

Ms Sian Phipps
Clerk to the Enterprise and Business Committee
National Assembly for Wales
Cardiff
CF1 NA

15th March 2012.

Dear Ms Phipps,

**Enterprise and Business Committee.
Inquiry into International Connectivity through Welsh Ports and Airports.**

Thank you for your invitation to submit evidence and information to the Enterprise and Business committee.

Irish Ferries are members of the Welsh Ports Group and were consulted by and had input to, their recent submission to the Committee. We fully support the detail of that report. We have also had sight of the report submitted by our colleagues in Stena Line and we would be in agreement with many of the issues raised by Stena Line.

We thought it may be of assistance to provide the Committee with some additional information, to assist you in understanding the key issues facing a ferry operator in the Welsh Ports.

1. IRISH FERRIES – ROUTES, SHIPS AND SERVICES.

Irish Ferries are a ferry company, carrying passengers, cars and freight vehicles, between Ireland, Great Britain and France. Irish Ferries are a wholly owned subsidiary of the Irish Continental Group, who are quoted on the Irish and London Stock Exchanges.

Our current ships and routes are;

- **Holyhead to Dublin.** MV “Ulysses”, which is 210 metres long and has a gross registered tonnage of 51,000 tonnes. This ship has the capacity to carry 1,900 passengers, 1,342 cars or 240 freight vehicles, per sailing.
- **Holyhead to Dublin.** MV “Jonathan Swift”, which is a fastcraft, 87 metres long, with a gross registered tonnage of 5,989 tonnes. This ship has the capacity to carry 745 passengers, 200 cars and up to 10 coaches, per sailing.

- **Pembroke To Rosslare.** MV “Isle of Inishmore”, which is 183 metres long with a gross registered tonnage of 34,000 tonnes. The ship has capacity for 1,260 passengers, 710 cars or 122 freight vehicles per sailing.

In 2011 we carried 1.3 million passengers, 297,000 cars and 188,000 freight vehicles on 4,000 sailings between Ireland and Wales.

We also operate a ferry service from Rosslare to Cherbourg and Roscoff.

2. IRISH FERRIES INVESTMENT IN SHIPS AND PORTS.

Since the mid 1990’s Irish Ferries have invested over €400 million in new ships and port facilities.

In Holyhead this port investment was a joint project with Stena Line Ports, the owners of the Port of Holyhead. Irish Ferries share of the initial development costs was over £20 million.

In Pembroke Dock, the investment was a joint project with the Milford Haven Port Authority, at a cost of over £11 million.

Both of these port developments were primarily privately funded, with very little grant aid being made available.

3. TRAFFIC FLOWS AND ROUTES- ISLAND OF IRELAND.

Here are the volumes of passengers and vehicles that currently move between the island of Ireland and the UK mainland, by sea. These are the 2011 totals.

Corridor	Passengers	Cars	Freight Vehicles
Northern	2,123,000	517,000	756,000
Central	2,109,000	481,000	727,000
Southern	784,000	225,000	95,000
RoI Irish Sea Totals	2,893,000	706,000	822,000
Island of Ireland Totals	5,016,000	1,223,000	1,578,000

The Northern Corridor Figures are the totals handled through the Ports of Belfast, Larne and Warrenpoint, from the Ports in Scotland and Northern England.

The Central Corridor Figures are the totals handled through the Ports of Dublin and Dunlaoghaire, from Northern England and Holyhead.

The Southern Corridor figures are the totals handled through the Port of Rosslare, from Pembroke and Fishguard.

From the totals shown above, the percentages carried to and from Northern Ireland and the Irish Republic, are;

Area	Passengers	Ceus	Fvs
Northern Ireland	42%	42%	48%
Irish Republic	58%	58%	52%

I have shown a list of the operators, their routes and the frequency of sailings, from the island of Ireland as appendix 1 of this report.

4. POPULATION SPREAD UK AND IRISH REPUBLIC.

The number of passengers and freight vehicles travelling through the Northern Irish Ports is disproportionate to the population of those areas.

E.g Scotland has a population of 5.2 million and Northern Ireland has 1.8 million , yet 2.1 million passengers travelled on these routes in 2011.

England and Wales have a population of 52.2 million and 3 million respectively, but only 2.8 million passengers travelled on the direct services routes to the Irish Republic in 2011. Therefore freight and passenger traffic, originating in or destined for, England, does travel through the Northern Irish Ports.

One other factor to consider is the geographical spread of the Irish population. Of the total population of 4.3 million in the Irish Republic 52% live within two hours drive of Belfast. Therefore it follows that a significant proportion of freight traffic in Ireland is collected and delivered in this general area, i.e from Dublin to the North and partly to the West, up to the Irish Land Boundary.

