Isle of Sark Shipping Company Limited
Operations Report
January – March 2022 & Year to Date

"To ensure the sustainable provision of safe, reliable, friendly and efficient passenger and cargo shipping services for the residents of Sark and visitors to it"

1.Executive Summary

Highlights:-

The Winter half of the season (October – March) has been challenging as the Bailiwick moves back out of the Pandemic and into a recovery position.

However, despite the challenges

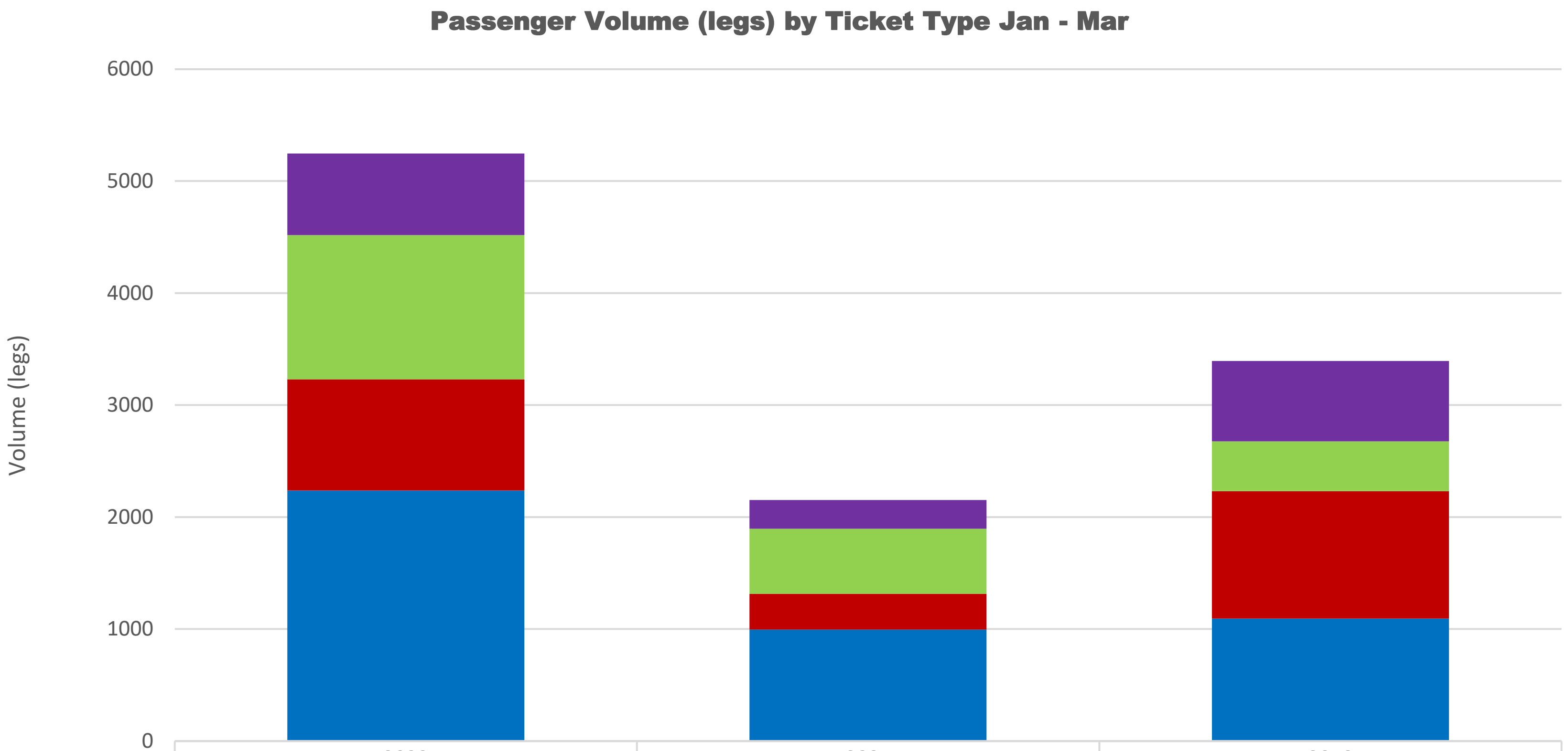
- **Financial Performance –** Continues to be encouraging for the quarter and to date. Performance is better than budgeted. At the end of February (March P&L will not be available until 3rd week of April) revenue was **£53K** ahead of budget and costs were **£50K** better than budget. However, There have been some costs relating to fendering on the Corsaire and the updates to the stability books for both the Corsaire and Venture which are likely to come through in March.
- **Cash Flow -** From a cash-flow perspective; at the end of March we had **£187K** in the bank and we are at the turning point where cash flow starts to turn positive.
- **Passengers carried –** The volume of passengers carried for the quarter is well ahead of Budget and March was better than previous year, and 2019 (see page 3-4)
- **Passenger revenue -** Passenger revenue is ahead of budget for the quarter and YTD although the yield is lower than was budgeted. (See page 6)
- **Cargo revenue and volume** – is running just behind previous years but on budget for the quarter and YTD (see page 7)

