



**Isle of Man
Government**

Reiltys Ellan Vannin

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Harbours Strategy

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Department of Infrastructure

FOREWORD

To the Hon Stephen Rodan, MLC, President of Tynwald, and the Hon Council and Keys in Tynwald assembled.

As an Island community, our sea links have been important to us for hundreds of years, and their strategic significance will continue for the foreseeable future. With our dependence upon our sea links and our ports for economic and social wellbeing, we embrace our close connection to the water.

As well as enabling the movement of goods and people, our harbours provide opportunities for Island residents to participate in boating activities, with high levels of leisure boat ownership by Island residents. Yet the appeal of our marine leisure assets is not limited to Island residents. With excellent connections to Ireland, Wales, England, and Scotland, together with its numerous small harbours, anchorages and bays, the Island is a destination of choice for leisure cruising.

This strategy considers the current facilities and operational challenges at our largest commercial port of Douglas with recommendations of development or improvement, plus consideration of the leisure offer at the Island's natural harbours, and identifies potential opportunities to develop the marine leisure sector on the Isle of Man. By providing services and modern facilities which meet the needs and demands of the modern leisure boating customer, there is the potential for the Island to grow this sector to the benefit of individuals who participate in marine leisure activities, the individual towns and villages in which our harbours are situated, and the Manx economy as a whole.

This strategy also covers the proposal for a deep water berth in Douglas.

There is a significant amount of work required to fully realise the social and economic benefits of our harbours and within this strategy you will see the various statements of commitment my Department makes to deliver the changes needed to our maritime infrastructure.



**Hon R Harmer MHK
Minister for Infrastructure**

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1 INTRODUCTION

- 1.1 In December 2016 Tynwald approved the Strategic Sea Services Policy, a framework for the current and future provision of ferry freight and passenger services. That policy set out the manner in which the Isle of Man Government will intervene in the market to protect the Island's social and economic needs.
- 1.2 As part of the process of identifying the Island's social and economic needs, the Department is developing a strategy to harness the future potential of the Island's port and marina facilities. Both the strategy and the policy have been developed following investigations into the development of Douglas Harbour; an initial evaluation of the potential locations for a deep water berth; an overview of the five main harbours and considerations for the future progression.
- 1.3 In July 2017 Tynwald approved the National Infrastructure Strategy, which provides a number of broad principles and statements that are intended to guide the Island's infrastructure providers when making decisions for future investments.
- 1.4 The National Infrastructure Strategy has the overarching aim to set out a strategy which will:

Ensure that there is an integrated, reliable, secure and resilient provision of Island wide infrastructure that meets the social and economic needs of the Island up to 2050.

- 1.5 The National Infrastructure Strategy has two overarching principles:

Overarching principle 1 – to look to the future:

When preparing for future infrastructure projects, there will be a forward looking, collaborative approach between infrastructure providers and Government Departments. Consideration must be given to the future social and economic needs of the Island as well as any emerging trends and technologies. Infrastructure will be designed to ensure international and national obligations are met, as appropriate.

Overarching principle 2 - to ensure value for money:

In order to ensure the full design life of each of the Island's strategic assets is met, appropriate monitoring and maintenance programmes in line with relevant valid standards for asset management should be prepared and adhered to. These should be taken into account prior to the consideration of total replacement or renewal of that asset.

The above principles will be considered for any future development in our harbours.

2 GENERAL OUTLINE OF THE ISLAND'S HARBOURS

- 2.1 The Isle of Man is connected to several ports in the UK and the Republic of Ireland, with the primary function of the Island's harbours being to support social and economic activity. With over 90% of goods consumed on the Island (including oil and liquid petroleum gas) being imported through the ports, the Island's economy is dependent upon them for the movement of goods and people.
- 2.2 The eight statutory harbours in the Isle of Man can be separated into two categories; commercial and leisure/heritage. The commercial harbours of Douglas, Ramsey, and Peel, and to a lesser extent, Port St Mary, mix essential commercial activity with leisure use.
- 2.3 The Island's other harbours – Castletown, Laxey, Port Erin and Derbyhaven are primarily for leisure use.
- 2.4 The Isle of Man enjoys a strategic location in the middle of the Irish Sea, providing excellent connections to:
- the east coast of Ireland
 - the north west coast of Wales
 - the north west coast of England
 - the south west coast of Scotland
- 2.5 Consequently, the Isle of Man is well placed to capitalise on the significant marine leisure activity within the Irish Sea. With numerous small harbours, anchorages and bays providing a wealth of day-boating destinations, the Island is a destination of choice for cruising leisure vessels in the area.
- 2.6 Commercial activities in the Irish Sea, including wind farm and other renewable energy projects, provide a potential untapped market for commercial berthing activity, subject to the provision of appropriate facilities. This potential diversity of customer base and activity is something the Department is keen to explore.
- 2.7 The Department has certain responsibilities to discharge its obligations and responsibilities as a Port and Coastal state relating to safety of life at sea and the protection of its marine environment under its own laws, in accordance with maritime conventions where the UK's ratification has been extended.
- 2.8 The Department has been progressing several significant pieces of work in relation to the Island's commercial harbours, including the future provision of strategic sea services, and the Douglas Harbour Development Plan. The former was submitted for consideration at the July sitting of Tynwald, where the following motion was approved:-

That Tynwald, whilst noting the terms of the offer of the Isle of Man Steam Packet Company Limited dated 3 March 2017 for a new Strategic Seas Services Agreement, instructs the Department of Infrastructure to continue negotiations with the Company

and to consider all other options for achieving a more effective solution that offers greater benefit to the Island.

The latter is incorporated into this report. The other focus of this report is the leisure use of the Island's commercial and heritage harbours.

- 2.9 Douglas Harbour is the main port for the Island's ferry service providing a daily passenger and freight service between the Isle of Man and the UK. The port manages an annual passenger throughput of up to around 600,000 passengers using the linkspans on the King Edward VIII and Victoria Piers and the passenger facilities in the Sea Terminal Building.
- 2.10 Recent flood events have lead Government to undertake detailed consideration of the requirements of the Island in order to provide appropriate and effective means to manage and mitigate the effects. The National Strategy on Sea Defences, Flooding and Coastal Erosion was produced in 2016 and sets out that relevant departments in the Isle of Man Government currently have over £50m allocated to infrastructure projects within their remits. These investments started in April 2016 and will continue over the next 30 years.

3 MARINE LEISURE ACTIVITY

- 3.1 There is a high level of boat ownership on the Island, with a ratio of boat ownership to people of 1:64, exceeding typical levels of 1:118 across the rest of the UK. It is clear that the local population embraces the proximity to water and opportunities to go boating, although the development of marina berthing is a relatively recent phenomenon provided on a limited scale.
- 3.2 The Island currently has approximately 230 berths in Douglas and Peel marinas. 95% of the vessels berthed on the Island are locally owned, with waiting lists for both marinas. The water space at both locations is shared with more low-key marine leisure uses. Neither marina provides a full range of support services or full tidal access berthing.
- 3.3 Marine tourism has been identified as a niche market segment with potential for growth by the Department for Enterprise (DFE), within its Destination Management Plan 2016-2020. The provision of sufficient capacity and a variety of visitor berths across all key Island marinas, together with a range of support services, would be required to generate growth in this area.
- 3.4 Both Douglas and Peel marina facilities are tidally restricted by their physical impoundment structures. A build-up of sediments in the marina basins impacts on the use of berths and a long-term sustainable maintenance dredging solution remains to be identified. The Department is currently working in consultation with the Department of the Environment, Food and Agriculture (DEFA) to achieve this. This situation will need to be addressed before any proposals to expand and reorganise facilities in the two basins can be considered in any detail.