If you take into account traffic congestion problems in the City of Dublin and the general port area, it is clearly expedient and competitive to bring freight and passenger traffic, from the Irish Republic, to and from the Northern Irish ports.

The crossing times and frequency of services are other factors which encourage the use of the Northern Irish ports to access the Irish Republic. There are up to 80 sailings a day in and out of the island of Ireland on 12 routes, with 52.5% of the crossings in Northern Ireland.

Crossing times from the ports in Scotland can be as short as 1 hr 45 minutes. Some customers may prefer a longer road journey, followed by a shorter sea crossing.

4. KEY ISSUES FOR IRISH FERRIES SERVICES IN WALES.

A.Potential for Loss of Passenger and Freight Business from the Welsh Ports.

The figures shown in the previous section identify that there is a plethora of choices, for the private motorist and the freight customer.

There are traffics that are generic to certain routes, usually linked to geographic reasons, but both the freight and passenger markets are acutely price sensitive and often service driven.

The Risks.

Over-capacity and Reductions in Prices.

The Irish Sea Markets peaked in 2007 and have generally been in decline since then, although recent indications suggest that the freight markets have begun to stabilise whilst passenger markets remain weak. Currently there is far too much capacity, for both freight and passenger traffic and fuel costs are escalating for the ferry operators. Irish Ferries saw an increase in fuel costs, from €41 million in 2010, to €52 million in 2011 and based on current fuel prices this could rise by a further €8 million in 2012. A number of ferry operators apply fuel surcharges to their charges and are have varying degrees of success in this.

There is a risk that an operator who is feeling the effects of rising fuel costs and diminishing traffic levels, could drastically reduce prices, in order to try and remain competitive. Potentially this could pull traffic away from the Welsh Ports.

We are certainly seeing this on a smaller scale, with some sectors of the road haulage industry.

Impact of Regulatory Controls Inconsistently Imposed on Welsh Ports.

Ireland, the UK and the Channel Islands are part of the Common Travel Area (CTA). This long standing agreement means that there are no passport controls in operation for Irish and UK citizens travelling between the two countries.

Therefore there is no legal requirement for an UK or Irish citizen to carry a passport on journeys between the two countries.

However the Irish and UK Governments co-operate by the exchange of information on the movement of passengers, who may present some security or immigration risk. To assist in this, Irish Ferries and other ferry operators co-operate fully with the Authorities in providing certain information on the movement of passengers, generating some data automatically on the departure of each ship, and supplying additional information where required, subject to the provisions of the Data Protection Act.

UKBA officers are present at the Welsh Ports and carry out checks that are said to be risk based and intelligence led.

The recent announcement by the UK Home Secretary about changes to the existing agency of the UKBA and the concern over the relaxation of checks in other UK locations, could lead to a demand for 100% checks on passengers, even at CTA ports.

However as there are no checks whatsoever at the Irish land boundary, there is a serious risk that this could cause significant displacement of freight and passenger traffic to the ferry services from Northern Ireland. For example;

- This could cause significant delays in the processing of passenger traffic and driver accompanied freight traffic, encouraging both traffics to use the Land Boundary Routes.
- Impact on land use within the terminals, to the extent that the discharge or loading of the vessel may have to be delayed until space is created by traffic “cleared” by the Border Agency Controls.
- There is a very real risk that it will have a detrimental impact on vessel turnround times, to the extent where we cannot maintain our existing schedules, in turn reducing the number of sailings that we are able to achieve.

B. Road and Rail Infrastructure in Wales.

B1. Holyhead Road Access.

The dualling of the A55 across Anglesey is of major benefit to the Port of Holyhead and has significantly improved access. When this was in the process of completion, to connect the port to the A55, an issue arose over the ownership of the land immediately at the exit from the Port. The land was owned by part of the former British Rail Group and this was not resolved. Now, to exit the port, you must turn right at a set of lights and within 100 metres turn left at another set of lights, to join up with the A55.

At busy times, when ships are discharging, this causes a bottleneck effect, backing up into the port. The port owners are reviewing traffic flow options, from other parts of the port, in an effort to resolve this.

However, the recent stated intention by the Westminster Government, to make changes to the role of the UK “Immigration” Authorities may impact on traffic flows at the ports. Therefore until the outcome of these changes and its impact on Welsh Ports, is known, it does not make sense to implement any changes.

B2. Holyhead Rail Access.

For passengers, during the development of the port, the railway station was effectively linked to the port entrance, providing easy access. However, with the abolition of Duty Free for intra EU travel in 1999, and the continued growth in cheap air fares, the foot passenger market is in decline.