Interesting fact:- *The previous record for the number of bag/cases shipped by one party was **12 bags** between two adults and two small children. This month this record was well and truly beaten by a couple returning to Sark with **14 bags** between them…..and it was low tide!*

The pandemic is still impacting the business albeit in some aspects with a positive effect. The coming season may be a bit of learning process, therefore any feedback relating to any aspect of the service is more than welcome; if not essential. We are always happy to discuss your ideas or concerns either by phone or a call into the office.

4. Market Sector Ticket Type

Change to market sector Jan to March 2022. 21. 19



	2022	2021	2019
Single	727	257	719
SK DX	1288	580	446
GY DX	994	319	1136
Period Return	2237	996	1094

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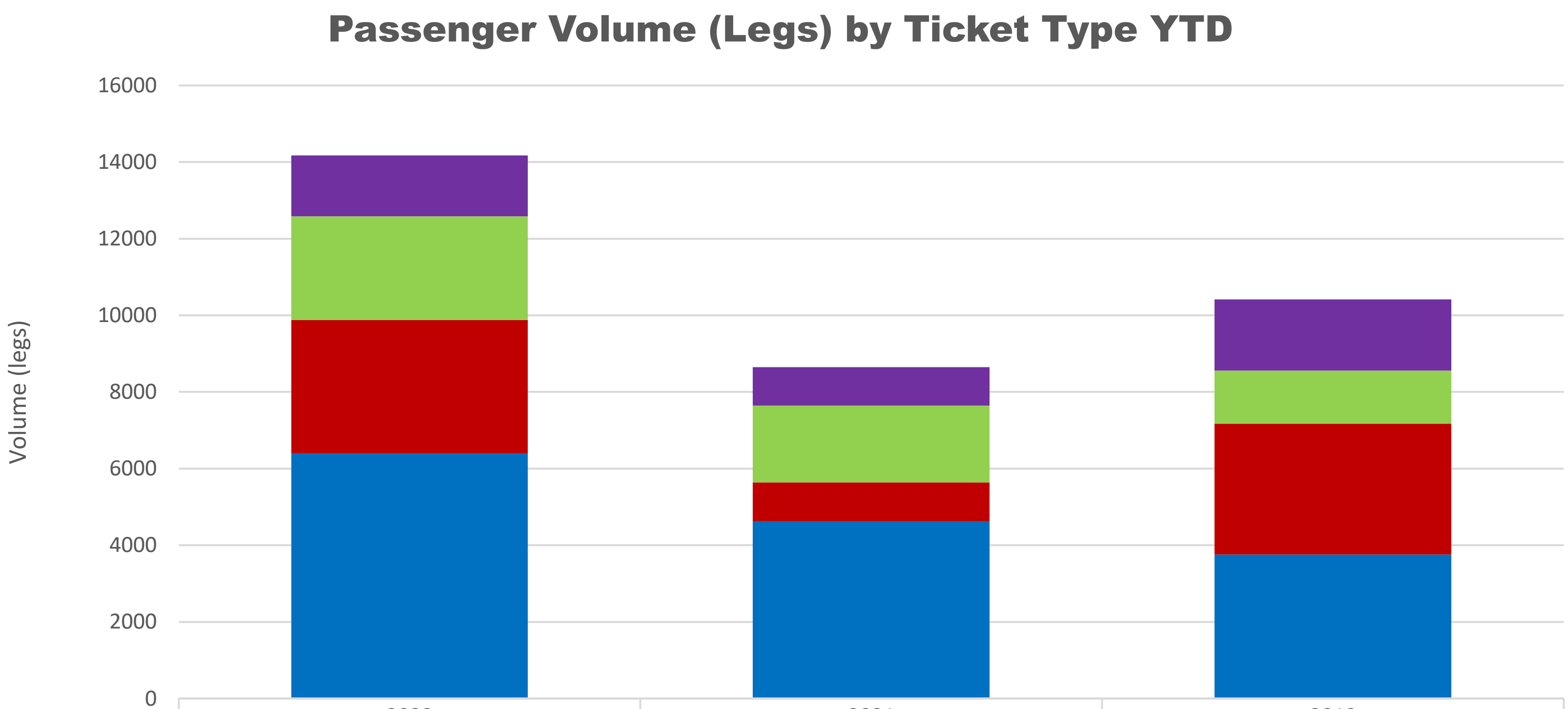
4. Market Sector Ticket Type