- 3.5 Notwithstanding the issue of sediment, the Department has identified opportunities to meet the needs of the modern leisure boating customer by providing expanded and improved marina facilities that could be charged at an appropriate commercial boating rate.
- 3.6 Marina berths in the Isle of Man are charged at £145 per metre per annum (£1,160 for a typical 8m vessel). These are amongst the cheapest in the UK yet provide access to excellent cruising grounds and boating opportunities. By comparison, Fleetwood marina on the north-west coast of the UK provides pontoon berths with a smaller tidal access window priced at £202 per metre per annum. There is the potential to improve the income however the associated facilities would need to be improved.
- 3.7 Despite the extensive boating population the provision of maintenance for vessels and boat lifting services is provided on an ad-hoc basis, with no flexible boat lifting and launching arrangements. Many of the higher quality vessels needing even routine repair and maintenance work are taken to the UK to access appropriate facilities.
- 3.8 This provides a potential opportunity to create a marine trade centre with dedicated and permanent boat lifting services and a range of commercial work spaces to provide a focal point for service provision. The greater flexibility and expanded service offering could lead to increased employment and training opportunities in the marine leisure sector.
- 3.9 Other marine sector facilities and services are likewise currently provided at a limited level, e.g. sailing school, brokerage, new boat sales, marine surveyor, chandlery, survey and expansion of yacht club activities, etc. These services would also benefit from improved and dedicated facilities and the focal point that a marine trade centre would provide in addition to the general development of the market. Enhanced facilities and services which respond to the need of the modern leisure boater e.g. dry stacking of small boats, could also be considered if these could be accommodated at a suitable site.
- 3.10 Whilst these facilities are currently concentrated in Douglas and Ramsey, the Department is aware that other opportunities exist around the Island. A new marina could double the number of available marina berths and cater for larger visitor vessels. Although impoundment at a number of other harbours was proposed some years ago, this was only progressed at Douglas and Peel. Several schemes to create a new 24/7 tidal access marina in the south of the Island have been proposed but not progressed.
- 3.11 The physical and operational constraints of five key harbour assets, Douglas, Ramsey, Peel, Port St Mary and Port Erin have been independently assessed to identify the potential scale and nature of any opportunities to develop marine leisure facilities in each location. The key factors that influence and inform the rationale for concept proposals for each site have been identified. Further master-planning and options analysis would be required to develop each location and their priority for action. The harbours at Derbyhaven, Laxey and Castletown will be considered later in 2018, the others having been prioritised for more potential opportunity for increasing income and/or requiring maintenance.

Statement 1

The marina facilities at Peel and Douglas require investment in improved and dedicated facilities, as well as a review of the berthing arrangements in order to ensure both marinas offer the maximum number of berths and the appropriate fees. The independent review is due to be delivered by the end of the year, outlining the likely expenses, challenges, and opportunities for improvement.

4 DOUGLAS

- 4.1 Douglas Harbour provides port facilities for a wide range of user groups and vessel types including ferry operations, fuel shipments, recreational boating, commercial vessel berthing and fishing. Recreational and commercial vessel activity is largely segregated, although all vessels share a single harbour entrance of approximately 140m at its narrowest point. Commercial vessels within the outer harbour enjoy unrestricted access; the marina facility provides approximately 4 hours access during the high water cycle. All port operations for all the harbours and oversight for all Manx territorial waters are controlled from the Marine Operations Centre in the Sea Terminal.
- 4.2 The current ferry service provider operates a vessel of 125 metres in length although future ferry vessel size may increase up to 142 metres in length should passenger and freight demand increase in the future. The maximum length capacity at destination ports of Heysham and the new landing stage being developed at Liverpool is 142m.
- 4.3 The King Edward VIII Pier is currently used as a Roll on Roll Off (RoRo) berth for the MV Ben my Chree and includes a vehicle linkspan at the landward end of the pier. The smaller RoRo berth at Victoria Pier is currently used for the MV Manannan. Both the King Edward VIII and the Victoria berths could be upgraded to match the Heysham/Liverpool maximum sized RoRo vessel of 142m.
- 4.4 **The constraints of Douglas Harbour**

Some of the constraints of Douglas Harbour are operational and are not necessarily easily noticeable to general users however they include:-

- i. harbour exposure from the north east;
- ii. limited commercial vessel (passenger/vehicular and fuel) activities and manoeuvring areas within the outer harbour;
- iii. restricted access to marine leisure moorings through tidal flap and vehicular bridge;
- iv. very limited landside availability on which to develop additional marine-related infrastructure (see Section 9);
- v. silt accumulation issues within the impounded water areas requiring maintenance dredging to establish minimum depths within the impounded marina;
- vi. lack of water depth between the flap gate and outer harbour;
- vii. limited marine-related support services & facilities;
- viii. limited impounded water space in which to develop additional berthing provisions;

- ix. no deep water berth for cruise vessels; in general two thirds of visiting cruise vessels berth in the bay.
- 4.5 Due to being the busiest of all the harbours and its importance in the capital of the Island, the Department has been developing a master plan for Douglas Harbour, which has been given a technical and financial appraisal by marine engineers Royal HaskoningDHV. The appraisal includes an assessment of:
- i. the potential for a deep water berth alongside the Victoria Pier (240m long by 8m draught);
 - ii. upgrading of the Victoria Pier to offer the berth redundancy for the linkspan at King Edward VIII Pier;
 - iii. the potential upgrade to the Tender Vessel Day-Call berth by the provision of a larger floating pontoon and access brow with a berth on either side of the pontoon;
 - iv. the future-proofing of the King Edward Pier with an upgraded berth to suit the Heysham/Liverpool maximum sized RoRo vessels;
 - v. the potential relocation of the Douglas RNLI station with pleasure craft slipway and holding area by the Fort Anne jetty;
 - vi. the installation of wind farm support vessel facilities;
 - vii. upgrading the current tanker refuelling berth to allow for larger vessels.
 - viii. there is a level of significant maintenance within the harbour wall structures and foundations that needs to be taken account within the master plan works listed above (ie some of the above will incorporate necessary maintenance, which, if no future-proofing or upgrading takes place, will need to be separately identified and budgeted for).
- 4.6 The current Victoria Pier Linkspan is the property of the Isle of Man Steam Packet Company Limited. The siting licence authorising its placement on the Department's property expires at the same time as the linkspan User Agreement between the Department and the Isle of Man Steam Packet Company Limited in either 2020 or 2026. The current linkspan would be approximately 50 years old in 2026. Any replacement that was funded by the Department would cost between £9.46m and £10.56m to construct, at current prices.

4.7 The opportunities at Douglas Harbour include:

- i. a reconfiguration of the marina to provide additional berthing within the impounded water areas which could in turn generate a greater return from the assets;
- ii. a fully serviced dry stack facility, (the storage of small boats using racks), could free up berths in the marina and be developed on Department land with unrestricted access seaward of the tidal flap through provision of a dredge channel. This new market provision would provide an efficient turnkey boating product to explore and enjoy the numerous day boat opportunities that the Island offers;
- iii. provision of marine-related support services in a dedicated marine cluster would improve services to the existing customer base. Such marine-related trades would likely take the form of brokerage, chandlery, sail making etc;

- iv. with cruise ship routes tracking the Irish Sea, there is an opportunity to create a deep water facility for visiting vessels;
- v. unrestricted visitor provision within the outer harbour would enable a greater level of activity from local and wider market sectors such as North Wales, north west coast of the England, southern Scotland and the east coast of Ireland. The provisions of sheltered, unrestricted moorings would create destination appeal as well as a safe haven.

