

**Irish Ferries Report to**  
**The National Assembly for Wales's Enterprise and Business Committee**

**“How can Wales realise the potential of its Ports and the Maritime Economy”**

**Introduction.**

We are pleased to have the opportunity to respond to the questions raised by the Enterprise and Business Committee and felt it would be helpful to provide you with some background to the scope of our services in Wales and our recent and on-going involvement in Port Industry representation in Wales.

Irish Ferries are part of the Irish Continental group and operate freight and passenger services from Holyhead to Dublin, with 12 sailings per day and from Pembroke to Rosslare, with 4 sailings per day, using three multi-purpose ships and one fast craft, across both routes.

In 2014 Irish Ferries shipped 1.6 million passengers, 382,000 cars and 248,000 freight vehicles. The majority of these travelled on the Holyhead to Dublin service, given the frequency of sailings and some of the most popular tourism attractions, population and industrial concentrations in the greater Dublin area.

If we relate these figures to the population of the UK and Ireland, it is clear, on a percentage basis, that the majority of our customers live in the UK.

- 53.9 million England.
- 5.3 million Scotland.
- 3.1 million Wales.
- 1.8 million Northern Ireland.
- 4.6 million Republic of Ireland.

It is also significant that it is estimated that the UK population includes approximately 6 million people who are of Irish descent. This is a target market for all of the ferry operators, as family connections can often lead to repeat trips to Ireland. This category of the market is often referred to as VFR's (visiting friends and relations).

The total Ferry Market between the island of Ireland and England is 4.8 million passengers, 1.1 million cars and 1.5 million freight vehicles. These are carried on around 80 sailings per day, split 50/50 between the Irish Republic and Northern Ireland. The freight carryings are also split around 50/50, however the passenger and car totals are about 60/40, with the pre-dominance on services to the Irish Republic.

Irish Ferries are members of the Welsh Ports Group, which represents the interests of Ports across Wales, and through this forum, we interact with nominees from the Welsh Assembly Government, and currently also the Westminster Government. The Welsh Ports Group is jointly organised by the British Ports Association and the UK Major Ports Group, which between them represent almost all of the UK's network of commercial ports.

In July 2013, Irish Ferries were also invited by the Minister for Economy, Science and Transport, to join the Freight Task and Finish Group, to advise the Minister on key freight issues, from the perspective of the Ministers economic development priorities. Irish Ferries took an active part in this Group, which issued 24 recommendations to the Minister, on the publication of its report, in March 2014. A number of these issues are live and relevant to the questions posed here by the Enterprise and

Business Committee. Where some of these are mentioned in the context of this report, specifically those items related to Welsh Ports, we have shown them in italics, for the sake of clarity.

### **Question 1.**

#### **The implications of the St David's Day announcement that ports policy should be devolved and how this can support connectivity and the development of the Maritime Economy;**

Overall, Irish Ferries would view the devolution of ports to the Welsh Assembly Government as potentially beneficial to the industry.

There are more than 650 ports in the UK, of which 120 are commercially active (many other ports are primarily leisure based or fishing ports).

Although Wales has the third largest port, in the UK, in Milford Haven, taking oil and gas into account, and in Holyhead, the second busiest Ro/Ro port in the UK, the focus in the UK is often on the cross channel and North Sea ports and the vital links that they provide to the European mainland. A local Welsh Government focus, on the strategic importance of the Welsh Ports to the Welsh Economy, has the potential to strengthen established links between Government and the ports industry in Wales, promoting a better understanding of the issues and encouraging business growth.

There are some key issues that should be mentioned, for further consideration;

#### **Equal Status for Welsh Ports and the UK Ports.**

To ensure that a "level playing field" is maintained, so that trade and business development in Welsh Ports is not at a disadvantage to other UK ports.

This would include planning and consent issues, which will be raised by colleagues representing Port Authorities in this review.