Change to market sector Year to Date (1st Oct to 31st Mar



	2022	2021	2019
Single	1584	1007	1853
SK DX	2710	2004	1384
GY DX	3474	1005	3418
Period Return	6401	4633	3758

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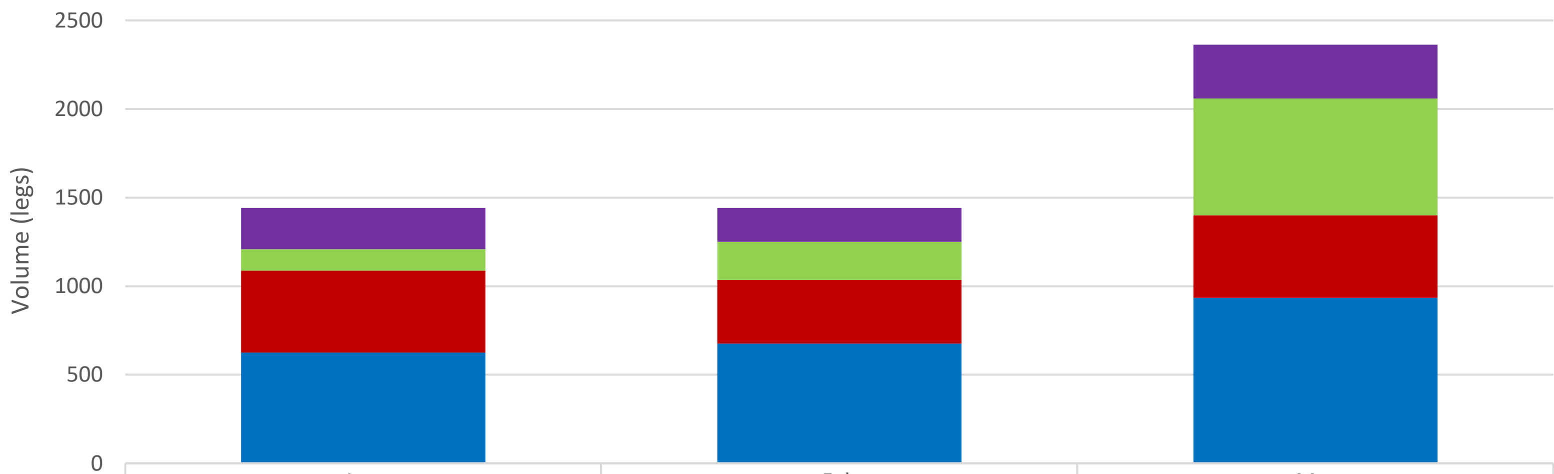
4. Market Sector Ticket Type