4.8 A diagram illustrating the locations of the Douglas Harbour review areas is attached at Appendix 1. The report of Royal HaskoningDHV is included within the accompanying document, Technical Information on Harbours Strategy (published separately).

4.9 Any new developments or upgrades in Douglas Harbour would bring benefits but these will have to be assessed against the costs. All civil engineering works involving deep water construction and dredging require considerable amount of capital investment, requiring detailed feasibility assessments and financial appraisals. The Douglas Harbour Master Plan Review addresses the future needs for the technical development of the commercial port facilities. This significant piece of work has begun but needs to be prioritised, together with appropriate business cases, by the end of the 2017-18 financial year. Royal HaskoningDHV has suggested the following order of works which, if undertaken consecutively, could be completed within a three year time-frame:

	Project Area	Cost (min £s)
Year 1	Area A – Cruise berth northside Victoria Pier	£11m
Year 2	Area E – Pleasure craft slip & holding area	£6.98m
	Area F – Windfarm support vessel pontoons, new breakwater and revetment	£17.22m
	Area D – King Edward III Pier upgrade	£14.83m
Year 3	Area G – Tanker/Oil/Cement berth upgrade	£15.55m
	Area B – Upgrade to Victoria Pier RoRo Berth	£10.56m
	Area C – Cruise Tender Berth	£4.23m
Total		£80.37

4.10 These costs are estimated at current values and are based on the lowest expected cost bounds. They do not include consultancy costs, project management costs and other sundry charges.

4.11 The costings above have been prepared on the basis of separate schemes being approved individually rather than as a single complete package but rely on the re-use of excavated and dredged material between phases to reduce costs and environmental

impacts. If approval were given for works to be undertaken as a single scheme, savings of £3m-£4m could be achieved.

- 4.12 If a replacement linkspan were to be required at the Victoria Pier (Area B), the construction cost would increase by at least £9.46m. Under current arrangements, this work could not start before the end of the current linkspan User Agreement.
- 4.13 In addition, the Department has identified a number of projects within Douglas Harbour that require technical upgrades or modernisation of current elements of port infrastructure, which either future-proofs the Harbour's older quays or brings business opportunities. The Master Plan Review by Royal HaskoningDHV has not prioritised the various work projects, although Royal HaskoningDHV has put forward a programme of works for the combined construction of all the areas as well as individually broken down the costs if undertaken separately.
- 4.14 The leisure activity within Douglas Harbour could be defined as an established marina facility with high levels of occupancy and a demand for improved marina provisions, where the needs of customers differ to those of other outlying harbours without marina facilities. With excellent connections to Douglas and the transport infrastructure, together with an active Yacht Club with associated activity and membership, Douglas Harbour is arguably a most desirable location for the further development of marine leisure facilities with the proviso that suitable associated facilities (fuel sales, laundrette, car parking etc) can be provided.
- 4.15 The Douglas RNLi station is located in the south east corner of the harbour directly opposite the entrance. The RNLi is planning to replace the current lifeboat with the new generation Shannon Class vessel and this will require a review of the launch and recovery system. The current station requires significant upgrading and the RNLi would like to remain in the current location. Accordingly the Department has considered and accepted a proposal by the RNLi which is now being taken forward to their Trustees for approval. In the short term a temporary "Mersey" class lifeboat will be operated from the existing slipway once modifications are completed in early 2018.

Statement 2

The Department of Infrastructure will consult with other Government Departments and other bodies where relevant, for example the Isle of Man Shipping Association, TravelWatch, Chamber of Commerce etc, regarding the priority of capital works for Douglas Harbour, taking into account strategic importance to the national economy.

Statement 3

Subject to consideration of those infrastructure projects for Douglas Harbour which may be of interest to private investment, outline business cases for each of the projects along with a phased programme of delivery, will be forwarded to Treasury by March 2018.

5 RAMSEY

5.1 Ramsey Harbour accommodates commercial freight operations as well as fishing vessels, recreational boating and ship repair. The entire harbour and entrance is a drying facility; a swing bridge restricts access to West Quay and the Old Harbour. The existing harbour configuration and landside ownership at Ramsey provide berthing and storage ashore for approximately 30 leisure vessels.

5.2 **The constraints of the port at Ramsey include:**

- i. restricted access to the harbour due to sea bed levels above Chart Datum and the operation of the vehicular swing bridge;
- ii. limited commercial vessel berthing and loading/unloading operations resulting in competing uses for water and land areas;
- iii. a narrow entrance (35m at its narrowest point) that is exposed from the north/northeast;
- iv. somewhat remote location in relation to the marina facilities of Peel and Douglas;
- v. limited marine leisure activity and predominance of commercial craft.

5.3 **The opportunities at Ramsey include:**

- i. boat lifting and storage ashore for a range of vessel types, commercial, fishing and recreational;
- ii. potential links to Isle of Man Superyacht registration and UK refit market demand;
- iii. marine employment, skills base apprenticeship and training provisions linked to the marine sector;
- iv. marine workshops to house specialist marine support services such as engineers, fabricators, repairs, riggers etc.;
- v. provision of dedicated and focused marine-related services and facilities to provide for UK, Island-wide and Ramsey market demand;
- vi. yacht refit, repairs and productions could be provided within this location;
- vii. ability to provide landside support services to cater for alternative markets, such as renewables;

- viii. creation of a town quay wharf to provide improved berthing services, facilities, and linkages for visiting vessels, plus consideration could be given to promoting the wider heritage of the shipyards for Ramsey.
- 5.4 There is a potential opportunity at Ramsey Harbour to create a dedicated fully serviced marine service centre. The harbour has immediate links with the town, and its location makes it an attractive destination from the northwest coast of England. There is an existing marine-related employment and skill base for both marine leisure and commercial repair/refit works, although the infrastructure is ageing and in need of investment.
- 5.5 The recently vacated shipyard at Ramsey has led to an opportunity for it to come back to the control of the Department in order to have one third area for the storage of vital Departmental equipment, plus control of the hard standing and the ability to lease out the other two thirds for ship building, maintenance and associated engineering.

Statement 4

The Department will take over responsibility for the shipyard premises, using one third for its own maritime vessels and storage, whilst at the same time work with the Department for Enterprise in promoting the use of the remaining premises for engineering and vessel maintenance, which will benefit the fishing and leisure sectors.

6 PEEL

- 6.1 Peel Harbour provides facilities for a range of vessels and user groups including fuel shipments, fishing fleet, commercial vessels and recreational craft. Access to all but the outer breakwater is tidally restricted. The marina enjoys approximately 4 hours of access during the high tide cycle.
- 6.2 **The constraints of Peel Harbour include:**
 - i. access to the marina is restricted by the tidal flap and pedestrian bridge;
 - ii. there is limited water space within the impounded structures in which to develop;
 - iii. silt accumulation within the impounded water areas requires maintenance dredging or revised infrastructure; there is a need to address the rate and source of the silting of the impounded water areas as well as a review of the options to reduce the impact of this issue on the marina either by redesign or maintenance;
 - iv. land availability for development in relation to the marina and its potential access points is restricted;
 - v. there is limited capacity for vessels to be stored ashore;
 - vi. boat lifting is restricted to mobile crane operations which cannot cater for all vessels berthed at the marina;
 - vi. there is a mix of commercial and leisure boat operations within the inner harbour creating competing and conflicting land and water uses.

