlined in this report. We have made assumptions as to the rates at which the commercial and leisure berths will fill, assuming that it will take longer to fill the leisure moorings than it would the commercial and fishing boat berths. We have assumed maximum occupancy of the leisure berths at 80% of capacity which, given that the majority of Solent marinas now report over 80% occupancy levels is, in our view, a prudent approach. We have also adopted a mooring rate of £300 per metre including VAT which is a competitive figure when compared with the other Chichester harbour marinas that offer deep water moorings.

Our conclusion is that over the first five years of operation the haven should be able to generate a sustainable income level of over £300,000 per annum once it is trading to capacity. This includes the rental income to be generated from the commercial buildings as well as the moorings. It does not however include any additional development such a fish processing plant, etc.

We have made what we consider to be reasonable allowances for operating costs and overheads. This includes a figure for a rental to be paid to the Crown Estate, assuming that at least part of the haven development extends below the high water mark, onto Crown owned sea bed. The Crown Estate would generally seek a proportion of moorings income as their rental basis. We would expect that, because the majority of the haven is to be built on

dry land, with only a small proportion on Crown sea bed, that this percentage will be quite modest. We have however adopted a full rental in order to provide a prudent and robust profit projection.

We have also made assumptions as to the likely staffing levels and costs. A small harbour of this nature should be relatively efficient to operate, requiring limited staffing levels. We have assumed up to three full time equivalent employees. This assumes that there is no need for a powered cill gate or similar at the marina entrance. If there is a need for such plant and machinery needing 24 hour manned operation, then the staff and general operating costs may well increase.

We have made allowances for other operating costs that we consider to be reasonable given our experience and knowledge of other marina operations elsewhere in the UK.

These initial costs projections do not include any costs for the dredging of the harbour or its entrance, or for beach bypassing operations. The extent of these operations will clearly be the key to ensuring the viability of the overall scheme. These are dealt with in a little more detail below.

Subject to the various assumptions set out in their report it is our opinion that the Selsey Haven marina has the potential to generate significant operating profits, provided that it can be run efficiently and provided that its design and promotion enables it to secure reasonable levels of occupancy, both in respect of leisure moorings and commercial building tenants. Before dredging and beach bypassing costs are taken into account, we would expect the net profit levels, once the harbour is fully operational should be capable of exceeding £150,000 per annum. This is assessed on an EBITDA basis, which is commonly used for assessing the day to day trading performance of moorings operations.

Our trading projections reflect a net profit margin of circa. 50% of the fully trading turnover level, which we consider to be a reasonable level given our knowledge and experience of other marina trading operations.

| Trading Projections | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual mooring income | £173,000 | £199,980 | £227,482 | £255,515 | £258,070 |
| Building rents | £52,000 | £52,000 | £52,000 | £52,000 | £52,000 |
| Diesel sales gross profits | £6,000 | £6,060 | £6,121 | £6,182 | £6,244 |
| other/misc income | £1,000 | £1,010 | £1,020 | £1,030 | £1,041 |
| Total Turnover / Gross Profit | £231,000 | £258,040 | £285,603 | £313,696 | £316,313 |
| Overheads & expenses | £156,240 | £152,346 | £153,074 | £158,014 | £160,969 |
| Net Profit (EBITDA) | £74,760 | £105,694 | £132,529 | £155,683 | £155,344 |

8. Dredging and Beach Bypassing

The Royal HaskoningDHV Report outlines in detail the need for beach bypassing to deal with the build-up of material at the harbour entrance. The cost of such operations are a matter for the Royal HaskoningDHV Report, but if the harbour is to remain commercially viable, then the bypassing and dredging operations have to be funded from the trading profits of the marina.

It is our estimate that trading profits should be capable of achieving a minimum of £150,000 per year. You will need to ensure that some of this surplus is set aside for irregular larger maintenance items, such as eventual replacement of pontoons, electrical equipment, etc. It would be our recommendation that you should aim to keep the cost of beach bypassing and dredging operations to no more than £100,000 per annum as an absolute maximum in order to ensure the long term viability of the Selsey Haven Scheme.