Change to market sector January - March

Passenger Volume (legs) by month Jan-Mar



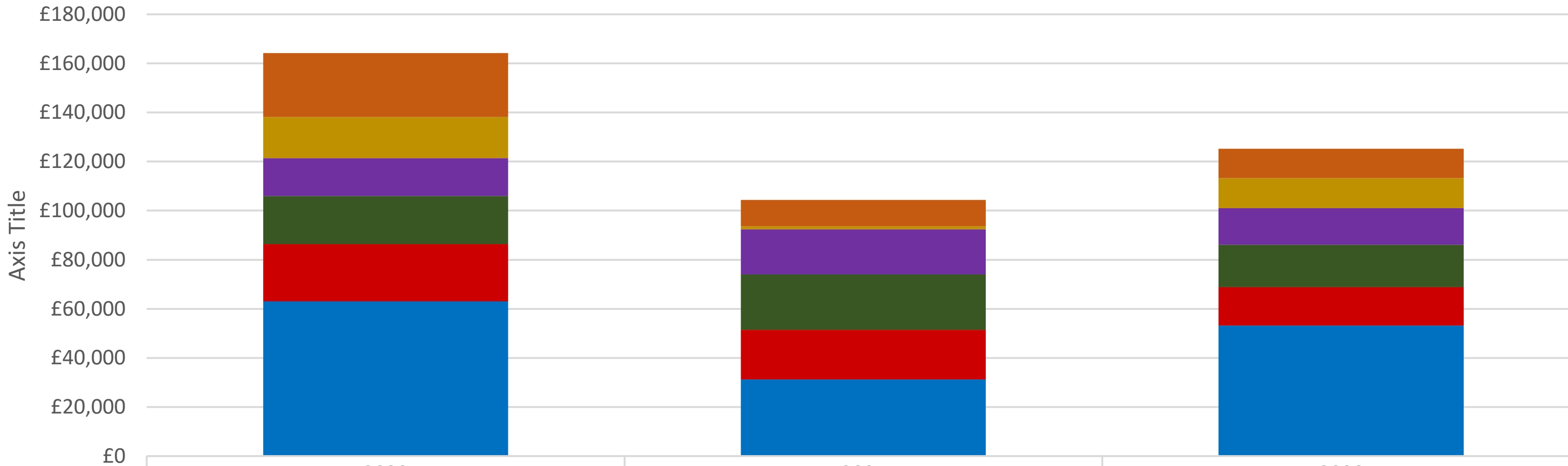
	Jan	Feb	Mar
Single	232	192	303
GY DX	121	214	659
SK DX	462	360	466
PR	626	676	935

The Impact of the Pandemic restricting travel outside of the Bailiwick has had both some benefits and negative impacts.
The easing of border restrictions increased visitor day trip numbers for **October** whilst the nervousness regarding International travel kept "Staycation " levels higher than average and both factors contributed to a 18% increase over the average and double the 2020 volume over the October to November quarter. January and February produced an average number for the months and March volumes were better than both 2018 and 2019. Increased day trip numbers from Sark have contributed positively to the volume results.

Overall both the Jan to Mar quarter and the year to date had a significant volume increase of over both previous year and 5 year average.

4. Passenger Ticket Sales Revenue

Revenue by month YTD



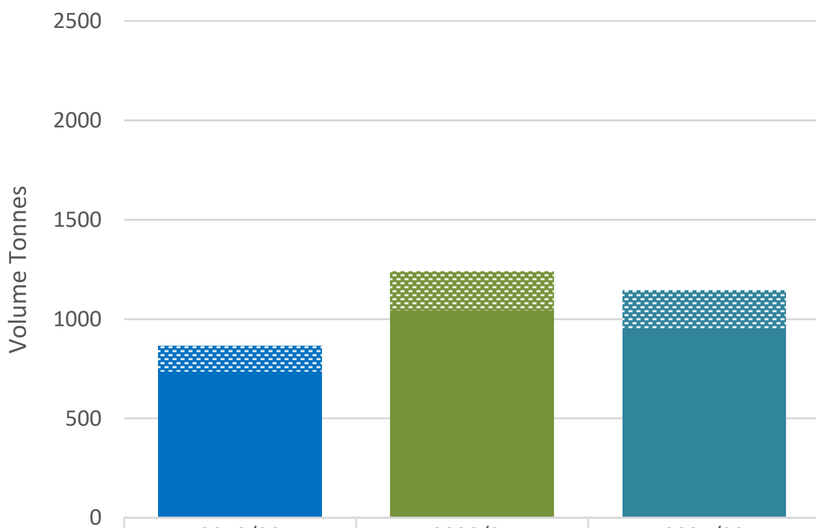
	2022	2021	2020
Mar	£26,000	£10,752	£11,871
Feb	£16,796	£1,143	£12,221
Jan	£15,339	£18,483	£14,923
Dec	£19,714	£22,474	£17,347
Nov	£23,208	£20,332	£15,679
Oct	£63,097	£31,170	£53,138

Yield (revenue/volume) is a standard measure of performance within the transport industry. Plus or minus changes in yield can reflect any changes in the mix of passengers (adult child ratios), market sector changes, or revenue dilution through commission or discount. An increase in volume whilst maintaining yield is generally a positive result. The decrease in YTD yield 2021/22 in comparison to same period previous year is related to an increase in the number of children travelling, the £16 Sark originating day trip in addition to the £12 Christmas offer plus the special offer short break staycation rates continuing into March.