6.3 **The opportunities at Peel Harbour include:**

- ii. the water areas within the impounded marina basin could be more efficiently configured to expand and enhance the marina leisure offer in Peel. This would in turn generate more favourable returns for the marina;
 - iii. with provisions for boat lifting, storage and maintenance works forming part of proposals for other facilities on the Island, Peel marina could become a focused and dedicated marine leisure destination. Land and water areas could be developed to provide high levels of quality infrastructure, marina facilities and harbour office as well as increased levels of customer service, with dedicated staffing;
 - iii. improving the facilities within the outer harbour for the commercial vessels bringing in fuels and other materials.
- 6.4 The marina at Peel has good links to the town and associated amenities. Located on the west of the Island, Peel is a natural choice of stop-over for vessels transiting up or down the east coast of Ireland. The harbour breakwater and more recent tidal flap gate provide protection for the marina facility although there are significant issues regarding the annual dredging maintenance of the impounded area.
- 6.5 There is potential for Peel marina to be further developed to provide a home port from which to explore the Island and associated sailing grounds for additional vessels, as well as a destination for visitors and gateway to the Island from the east coast of Ireland. Improved services and facilities, increased vessel numbers along with separation of activities could generate increased revenue from the impoundment structures and provide further economic benefit for the town.
- 6.6 The Department created the "Peel Marina Project Board" in April 2017, a cross-government group of officers led by the political Member for Ports Division, which meets monthly. The sole focus of the group is to determine the options for the dredging of Peel in 2018 to allow normal operation of the marina, plus consideration of the sustainable long term solution. As part of the work more analysis has been carried out on the silt material itself, as part of a wider research works on various landfill and waste sites. That work is ongoing.

Statement 5

Working in consultation with DEFA, the Department will determine both short- term and short-to-medium term options for the removal of the current build-up of contaminated silt in order to be able to dredge in Peel in 2018 and 2019, whilst also considering a longer-term solution for the disposal or treatment of contaminated silt. The Department will consult with other departments, Peel Town Commissioners and harbour users.

7 PORT ST MARY

- 7.1 Port St Mary, located on the south east of the Island, is protected from the prevailing south westerly winds. It has links to the north coast of Wales and west coast of the UK

together with an active sailing club and seasonal deep water mooring. Fishing vessel and limited commercial vessel activity continues within the outer harbour on Alfred Pier, albeit not at historic levels.

7.2 **The constraints of Port St Mary Harbour include:**

- i. Port St Mary is exposed from the east and south east;
- ii. the inner reaches of the harbour are shallow with Little Carrick and Pot Rock drying above Chart Datum;
- iii. the sea bed is formed of soft clays and rock, the latter making dredging operations potentially difficult and costly;
- iv. the land available for marina-related development adjoins residential properties on Lime Street such that local opposition to development could be a potential factor;
- v. road connections to the harbour are restrictive and would benefit from development and/or upgrading;
- vi. there are currently no landside support services to cater for existing vessels and customer base.

7.3 **The opportunities at Port St Mary Harbour include:**

- i. installation of a fixed breakwater structure would provide a berthing environment from which to develop improved full tidal access marine leisure facilities;
- ii. installation of a fully serviced dedicated marina facility complete with the following would create a destination facility for both long term and visiting yachts:
 - full tidal access walk-ashore marina berths;
 - 24 hour marina operation with dedicated staffing;
 - berth holder facilities, car park, showers and toilets, clubhouse, fuel, pump out and marine retail sales;
 - boat lifting services to include storage ashore and marine-related support services such as rigger, engineer, boat repairs;
 - opportunities to develop marine trades such as brokerage, new boat sales, boat insurance yacht surveyors etc;
 - bars and restaurants overlooking the marina and harbour facility;
- iii. a breakwater structure could provide additional deep water berthing provisions for marine related activity such as commercial vessel berthing, tall ship stop-over port, host for yacht races, etc.;
- iv. training facilities for young sailors could be developed within the confines of the new breakwater.

7.4 Port St Mary has waterfront land available that would enable the development of marine-related infrastructure. The creation of a breakwater structure could enable existing water areas to be developed as marine leisure assets. Due to the nature of the harbour, siltation will not be a significant factor or operational burden on an operating business. Marina development proposals for Port St Mary are very attractive due to the availability of access to water by land and through existing deep water. Heritage sites

such as the Calf of Man, Cregneash and the Steam Railway are within close proximity of Port St Mary.

- 7.5 There have been many previous attempts to site a marina at Port St Mary. The regeneration of the immediate town areas of Peel and Douglas adjacent to the two current marinas has shown the potential for marine-lead development, and the Department believes that a new marina at Port St Mary could offer the opportunity to improve and increase long-term economic growth for the Island. Marina industry advice to the Department has indicated that specific targeted marketing of the location and the marina opportunities of the south of the Island could attract private interest and/or marina developers to consider investment in such a scheme.
- 7.6 The development of a new marina scheme could be funded in a number of ways including private investment. Such development could be done as one construction project or as a phased development, dependant on funding available and could offer significant local regeneration as well as a full tidal access marina.

Statement 6

The Department will create a specific marketing plan for the potential development of a full tidal access marina to be located at Port St Mary, after appropriate consultation with the local community.

8. PORT ERIN

- 8.1 Port Erin is an under-utilised port located on the south west of the Island. It has unrestricted access from the outer limits of the harbour although the inner harbour dries out. Its natural deep water is an asset although the harbour is exposed from the southwest (the prevailing wind) through to the northwest.

8.2 The constraints of Port Erin Harbour include:

- i. site exposure from the west;
- ii. a substantial fixed breakwater structure would be required to create an acceptable year round wave climate;
- iii. road links to Breakwater Road are restrictive;
- iv. road connections to the harbour are restrictive and would benefit from development and/or upgrading;
- v. build costs for marina infrastructure such as breakwater and piles would be significant due to the natural deep water.

8.3 The opportunities at Port Erin Harbour include:

- i. installation of a fixed breakwater structure would create a wave climate in which a marina facility could be developed (this needs to be 'assessed' against the costs of such a development due to the deep water);
- ii. land areas adjoining the development site could be utilised for associated marshalling areas for the deep water berth;

- iii. a fully serviced marina facility could be developed within the confines of the breakwater.
- 8.4 The harbour has natural deep water providing unrestricted access for a range of vessel types and configurations. The harbour entrance, whilst exposed, is relatively narrow - 600m at its narrowest point. The relief of the landscape creates a sheltered environment.
- 8.5 Land availability within immediate proximity of the water front, including the site of the former marine laboratory, makes the harbour an attractive development proposal, with no existing neighbouring uses immediately attached to the landside development areas. There are no competing uses for the water areas. The harbour has good links to the Island's steam railway and nearby attractions of Cregneash and the Calf of Man.
- 8.6 Due to the configuration of the harbour there is an opportunity to develop marine leisure assets that complement and link into the infrastructure of the town without compromising existing uses and enjoyment of the facility. As with Port St Mary, this could be achieved using either public or private funds.
- 8.7 Previous costings of Port Erin as a location for a 'stand-alone' new marina showed to be significantly more than locating a marina in Port St Mary. In addition, investment of a deep water berth was considered for Port Erin however Douglas was seen to be a more favourable location for such a facility due to the better provision of the infrastructure needed for the onward distribution of visitors.