For freight traffic, there are no links or facilities for rail transfer. In the 1970’s containerised railfreight, to Lift on/Lift Off Vessels, was a major feature of UK Road Haulage. However with the growth of Roll on/Roll off ferries, from the 1980’s onwards, the Lo/Lo operations could not compete with the speed of Ro/Ro. Therefore, when the port was developed to provide the land for the new generation of ferries in the 1990’s all available land was utilised for this.

Irish Ferries have taken part in a number of consultation exercises, to look at transferring Ro/Ro traffic to rail, the most notable of which was the “Piggyback Consortium” in the 1990’s. However the punitive costs of upgrading the North Wales Rail Network, to reach the West Coast Mainline at Crewe, and the lukewarm reaction from the road haulage industry, all but eliminated this as an option.

Therefore it is unlikely that we will see a switch from road to rail, in the Welsh ports on the West Coast, unless there is significant investment in infrastructure.

B3. Pembroke Dock Road Access.

From the M4, the A48M and then the A40 dual carriageway leads to Carmarthen and on to St Clears.

From St Clears the single lane carriageway A477 takes vehicles on the remaining 23.5 miles to Pembroke Dock.

The A477 is in the process of being improved, however this is primarily to improve the road at accident “blackspots”.

In terms of the business carried on the two “Southern Corridor” routes, Irish Ferries have the larger ship, so carry a greater percentage of the freight on this corridor.

The A477 also provides access to the Valero Oil Terminal, the new power station at Pembroke and links in to the A478, to the holiday resort of Tenby and its outlying attractions. Therefore consideration should be given to the dualling of the A477.

B4. Pembroke Dock Rail Access.

The position is much the same as reported in respect of Holyhead, but slightly worse, in the sense that the railway lines now terminate about 2 miles away from the Port.

C. IMO Resolution for the Reduction of Sulphur Content in Marine Fuel.

As part of MARPOL Annex VI, in April 2008, IMO agreed that the sulphur limit in marine fuel must be reduced to 0.1% by 2015 in Environmentally Controlled Areas.

These measures are designed to reduce the pollutant effects of Sulphur Dioxide, which include Acidification, local air quality and the emission of sulphate particles. Irish Ferries conventional ships currently run on fuel with 1.5% sulphur content, in line with the current EU position. This grade of fuel is still classed as heavy fuel oil or residual fuel oil.

As the permissible sulphur content in fuel is reduced, there will be an issue for the shipping industry, to fund this significant increase in costs, for the higher grade of fuel. The alternative would be to install an approved exhaust gas cleaning system, commonly referred to as “scrubbers”. However this technology is costly and not proven.

There will also be an issue for the oil refineries, not only to produce sufficient quantities of low sulphur content fuel, but also how they deal with the residual heavy fuel, which is produced as part of the refining process and will no longer be required by the shipping industry.

Currently, in European waters, the Sulphur Emission Control Areas (SECA's) are defined as the Baltic Sea, the North Sea and the English Channel. The volume of ships on the Irish Sea is considerably less than these areas, so at present there are no plans to nominate the Irish Sea as a Sulphur Emission Control Area.

However the European Parliament are currently discussing further amendments to 99/32/EC as amended by 05/33/EC and there is a risk that Irish Sea services could be affected.

The impact across the industry is likely to be a 70 to 80% increase in fuel costs at today's prices.

If this proposal was extended to the Irish Sea it would have serious consequences for Irish Ferries operating costs.

As stated earlier, in light of the content of the evidence that you have already received from the Welsh Ports Group and my colleagues in Stena Line, I have tried to provide you with a synopsis of the issues facing the ferry industry in Wales.

I trust that this report is of assistance to the Committee and I confirm my intention to attend the meeting in the Senedd on the 22nd March 2012.

Yours sincerely,

Mr Paddy Walsh
UK Ports Manager
Irish Ferries (UK) Limited

Appendix 1

Irish Sea Ferry Routes and Operators 2012

There are up to 80 sailings per day between Ireland and the UK mainland, with 52.5% of them operating via Northern Ireland. The number of sailings do vary, based on seasonal traffic flows.

Island of Ireland Port	Operator	British Mainland Port	Sailings Up to.....Daily
Larne	P&O	Cairnryan	14
	Seatruck	Heysham	4
Belfast	Stena	Cairnryan	12
		Heysham	4
		Liverpool	4
Warrenpoint	Seatruck	Heysham	4
			42
Dublin	Seatruck	Heysham	2
		Liverpool	4
	P&O	Liverpool	6
	Stena	Holyhead	8
	Irish Ferries	Holyhead	8
Dun Laoghaire	Stena	Holyhead	2
Rosslare	Stena	Fishguard	4
	Irish Ferries	Pembroke	4
			38