However it would also include Border Controls and checks, to ensure that displacement of traffic did not occur, with the loss of business to competitive routes outside Wales. There are no issues with this currently, however the introduction of Exit Checks by the Westminster Government, for "passport controlled" ports would have business implications, if introduced on selected Irish Sea routes. It should therefore be noted that any checks at Welsh ports, whilst balancing safety and security, should not create any disproportionate market advantage, e.g on ferry routes connecting to the Northern Ireland land boundary. In fact, it should be a policy and aim of the Welsh Assembly that the CTA arrangements, remain in place, following any post devolution proposals.

#### **Devolution of Ports Policy in Northern Ireland & Scotland.**

Irish Ferries currently have no direct involvement in any of the ferry routes or ports in Northern Ireland or Scotland, however both regions have had several years-experience with the Devolution of Ports Policy and we are given to understand that there was a different approach in each region. We suggest that the Committee may wish to seek further advice in this regard, to see what lessons, if any, can be learnt. The British Ports Association may be a source of information, as they are involved in trade representation, in both areas.

#### **Land Availability and Use – Ports Estates and Adjoining Land.**

*"The Welsh Government asks the UK Government to issue guidance for ports to take into account when drawing up master plans and disposing of port land, the potential role of the port in inter-modal freight networks, and the opportunities for freight processing activities on port land"*

*“The Welsh Government ensures that the need to take into account the potential for effective inter-modal freight networks when developing land use plans is integrated more effectively in the planning system in Wales”.*

These are two of the key issues raised as part of the report by the Freight Task and Finish Group Final Report.

The key point is that there is a very limited amount of land in Wales, with direct natural harbour access to the sea, and in particular deep water access and with existing, or the potential for road/rail development and links. In addition, the end use of any available land close to the ports should also be closely monitored, to ensure that any short term or immediate development of the land won't prejudice the future potential expansion of the port, or compromise road and rail links to the port.

## **Question 2.**

### **Irish Ferries assessment of the strength and long-term viability of its current markets including risks and opportunities and any support required;**

#### **Market Review.**

Here is a summary of the overall market performance and Irish Ferries own performance for 2014.

#### **Car and Passenger Markets.**

It is estimated that the overall car market, to and from the Republic of Ireland, grew by approximately 3.6% in 2014 to 780,000 cars, while the all-island market, i.e including routes into Northern Ireland, is estimated to have grown by 2.4%. Irish Ferries car carryings performed strongly during the year, at 381,000 cars, (2013: 350,900), up 8.8% on the previous year. In the first half of 2014 Irish Ferries grew its car volumes by 5.9% while in the second half which included the busy summer holiday season, the increase was higher, at 10.8%. The strong market and Irish Ferries performances, reflect the positive performance of the Irish Tourist Industry. Initiatives by the tourist industry have been instrumental in promoting “own car” tourism around the west and southern Irish coasts, and have helped broaden the distribution of tourists around the island. It should be noted that this growth is primarily UK based and the Irish market has been and is flat in recent years.

The total sea passenger market (i.e comprising car, coach and foot passengers) to and from the Republic of Ireland also grew by 2.6% in 2014, to a total of 3.2 million passengers, while the all—Island market grew by 1.6%. Irish Ferries passenger numbers carried were up 4.8% at 1.643 million (2013: 1.568 million). In the first half of the year Irish Ferries passenger volumes were up by 0.8% and in the seasonally more significant second half of the year, the growth in passenger numbers was 7.8%.

#### **Freight.**

The Ro/Ro freight market between the Republic of Ireland, and the UK and France, which had resumed growth in 2013, due to increased capacity, continued to develop in 2014 with the total number of trucks and trailers up by around 6.7% to approximately 838,000 units. On an all-island basis, the market was up around 3.3% to approximately 1.6 million units.

Irish Ferries carryings, at 247,000 freight units (2013: 205,300), were up 20.8% in the year, reflecting a strong performance by Irish Ferries, relative to the market (volumes were up 18.5% in the first half and 22.9% in the second half). The primary reason for this strong performance was the introduction of a charter vessel, the MV “Epsilon”, in terms of increased capacity and frequency of sailings on the Holyhead to Dublin route, with freight sailings on this route now every six hours.