9 POTENTIAL FOR HARBOUR IMPROVEMENT WITH A DEEP WATER BERTH

- 9.1 Cruise business began in the Isle of Man in 2006, with six vessels making stops to the Island, carrying a combined total of 3,253 passengers. During 2015 there were 16 visiting cruise vessels, from which just under 5,000 visitors alighted at Douglas. There was a slight increase on these numbers in 2016 with the arrival of 5,430 cruise passengers from 17 vessels. One third of these vessels berthed alongside Victoria Pier with the remainder berthed in Douglas Bay; the passengers were tendered across to the cruise tender pontoon.
- 9.2 At the beginning of 2017, the Department of Economic Development anticipated that 28 vessels would call at Douglas, carrying a combined total of 9,262 passengers; a projected increase of 70% on 2016 cruise visitors. At the end of the 2017 summer season, the passenger numbers reached 6,525.
- 9.3 Although this was still a record year, projected passenger numbers were affected by the loss of five vessels and 2,700 passengers, which were unable to dock or tender due to adverse weather conditions. A deep water berth, whatever the size and location, would provide certainty to the vessels and the local trade, an important factor which would maximise the potential and provide, as far as possible, certainty for visitors.
- 9.4 The length of stay per vessel is generally 8 hours to 10 hours, although on occasion a vessel stops overnight.

9.5 Tourism remains an important sector for the economy of the Isle of Man, and the availability of a variety of easily accessible visitor attractions is advantageous. The Island could attract a higher number of visiting cruise vessels if it had a deep water berth. Such a facility could be created as part of a programme of improvements to Douglas Harbour.

9.6 **Deep Water Berth at Douglas Harbour's Victoria Pier**

9.6.1 Subject to the provision of funding and the agreement of Tynwald Court, the Department intends to progress the maintenance work and improvements outlined in para 4.5 above. The provision of a deep water berth alongside the north side of Victoria Pier could accommodate vessels up to 240m long with a draught of 8m depth. Work was estimated to cost £16m plus contingency. Whilst this berth would be able to handle a range of vessel types it would allow cruise vessels up to this size to berth alongside as long as suitable tugs were available. Typical passenger numbers for this size of cruise vessel range from 1200 to 2000.

9.6.2 Should a deep water berth be developed in association with other development work in Douglas Harbour, as per the Douglas Harbour Master Plan Review, the total cost of the works could be reduced to approximately £11 million including contingency as the rock spoil removed to give an 8m draught could be used as infill on another part of the harbour redevelopment. Furthermore, this investment would replace the otherwise essential investment of some £3-£5 million in the stabilisation of the pier structure. If no improvement schemes were approved, these repairs would have to be progressed within 3-5 years to maintain current services.

9.6.3 This location would be constrained during periods of bad/stormy weather from the north east but would offer the following advantages:

- i. no new or enhanced road improvements would be required;
- ii. any passenger facilities (eg toilets, welcome centre, souvenir shops etc) could be provided through minor changes within the current Sea Terminal Building;
- iii. buses and coaches could approach alongside cruise vessels as there is plenty of room on the pier;
- iv. distances from the harbour to the Island's attractions are relatively short;
- v. the appropriate levels of maritime security and operational staff provision could be provided within current resources;
- vi. the pier infrastructure is already part of a maintenance plan;
- vii. other vessel visitors eg Royal Navy, wind farm maintenance vessels, survey vessels etc would be able to use the berth.

9.7 **Deep Water Berth at Douglas Harbour's Princess Alexandra Pier**

9.7.1 In 2015, the Isle of Man Shipping Association (IOMSA) put forward a proposal for a floating concrete breakwater located on the outside of the Princess Alexandra Pier. A feasibility study jointly funded by the IOMSA, the former Department of Economic Development (now Department for Enterprise) and the Department was carried out by Dutch company FDN Engineering BV, which developed a floating concrete breakwater at Monaco. This proposed floating berth at Douglas would be 350m long, 25m wide and

12m deep, anchored by chains to the sea bed. The projected cost of the breakwater and access bridge has been estimated at £40 million.

- 9.7.2 Further costs would be incurred through the development of onshore infrastructure and the possible relocation of the subsea interconnector power cable. In March 2017, the parties funding the study agreed that it was not a viable option, as the structure could not be guaranteed to remain 'tethered' to the sea bed during severe storms.
- 9.7.3 In March 2017, IOMSA put forward two further proposals for a deep water berth on the outside of the Princess Alexandra Pier (a 450m concrete caisson berth and a 450m concrete berth), and has subsequently recommended the latter for consideration.
- 9.7.4 The latest recommendation by IOMSA is for a new 450m concrete breakwater with an attached cruise ship berth, capable of berthing a 400m cruise ship on the outside of the Princess Alexandra Pier, with estimated capital costs of £35 million - £40 million for the berth. The subsea interconnector power cable relocation costs have been estimated as circa £2 million, and there would be further road infrastructure costs to gain access to the proposed berth, estimated to be £5 million. These costs do not include design fees, environmental impact analysis or relevant bathymetry modelling so an overall project budget would be in the region of £50 million and Deloitte's concluded a total expected budget including contingency and tugs at £69m.

9.8 Deep Water Berth at Port Erin

- 9.8.1 The only alternative site to Douglas for a deep water berth is Port Erin, as no other Island harbours are deep enough.
- 9.8.2 This location would be constrained during periods of bad/stormy weather from the southwest to the northwest (the prevailing wind being from the southwest) but would offer the following advantages over the Victoria Pier option:
- i. Port Erin has natural deep water and could offer the potential for vessels carrying between 2,500 to 5,000 passengers to visit the Island;
 - ii. there would be potential to develop a marina in addition to deep water berth facilities;
 - iii. adjacent land owned by Government could be used to develop associated facilities;
 - iv. there would be easy 'ship to coach' transfer of passengers.
- 9.8.3 The challenges of a deep water berth at Port Erin when compared to the proposals at Douglas are as follows:
- i. there are likely to be more occurrences of the type of weather that would make the berth inhospitable or unavailable;
 - ii. there are currently no other operational facilities in Port Erin, so whilst there is available land the outlay in initial and operational costs would be much higher;
 - iii. maritime and operational staff and associated equipment would need to be brought in to handle the vessel when required;
 - iv. the road infrastructure would need to be improved.

9.9 FINANCIAL & OTHER CONSIDERATIONS FOR A DEEP WATER BERTH

9.9.1 Regardless of where a deep water berth might be located on the Island, any proposal would need to address the following:

- i. tug vessels would be required to berth cruise vessels. To berth at Victoria Pier, two tugs costing approximately £1.5 million each plus on-costs, would be required. Given that larger vessels could berth at the suggested 450m concrete deep water berth outside the Princess Alexandra Pier, two larger tugs of cost approximately £5 million each could be required;
- ii. pilotage is currently carried out by a private contractor. This company may not wish to expand into the handling of cruise vessels;
- iii. ground staff would be required, although in some areas the staffing could be covered by seasonal employment;
- iv. additional passenger facilities and security screening would need to be constructed.