	2021/22	2021/20	variance
Yield	£11.73	£12.30	-£0.57

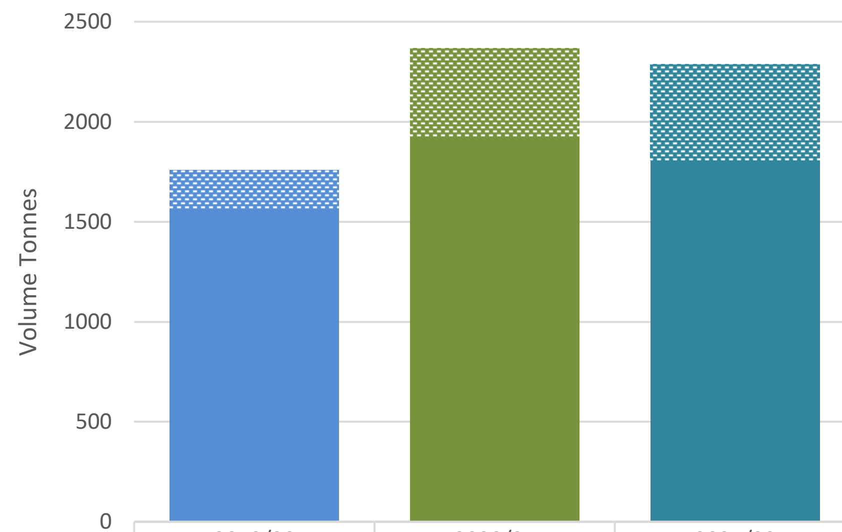
5. Cargo / Freight (Oct- Mar & YTD)

Cargo Shipments Jan - Mar



	2019/20	2020/21	2021/22
Charter	129	197	196
General	737	1043	949

Cargo Shipments Year to date



	2019/20	2020/21	2021/22
Charter	194	444	483
General	1565	1924	1807

Notes: Tonnage totals do not include Sark Electricity Company fuel shipped

The base cargo tonnage is at a similar level to that experienced in the early 2000s. The introduction of the land reform act allowing properties to be bought and sold is likely to increase the shipment of materials for building and renovation which may increase volumes over the next 24 months. Various other infra structure repair projects and the introduction of recycling are also likely to increase the base cargo volumes. Cargo revenue is currently £31k ahead of budget

6. Sales and Marketing

Advertising & Promotions January - March

IOSS will continue to offer promotions for the 2022 season.
We are working with Sark Tourism to ensure that our advertising and Marketing collateral is coordinated.

7. Fleet update/Operations

Corsaire de Sercq

There have been some unforeseen issues with the new fendering in Sark damaging the forward belting on the Corsaire. (These issues are not related to the quality or fitting of the fendering but rather the design and position of the existing fendering on the Corsaire. The port side rubber d section fendering on the Corsaire has now been replaced with square section Aluminium. At present this solution appears to have solved the issues.

Performance – The vessel is operating reliably and economically using less fuel than the Venture for a round trip. Customer reaction has been very positive even in choppy weather conditions.

Due to Covid the dry dock in St Malo was cancelled, and the work to install a generator will now take place in November.

Sark Venture:
Sark Venture is operating normally and there have been no reported issues. The incline and lightship survey has been completed and we are awaiting a review of the current book from the MCA. There is a likelihood that we will need to have produced an updated stability book..

Sark Viking:
Sark Viking is operating normally and there have been no reported issues.

Operations:
The availability of qualified/certified crew in Guernsey is becoming a serious issue. There are now 5 Inter-Island Operators. There is already a shortage of qualified crew. (currently Trident only have 3 permanent crew (2 Skippers), Herm Island 3 (1 Skipper) Brecqhou 3 (all qualified Skippers) “Salty Blond” operating to Alderney (unknown).
IOSS has 10 permanent crew (4 qualified Skippers) all crew qualified as engineers.
Ad Hoc (contract crew) pressure on the availability of crew available to fill is also increasing in 2022. One regular now has a permanent weekday job, and another is likely to have less availability as they are a Local Pilot and cruise ships/Manche Iles etc. return to the route.
We are in the process of training 3 Engineers to Boat- Masters, but this takes time.

To Date Summary

The positives and some red flags for 2022

Fares – The £16 day return from Sark to Guernsey has had a positive effect on the volume of Sark originating passengers. We will be retaining this fare for 2022 summer season, but it will be under review.