## Outlook.

### North Wales – Holyhead.

With the improvement in the UK and Irish economy, resulting in Market growth and with a combination of multi-purpose ships with excellent freight and passenger capacity, frequency of sailings and the fast craft option for passenger to halve their journey time, Irish Ferries are confident that their operations in Holyhead have a long term viable future.

There is no doubt that the strategic importance of Holyhead, feeding into the capital of Ireland and also to the area of the greatest concentration of population, will ensure that Holyhead will continue to be the dominant port in the Welsh ferry industry. In addition the frequency of sailings, from both ferry operators (20 per day), is also a major factor in attracting and sustaining business. A market could grow by as much as 10%, when there is a significant increase in frequency of sailings.

### South Wales – Pembroke Dock.

Applying the same logic to ferry services in South Wales highlights some issues that will continue to have a negative impact on potential business growth and expansion;

- **Less frequency of sailings.** Pembroke and Fishguard have a joint total of 8 sailings per day, from two ports, with both ships sailings at very similar times, versus 20 sailings per day from Holyhead. In both Pembroke and Fishguard if you miss one sailing, there is a 12 hour wait for the next one.
- **Limited Market.** Traffic that originates in or is destined for, the market along the M4 corridor, may benefit from using the South Wales ports. In addition traffic connecting with the English Channel ports, may also choose South Wales.

Therefore South Wales attracts a level of business that is generic to the route, but it is unlikely that there will be any significant increase in throughput, with most of the increase in freight business likely to continue in North Wales.

The Welsh Assembly Government are currently gathering information regarding the possibility of dualling the A40 from St Clears to Haverfordwest. During the consultation process, Irish Ferries were asked to comment on the prospect of a combined Irish Ferries/Stena Line port, in South Wales, potentially operated on a similar basis to that at Holyhead.

Irish Ferries response was that, given the current constraints at Fishguard, there would need to be a major investment programme to make the port suitable for two operators, and to provide sufficient operating space. Whilst we are aware that there are some development plans at Fishguard, it is our understanding that these do not include providing an additional linkspan at the port and therefore there would be questions over the access arrangements at a competitor owned port, particularly given the similarity of the timetables.

The shorter crossing time from Fishguard has clear benefits in terms of fuel savings, however Pembroke Dock has significant advantages currently, in terms of the existing two tier ramp and excellent operating space for the freight business, and capacity for expansion, within the immediate port area.

### **Question 3.**

**How the role of ports themselves, ferry operators and related businesses should be supported, both in terms of connectivity and as part of wider Maritime Economy;**

#### **Road Infrastructure.**

Unrestricted access to and from the ports is crucial to the continued success of Welsh ports.

In North Wales, access to and from the port of Holyhead, is still hampered by the junction over Blackbridge, to connect to the A55. When the port was developed in the mid 1990's, there was an issue over access and ownership on land formerly owned by British Rail.

This is a significant bottle neck on departure from the port (it is the first impression of Wales from the perspective of Irish Passenger entry into Wales) and is not in keeping with what is the UK's second largest RoRo Port (and Wales primary RoRo Port) and should be addressed, in tandem with port development plans from the Port Authority. In fact, given the investment in the road structure on the A55 from Holyhead it is disappointing that the port exit does not match the significant improvements made over the last 15 years.

In South Wales, there are business cases being made, to support the dualling of A40 to Haverfordwest and the A477 to Pembroke Dock. It is unlikely that there will be funding for both projects and it is crucial that the final decision helps to sustain the current traffic levels on the primary route, but also provides for future growth.

#### **Impact of Severn Bridge Toll Costs for Freight**

Two of the recommendations by the Freight Task and Finish Group were;

*“The Welsh Government continues to do everything in its power to persuade the UK Government to remove the tolls on the Severn Crossing when the current concession ends”*

*“The Welsh Government requests the UK Government to look at the case for installing free flow tolling technology on the Severn Crossing, if the UK Government decides not to remove the tolls when the current concession ends”.*

The costs of the Toll Bridge is an impediment to trade and these costs are disproportionate to other road use charges.