9.9.2 In 2017, the Department of Economic Development appointed Deloitte LLP to review the options and model the anticipated returns. The Deloitte report is released separately by the Department. The report did not include the cost of funding as this is the basis on which many Government capital projects are undertaken. However to ensure the options are reasonably assessed on a true economic basis, a range of costing has been prepared with 2.4% being seen as currently the most reasonable cost that Government could attach to any significant funding.

9.2.3 An appraisal summary of the deep water berth by the Department for Enterprise is attached at Appendix 2.

9.9.4 A table detailing the payback periods for each of the options is as follows:

Table 1: Payback periods

Option	Base	Years at 2.4% interest	Years at 3.3% interest
Option 1: 240m Victoria Pier	48	100+	Never
Option 2a: 450m caisson	37	100+	Never
Option 2b: 450m concrete	28	41	58

9.9.5 Linking the construction of a deep water berth at the Victoria Pier with the harbour improvements identified at para 4.5 above (option 1a) at a cost that provides for contingency and the purchase of new tugs (a total of approximately £15m,) the payback is improved compared to option 1.

Table 2: Payback period of option 1a

Option	Base	Years at 2.4% interest	Years at 3.3% interest
Option 1a: 240m Victoria Pier	18	33	42

9.9.6 Option 2c proposes building a 350m long deep water berth from the Princess Alexandra Pier with the option of adding a further 100 metres at a later point. Although the paybacks on this are slightly longer, this option allows for evidence of passenger growth to be used to justify an extension

9.9.7 If the new pier were built to 350m initially and then extended at a later date, the costs for this would be similar to the 450m option but would be spread, reducing overall the interest charge. This option also has the advantage in that much of the vessel growth assumed in the models is based on the assumption that larger vessels will become the norm and that the Isle of Man will not be a viable stop without a longer (450m) berth. At present some 75% of relevant vessels can use the 240m option and so a 350m pier would allow the majority to continue to berth and provide the capacity for growth if the modelling was correct.

Table 3: Payback period of option 2c

Option	Base	Years at 2.4% interest	Years at 3.3% interest
Option 2c 350m then 100m	30	43	59

9.9.7 Costs for option 2c would be £30m plus on-cost of £10.87m plus contingency £10m (75% of total), £50.87m now, plus £10m plus £4.65m tug plus £3m contingency (total £17.65m) in 10 years' time.

9.9.8 This option pays back around 2 or 3 years later than the 450m concrete berth.

9.9.9 Development of a deep water berth in Douglas would have very limited impact on the provision of ferry services and the facilities needed for their operation because:

- i. the maximum length of the Island's ferries is constrained by the maximum length of vessel able to berth at either Heysham or the proposed new facility in Liverpool, where the maximum ferry capacity is 142m long;
- ii. as reported recently by Oxera LLP in its economic appraisal of sea links at the Isle of Man, published in December 2016, (GD 2016/0080), utilisation of the current ferry service from/to the Island is well under capacity, with an annual average usage of approximately 35-40%. There is no commercial need for a larger vessel;
- iii. whilst a linkspan facility for RoRo vessels could be incorporated within a new deep water berth facility, great care would be needed to ensure that the linkspan remained accessible during cruise vessel calls and in bad weather.

- 9.9.10 There is an opportunity to increase the current harbour fees for cruise vessels in line with other ports, which charge on a gross tonnage basis. The Department will be reviewing harbour charges for April 2018.
- 9.9.11 As options 1 and 1a at the Victoria Pier would significantly allow for growth in visitor projections at a fraction of the cost of the Princess Alexandra Pier options, this has been identified as the most appropriate option for progression.
- 9.9.12 Subject to political approval, the provision of funding and the agreement of Tynwald Court, the Department intends to progress the development of deep water berthing facilities outlined in option 1a, in conjunction with the maintenance work and improvements outlined in para 4.5 above. The preference for provision of a facility at Victoria Pier does not preclude the development of a larger facility at the Princess Alexandra Pier at a later stage if required, when there is clarity regarding cruise passenger numbers.

Statement 7

The Department supports the development of deep water berthing facilities at Victoria Pier progressed in conjunction with Douglas Harbour maintenance and improvements, subject to the provision of funding and the agreement of Tynwald Court and will, in consultation with cruise companies, review harbour fees for cruise vessels with a view to changing the structure of charges for cruise vessels for the 2018 season.

10 DREDGING AND MAINTENANCE

- 10.1 The Department has statutory obligations to maintain our harbours and dedicates staff and annual revenue budget to the continued maintenance of our harbours.
- 10.2 Dredging is a necessary activity for safe port operations. Natural events, including extreme weather events such as flooding, as well as normal coastal processes will routinely result in the deposition of excess sediment in our harbours, swing basins and berth pockets. These areas are critical for safe and efficient port operations. Recognising this, in all cases, dredging will continue to be subject to rigorous environmental assessment.

Statement 8

The Department will continue to work with DEFA to identify disposal routes for dredging that balances the national infrastructure and environmental priorities.

11 LEGISLATION

- 11.1 The Department has certain responsibilities to discharge its obligations and responsibilities as a Port and Coastal state relating to safety of life at sea and the

protection of its marine environment under its own laws, in accordance with maritime conventions where the UK's ratification has been extended.

- 11.2 In addition there is a lot of historical legislation which the Department has started to review, with a view to ensuring all legislation is suited to our current requirements and the immediate future. The Department has a significant programme of maritime legislation change which will require dedicated resources and timely work. This programme will include progress on both updating the existing provisions for harbours and on the secondary legislation needed to implement the provisions of the Marine Infrastructure Management Act 2016.

Statement 9

The Department will continue to update harbour and maritime legislation, with consideration to relevant information sharing and consultation where appropriate.

12 SUMMARY AND CONCLUSIONS

- 12.1 Examination of five of the Island's eight harbours suggests that there are good prospects for the marine leisure sector, with un-tapped potential in both the local and visiting markets. Whilst the Island's strategic location in the Irish Sea should command appeal from an active leisure boat population and cruising vessels, greater benefits from the Island's marine assets could be achieved by developing their appeal as a visitor destination and stop-over.
- 12.2 In addition to opportunities to develop a new full-tidal access and full-service marina, bringing wider benefits to the Island, modern facilities such as dry stacking would cater for the needs of the modern 'boater' and expand the Island's marine leisure offer.
- 12.3 Improvement and expansion of the existing marina facilities at Peel and Douglas would be reliant upon a sustainable solution being identified for the dredging of the existing impoundment areas. Improving the financial performance of the existing impoundments could be considered critical to funding the necessary maintenance expenditure.
- 12.4 Maintenance and repair services are currently provided on a very limited basis and are ad-hoc in nature. There is an opportunity to expand the unique island facilities at Ramsey, through provision of a dedicated marine service centre with flexible boat recovery and launching arrangements.
- 12.5 The opportunities to develop the marine sector facilities on the Isle of Man could be attractive to private investors. These opportunities could be made more attractive by offering potential developers the opportunity to lease or manage existing Departmental facilities or to purchase publicly owned development land, where available.
- 12.6 The Island could derive potentially significant benefit from the provision of appropriate facilities for cruise vessels, provided an appropriate business case can be made.

