

EXECUTIVE COUNCIL

PUBLIC

Title: Extension of Research Vessel Charter

Paper Number: 61/17

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Responsible Director: Director of Natural Resources

Report Author: Senior Fishery Scientist

Portfolio Holder: Phyl Rendell

Reason for paper: This paper is submitted to Executive Council:
For policy decision (including budgetary policy)

Publication: Yes, redactions are highlighted in grey

It is suggested that all references to costs and rate increases in paragraphs 3.1 and 4.1 be redacted, by virtue of paragraphs 9 and 10 of the Committees (Public Access) Ordinance relating to financial or business affairs and information about relevant contracts and negotiations.

Similarly in paragraph 6.1 it is suggested that the previous cost and the level of increase be redacted. The new total price can remain as this will be published in the financial estimates in due course

Previous papers: None

List of Documents: None

1. Recommendations

Honourable Members are recommended to:

- (a) Note that the FV Castelo is on time charter to FIG until 30 September 2019.
- (b) Agree that the charter of FV Castelo be extended for a further 2 years beyond 30 September 2019 (to 30 September 2021) with no increase in daily hire rate.

- (c) Note the department has assessed the options and this is best value for money (para 4.1-4.4) and subsequently is not recommending a re-tender process.

2. Additional Budgetary Implications

None

3. Executive Summary

- 3.1 As provided for in the current charter agreement between Ferralemes Ltd and FIG, the hire of *FV Castelo* as a research vessel has been extended for a period of 2 years to 30 September 2019, **REDACTED**. The vessel owners have offered a further charter extension to 30 September 2021 on the same conditions and with no further increase in hire rate. Department of Natural Resources reviewed the research performance of the vessel and financial implications, and recommends approving the extension of the charter agreement until 30 September 2021.

4. Background and Links to Islands Plan and Directorate Business Plan/s

4.1 The *FV Castelo* was originally on a five year charter commencing 1 October 2009. Close to the end of the first charter period in 2013, FIG invited tenders for the provision of Fisheries Research Vessel capability for the following five year period 2014-2017. The Tender resulted in only a single offer by Ferralemes Ltd to continue chartering their *FV Castelo*. The offer was accepted, and a new Charter Agreement was signed between the vessel owner Ferralemes Ltd and FIG to use *FV Castelo* for scientific research by the Department of Natural Resources (Fisheries) for a three year period (1 October 2014 to 30 September 2017) with an option to extend for a further 2 year period (2018-19) at a hire rate to be agreed. **REDACTED**. The option to take up the 2 year extension period has been taken up at this adjusted rate.

4.2 The owners have offered a further extension period of 2 years beyond 30 September 2019 with no increase in hire rate. It is this additional extension or option period which is addressed in this paper. If agreed this will involve chartering the *FV Castelo* for 2019 – 2021. A similar process has already been gone through with *FPV Protegat* which is on charter to January 2021.

4.3 By the end of 2018 the *FV Castelo* will have undertaken the fishery research role for 10 years. The vessel is suitable for the research tasks but does have some limitations, mainly because of some restriction on timing of research. According to the current agreement, research surveys may be undertaken any time during the year apart from commercial fishing periods for Falklands Calamari (first season between 24 February and 29 April, and second season between 29 July and 30 September). The Department has not found these restrictions to be excessively limiting. The vessel owners have modified *FV Castelo* for scientific surveys as per tender requirements. They have installed an oceanographic winch that is able to deploy CTD down to 1,200 m. The vessel also may operate any type of pelagic, semi-pelagic and bottom trawls, as well as plankton nets. They have designed and made a spacious laboratory in the tween deck of the vessel to accommodate up to 8 scientists, re-designed their conveyer belts to be able to weigh the catch with good precision. For convenience of scientists, they have made a special hatch with the ladder that enables access to the laboratory from the accommodation block. The captain and crew are experienced fishermen, and they are always

very helpful with performing all necessary trawl operations. The factory crew are also tasked to sort out the catch, which is of great help to the scientific team allowing them to focus on biological analysis of various fish and squid without substantial time loss.

4.4 The owners are currently offering a two-year extension to the charter period from 2019 to 2021 at the same rate as the two year extension period of the current Charter Agreement. After careful consideration of vessel abilities and hire costs, it is proposed that the offer should be accepted now, similar to the Charter extension of the *FPV Protegat*. Moreover, the owners will bring the new build trawler *FV Monteferro* to fish in the Falkland Islands in late 2017. The owners have been replicating some of the research equipment facilities in the new vessel, such as scientific transducers in the hull, CTD winch etc., and view the vessel as being an alternative or backup vessel in terms of research capabilities. The research and output from these scientific cruises fulfils a number of significant objectives in the departmental business plan. It also addresses objectives in the Islands Plan in terms of investing in fisheries research/management and contributing to sustainable commercial exploitation of resources.

5. Options and Reasons for Recommending Relevant Option

5.1 During the last tender process in 2013, *FV Castelo* was the only offer from the entire fishing fleet working in the Falkland Islands. At the time, charter fees and fuel consumption were assessed as being reasonable to hire this vessel for scientific research. As indicated above, the *FV Castelo* has proved adequate to carry out various types of scientific surveys for the last nine years. The vessel is also quite cost effective. It is smaller than the average size of oceanic going trawlers (1,300 GRT) consuming 7-8 mt of fuel per fishing day.

6. Resource Implications

6.1 Financial Implications

The financial implications are minor with an increase of charter hire rate by **REDACTED** per year, from current annual budget of £370,440 to £ 375,438. The fuel budget can be adjusted to fund this, so there is no overall change in costs.

6.2 Human Resource Implications

None

6.3 Other Resource Implications

None

7. Legal Implications

7.1 The 2 year extension period to the current charter period which has been accepted will require a 1 page addendum to the charter party. If the extra 2 year period to September 2021 is also agreed this can be reflected in the same addendum. The 'model addendum' already used for the *FPV Protegat* can be used to facilitate this. The AG advises there will be a legal cost incurred in the variation of this charter which will need to be met from this budget.

8. Environmental & Sustainability Implications

None

9. Significant Risks

9.1 Extension of the current charter agreement to 30 September 2021 will help to avoid a lengthy tendering process to identify and charter a research vessel, especially in the circumstances of quite limited choice. The previous two tenders selected the *FV Castelo* on the basis of cost and capability and in the most recent tender on the basis that no other alternatives were offered. If the extension to 2021 is accepted there should be no increase in charter fees so no shock to the budget.

10. Consultation

10.1 Not applicable, the charter party provided for a 2 year extension and this is simply seeking to increase that to what is effectively a 4 year extension at the same hire rate.

11. Communication

11.1 The outcome will be communicated to Ferralemes Ltd., and reported at a Fisheries Committee meeting. The majority of this paper can be published and communicated in the normal manner.

12. Schedule of suggested deletions to enable publication of paper

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