Medical travel – The discounted fare/voucher travel arrangement for residents needing to visit Guernsey for non elective medical/dental or other specified treatments appears to have been a positive initiative. To date 191 Sark residents have travelled on the scheme.

Cargo - Cargo volumes and revenues have also recovered to pre 2020 levels although they are slightly behind 2021 volumes. Revenue is £31k better than budget.

Working with Herm and Brecqhou – We have been working with both Brecqhou and Herm Island. We are shipping fuel to Brecqhou and we are sub contracting crew for the winter season (under review during April) to help out Herm Island. Both of these initiatives provide revenue in the period where our cost in comparison to our sales are very high.

Cruise liner calls and tendering – Guernsey has reported that they have around 80 cruise liner calls booked for 2022. IOSS has 34 dates booked for excursions. We are also receiving a small number of enquiries for us to tender for the cruise ship calls in Guernsey.

Competition with Herm – In 2022 there will be two operators on the Herm route increasing capacity on an market where the size is unchanged or possibly reduced from the previous average. If there is price competition between the two companies IOSS may face pressure to reduce fares and therefore revenue to maintain market share.

Fuel cost – Fuel costs are now in excess of over 80 pence per litre. This compares to costs of less than 30 pence per litre 18 months ago. Fuel was budgeted at an average of 50 pence per litre for the season. The Company will be monitoring the situation and may need to review sailing frequency and/or charges if the prices continue to rise and are not balanced by volume/revenue increases that are currently offsetting the cost.

The pandemic is still impacting the business albeit in some aspects with a positive effect. The remainder of this year and the coming season may be a bit of learning process, therefore any feedback relating to any aspect of the service is more than welcome; if not essential. We are always happy to discuss your ideas or concerns either by phone or a call into the office.

Looking forward to 2022 season

Objectives and Assumptions – updated

Objectives:

- **The continuing impact of the Pandemic on the Guernsey tourism market into the 2022 season, Brexit, and changes to travel habits mean that IoSS will take a cautious approach to the 2022 season.**
- **Where possible use single vessel on scheduled sailing times. If required additional rotations will be added. If additional capacity is required second vessel (Sark Venture) will be scheduled for outward am departure 1000 and or 0800. additional return rotations 1600 and or 1800.**
- **Retain current fare levels Guernsey and Sark originating to support volumes.**

2022 schedule:

- 0830 departure for 2022 The later time is more popular with both GY residents and visitors. The slightly earlier departure and arrival back in Guernsey is also a reaction to feedback from Sark residents. Given the increasing fuel costs we will endeavour to encourage passengers onto the 0830 rather than put two boats on at 1015
- AM second rotation Guernsey and Sark turnaround time increased to 20 minutes.(see above. Pressure on am turnarounds due to increased luggage [PR numbers out and back])
- 1025 departure moved to 1015 to accommodate the increase in turnaround time and to de conflict with other Inter-Island operators..
- Passage time maintained at 35 minutes. (round trip time 1H30 has been achieved through 2021 season)
- 1710 Guernsey departure brought forward to 1645
- 1800 Sark departure brought forward to 1745 (sailing brought forward to allow for 3rd rotation if required)
- High season 1145/1245 sailing replaced by 1200/1245 sailing. To operate on historically high demand days for this rotation (assumes a % of UK originating Sark staying visitor numbers return. Price leverage (discounted fares will be offered to encourage short day trip option).

Assumptions:

- The shoulder season schedules are virtually identical to those operated from 2014 through 2019 except for the 2 x pm second rotations (the two rotations are planned to replace days where previously two boats were used for the one departure time, and will save fuel and crew cost.
- There will likely be further recovery of the tourism industry during 2022 but the visitor numbers are unlikely to reach 2018/9 levels at least until July/August (air schedules not fully recovered, tour operators need to set up programmes etc.)
- Agency sales may not reach 2018/19 levels as to date we have had fewer than pre Covid enquiries relating to 2022 programmes.
- Cruise liner visits only 25% of 2018/9 levels (Brexit and Covid) Guernsey Harbours have only 50% of “normal” cruise calls booked. There have also been a small number of cancellations in the last month .
- Guernsey resident staying visitor numbers may fall back to 2019 volume and pattern of travel as holiday destinations open up and the reduction of available self catering in Sark may also restrict the market.