- 12.7 The Department will optimise the existing marine leisure operations by:
- i. reviewing the infrastructure, operations and finance of existing marine leisure operations (Douglas and Peel) being undertaken by the Department;
 - ii. undertaking a market review of the Isle of Man and Irish Sea marine leisure market to identify and quantify the potential opportunities for expanded leisure facilities and destination appeal;
 - iii. consulting with stakeholders, such as harbour users and local communities;
 - iv. subject to i – iii above, developing a business case for change, either through taxpayer funds or by securing private sector investment and/or operation.
- 12.8 The Department will work with stakeholders to consider the options for the provision of a new marina facility, taking into account the commercial viability of attracting private investment in such a provision and the potential wider social and economic benefits of marina-lead development.
- 12.9 The Department will work closely with the Department for Enterprise and stakeholders to develop a deep water berth at Victoria Pier, in conjunction with the maintenance work and improvements outlined in para 4.5 above.
- 12.10 The Department will work with the Department for Enterprise, to review the current opportunities and determine the possibility for expanded leisure facilities in the north of the Island which take advantage of the existing ship building facilities for marine leisure and commercial repair/refit works.
- 12.11 The Department recognises that the provision of infrastructure is important to economic growth and will work with others to ensure that the Island's infrastructure is best placed to meet those changing demands.
- 12.12 The overall policy of the Department is therefore that:

The Department of Infrastructure will maintain the essential strategic roles of the Island's harbours by working with others to maximise the social and economic potential of the Island's harbours, making the most of each harbour's individual character, facilities and location.

Summary of Department's commitment statements

Statement number	Content/action
1	The marina facilities at Peel and Douglas require investment in improved and dedicated facilities, as well a review of the berthing arrangements in order to ensure both marinas offer the maximum number of berths and the appropriate fees. The independent review is due to be delivered by the end of the year, outlining the likely expenses, challenges, and opportunities for improvement.
2	The Department of Infrastructure will consult with other Government Departments and other bodies where relevant, for example the Isle of Man Shipping Association, TravelWatch, Chamber of Commerce etc, regarding the priority of capital works for Douglas Harbour, taking into account strategic importance to the national economy.
3	Subject to consideration of those infrastructure projects for Douglas Harbour which may be of interest to private investment, outline business cases for each of the projects along with a phased programme of delivery, will be forwarded to Treasury by March 2018.
4	The Department will take over responsibility for the shipyard premises, using one third for its own maritime vessels and storage, whilst at the same time work with the Department for Enterprise in promoting the use of the remaining premises for engineering and vessel maintenance, which will benefit the fishing and leisure sectors.
5	Working in consultation with DEFA, the Department will determine both short-term and short-to-medium term options for the removal of the current build-up of contaminated silt in order to be able to dredge in Peel in 2018 and 2019, whilst also considering a longer-term solution for the disposal or treatment of contaminated silt. The Department will connect with other Departments, Peel Town Commissioners and harbour users.
6	The Department will create a specific marketing plan for the potential development of a full tidal access marina to be located at Port St Mary, after appropriate consultation with the local community.
7	The Department supports the development of deep water berthing facilities at Victoria Pier progressed in conjunction with Douglas Harbour maintenance and improvements, subject to the provision of funding and the agreement of Tynwald Court and will, in consultation with cruise companies, review harbour fees for cruise vessels with a view to changing the structure of charges for cruise vessels for the 2018 season.
8	The Department will continue to work with DEFA to identify disposal routes for dredging that balances the national infrastructure and environmental priorities.
9	The Department will continue to update harbour and maritime legislation, with consideration to relevant information sharing and consultation where appropriate.

APPENDICES

Appendix 1 – Douglas Harbour Review Areas

Appendix 2 – Department for Enterprise Deep Water Berth Summary

APPENDIX 1 - Douglas Harbour Review Areas



Area A - cruise and heavy cargo berth

Area B - Victoria Pier RoRo berth

Area C - cruise tender berth

Area D - Edward Pier RoRo berth

Area E - pleasure craft slipway and holding area. Possible RNLI berth

Area F - improvement to slipway, possible disabled vessel access pontoon, pleasure craft / windfarm support pontoons. New breakwater and reclamation / revetment and possible alternative / berth and alternative refuelling berth

Area G - tanker berth upgrade, refuelling berth. Possible multipurpose pontoon berth

DEEP WATER BERTH SUMMARY

FEBRUARY 2018

DEPARTMENT FOR
ENTERPRISE 



Isle of Man
Government

Reiltys Ellan Vannin

Deep Water Berth Summary

Background

The Isle of Man has successfully been hosting cruise visitors for the last 20 years, taking the positive experiences they encounter and memories they create on our Island to across the four corners of the globe.

In recent years however the market for the Island has plateaued at around 6,000 passengers per annum with a major complaint from operators being the lack of suitable berthing facilities, many of whom simply do not operate using tenders based on company policy and passenger feedback.

Contrary to this the global market for cruise passengers continues to develop strongly and the UK and Ireland ocean cruise market had another record year in 2016 with growth of 5.6% - the second highest annual rise in the last six years; bringing the total to almost 1.9 million passengers.

In 2016, the majority of this growth came from ex-UK cruising, a sector that now represents over 48% of the total UK market. With more capacity sailing from UK ports the ex-UK cruising sector increased by 9% and fly cruises by 3%. Liverpool is consequently currently expanding its Cruise Terminal Facilities to enable increased growth in this market.

Given that the global cruise fleet is set to increase by at least a third over the next ten years with a \$50 billion commitment for at least 70 more ships, analysts all point to the UK and Ireland markets continuing to benefit from the investment being made.

The Isle of Man has been considering a deep water berth for some eight years now in various guises – the principle rationale being that it is the absence of a berth that puts a great many vessels off using the Island in their schedule, despite the fact that the Island appears to offer an unrivalled proposition of heritage, scenery and culture that can be consumed in a relatively small package.

Without such a facility even a large proportion of those booked to come have historically to cancel due to inclement weather which precludes tendering.

Consequently in 2017 the Department for Enterprise, working in conjunction with other Departments across Government and Deloitte sought to develop a clear options assessment for final consideration.

Considering this the Department now supports that a **deep water berth is developed**, but is done at the lower end of the options available – a 240m extension and remodelling at Victoria Pier, allowing for a controlled and relatively cautious growth trajectory in passengers to be considered in a reasonably low risk model.

This should provide for a significant growth in visitors from today's 6,200 to between 30,000 and 40,000 in 10 to 25 years' time in a manageable manner and will importantly still allow for further development of more significant facilities at a future time should the business case be proven for such.

The Department believes that doing this development at the same time as a broader harbours redevelopment is the optimum for doing so, saving around £5m of construction costs and although it is still a significant commitment at around £15m in total, it would be a significant boost to many small businesses and public services that rely on visitors to maintain their offering.