For example in April 2014, the UK introduced a HGV Road User Levy, with a daily charge of up to £10, per freight vehicle, for use of the UK road network in total.

The current cost of the Toll on the Severn Bridge is £19.60, which is a significant cost for any haulier using the bridge several times per week.

#### **Question 4.**

**Have we have engaged with relevant public bodies and potential partners to date on opportunities to secure EU funding to develop Welsh ports, particularly through INTERREG and the Connecting Europe Facility / Motorways of the Sea projects;**

Since the mid 1990's, Irish Ferries have invested over €500 million in ships and port development, primarily on routes connecting Wales to Ireland. This is almost exclusively private investment by Irish Ferries parent company, the Irish Continental Group, with very little funding being made available, even for port investment.

Irish Ferries will consider the business case for any potential investment, on the basis of cost versus benefits and make the investment, if the anticipated rate of return warrants the investment.

The most recent example of investment was the charter of the MV "Epsilon" for the Dublin to Holyhead service, which has allowed us to increase our sailings on Dublin Holyhead by 18 sailings per week, as well as a weekly round trip from Dublin to Cherbourg.

#### **Question 5.**

**How can Welsh ports, ferry operators and related businesses benefit from and support the development of the Maritime economy, including marine energy, and how well equipped Welsh ports are to diversify to exploit new and emerging markets and opportunities;**

##### **Sulphur Emission Control Areas (SECA)**

From 1<sup>st</sup> January 2015, all ships operating within the SECA's have to use fuel with a sulphur content of 0.10%, where previously the sulphur content would have typically been 1.5%. This represents significant additional costs in fuel.

The SECA encompasses the North Sea and the English Channel but excludes the Irish Sea, where ships can continue to operate using heavy fuel oil, until 2020.

There is an EU Directive due for introduction in 2020, which will reduce the sulphur content, for ships using the Irish Sea, from 1.5% to 0.5%. This is not as stringent as the 0.1% that has been imposed on the SECA, from 1<sup>st</sup> January 2015.

There is an opportunity now, for Wales and any other Irish Sea port e.g Liverpool, to look at shipping services and routes in the SECA, that are incurring these additional fuel costs, with a view to diverting to, or establishing services at, a Welsh port. In 2020, this competitive edge will largely be lost, when the sulphur content of fuel, for ships operating on the Irish Sea, is further reduced.

Perhaps the Welsh Assembly Government could consider appointing a consultant, to assess the viability of this.

##### **Cruise Ships.**

Irish Ferries position in relation to cruise ships visiting Wales is entirely neutral. It has very little impact on the ferry industry, other than potential difficulties in port access and navigational risk. However we are aware that a great deal of time and effort can be spent on attracting such services to the Welsh ports.

One of the issues is that a number of cruise ships no longer have the capacity to disembark its passengers by tender to go ashore. The preference is for cruise ships to have an alongside berth facility where passengers can dis-embark via a gangway. This is also a more practical and inherently safer way of disembarkation.

Given the limited alongside facilities in Welsh ports currently and the size of modern cruise ships, it would require substantial investment to provide these facilities.

We are not certain that the rate of return from visiting cruise ships, in terms of real benefit to the Welsh economy, warrants any substantial investment.

We suggest that a more in-depth study on the real benefits of this, in terms of spend per head and revenue to the ports and the Welsh economy as a whole, versus costs, is completed, before any further investment is proposed.

#### **Question 6.**

#### **Whether the Welsh Government is taking a strategic approach to supporting the development of ports and the Maritime Economy.**

In our view, the Welsh Government have made some commitments to engaging with Industry, through dialogue with Industry Representative Groups, e.g The Welsh Ports Group.

In addition the formation of Industry Focus Groups e.g The Wales Task and Finish Group”, with specific objectives and time frames, is a further example of engagement.

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