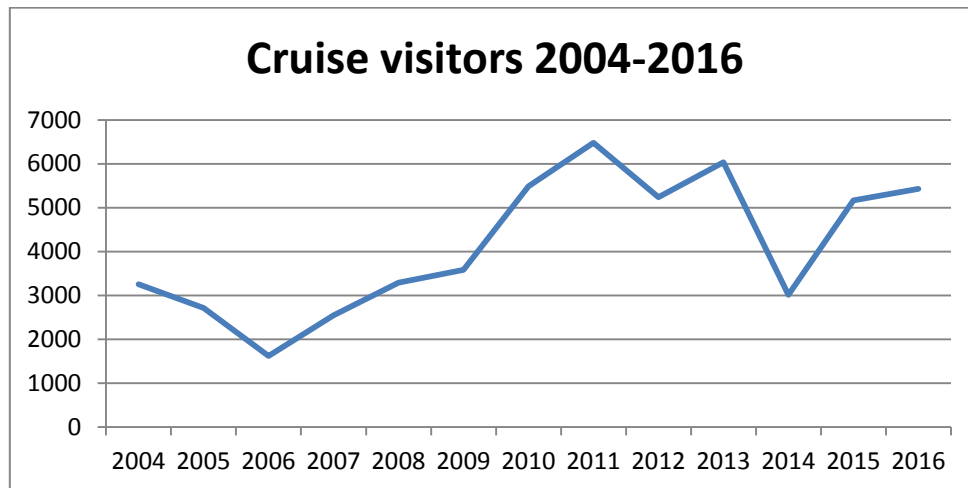
Given a natural long term life of any pier and berth facilities for the next 50 years plus, although a significant investment, if looked at over a suitably and appropriately long term, the Department supports that it does make both broad economic and direct fiscal sense with a return on investment estimated to be between 21 and 47 years depending on the assumptions and the cost of funding used.

Isle of Man Cruise Business

The project to develop a deep water cruise berth has been ongoing for a number of years.

In 2013 the then Department of Economic Development commissioned Economic Affairs to undertake a survey of cruise passengers to assess the value of each visitor, and various schemes have been drawn up since then, both by the Department, the Department of Infrastructure and the Isle of Man Shipping Association, most notably the GP Wild report in 2014.

Table 1: Number of cruise visitors to the Isle of Man 2004-2016



The table above shows that significant growth from 2006 to 2010 which coincided with the Department's strategy for cruise business promotion, however the absence of berthing facilities is now stifling further growth.

For example in 2017, some 9,000 passengers were booked through 28 visits which would have been a record year - however due to inclement weather 5 ships with over 3,000 passengers were unable to stop and tender as planned leading to another year of around 6,200 passengers actually visiting.

Whilst it is accepted that cruise passengers are by definition a benefit to the economy due to their on-Island spending and provide much valued guaranteed footfall to the retail and attraction sectors, the value of this, when set against other options for investing in tourism has historically been difficult to prove given the high capital costs involved in constructing any deep water berth.

When considering the future options there have been three main choices –

- 1) Do Nothing (except increase Harbour Fees, which all reports show as low in comparison to other cruise destinations and is now being progressed).
- 2) Build a 240m Deep Water Berth as part of a Victoria Pier refurbishment.
- 3) Build a new 450m Pier on the outside of the current Princess Alexandra Pier.

Options 2) and 3) come with multiple variants and given the number of options on the table the Department of Economic Development appointed Deloitte in 2017 to review the options and model the anticipated returns.

The Deloitte report contained a number of assumptions and although many of which allow for a degree of challenge, they represent an independent view of the passenger numbers, costs, harbour fees and payback periods involved.

The Deloitte report clearly demonstrates that the Isle of Man was indeed constrained by the lack of berthing facilities and that there is significant growth potential available.

On a pure long term basis – looking almost 50 years into the future the report demonstrates that a 450m concrete berth off the Alexander pier could provide the best financial payback, however the substantial growth in passenger numbers – some 30 times the current numbers clearly is inherently high risk.

The Deloitte report also was made on the basis of zero cost funding and as any commercial development would require interest costs to be included, and any government funding, if borrowed, would similarly require an interest charge, the Department has since remodelled some of the options using a range of funding options

SWOT Analysis



The increase in cruise passengers arriving in the Isle of Man could open up new opportunities for local businesses and also allow those currently involved in cruise calls to grow their businesses. These would include retail, tour guides, transport; including coaches, taxis and local produce supply to both the passengers and the vessel as a local menu to serve on-board.

The facilities to be able to supply fresh water and dispose of grey water provides a source of income at other alongside ports.

In concluding the opportunities for growth, the Deloitte report is very dependent on many assumptions with the most significant of these being their passenger forecasts as detailed below:

Passenger Forecasts –

Deloitte have significantly different passenger number assumptions based on the 240m and 450m berths. On the largest 450m option, by year 50 they estimate in excess of 200,000 cruise visitors. It is this second phase of growth beyond the initial ten years that is most uncertain and carries the highest level of risk.

Also the profile of ships that need to visit is significantly larger than present for the 450m option to deliver this level of passengers, and this in itself carries a significant level of risk with the spending profile of these passengers, and the Island's ability to cope with this level of daily passengers.

Conversely on the 240 metre option passenger numbers peak at 42,000 - still a growth to almost 8 times the current numbers, but crucially continuing to service a significant level of the smaller / medium ships that the Island has attracted in recent years and overall therefore should provide a lower risk to achieve.

Other Considerations.

Weather – Douglas Bay is exposed to high winds throughout the year and any facilities are likely to be available only during the summer months without additional protection.

The 450m Princess Alexandra Pier option would therefore be a seasonal facility and would likely be overtopped by waves during winter months. Sheltering could help protect cruise passengers but will limit its use for other purposes (eg other ship services).

Victoria Pier also carries similar risks, but is slightly more sheltered and has a track record in successfully allowing berthing for over a hundred years.

Future Proofing – Deloitte validate that vessels are becoming larger and larger – this is therefore a major consideration in choosing the size of the berth under consideration.

The biggest risk to the Victoria Pier option is that due to the location of Conister Rock and the existing Princess Alexandra Pier, Victoria Pier cannot be extended beyond 240 metres at any point in the future whereas a new Princess Alexandra Pier option can be extended on almost an unlimited basis.

Consequently a major advantage of the Princess Alexandra Pier option is that it can be extended if required upon significant growth being achieved.

In recommending the proposal for the shorter 240m Victoria Pier option the Department recognises that choosing this option now does not preclude a new pier at a future date, and the development of the berth on Victoria Pier as part of the harbour redevelopment is seen as a useful addition and therefore not redundant no matter if in subsequent years the larger facility be deemed appropriate.

Infrastructure Risk – The options involving the Princess Alexandra Pier involve the relocation of a number of strategic assets, mainly the Manx Utilities Authority Sub Sea Cable and the Gas Storage Tanks.

The Department of Infrastructure are concerned that although the contingency element of the costing may cover this financially, practically speaking relocating what are high risk facilities may result in any number of complications and delays whilst an alternative suitable site is found.

Costs of moving the cable are included but not other infrastructure assets. Consequently a further level of detailed assessment would be required before progressing any 450m Princess Alexandra Pier option.

The Department believes the Victoria Pier option to be far less subject to these risks.

Passenger Experience – The nearer the disembarkation point to the centre of town the more options exist for passengers to disembark and walk or get public transport etc. The cost of new passenger facilities has not been reflected in either option and it is clear that a further away proposal on Princess Alexandra Pier would disembark passengers outside a normal walking range for many.

The Department supports the concept of the Victoria Pier berth which would allow a significant amount of reuse of facilities available all year round for all harbour passengers rather than dedicated cruise facilities only partially used throughout the rest of the year.

Spending Risk – On-Island spending and the ability to generate repeat business are two of the most controversial areas in discussions on cruise.

The Isle of Man's on-Island spending is currently low by European average (£44 vs £89) but some of this can be explained due to the absence of duty free facilities. The model does not distinguish between low cost, large scale vessels and smaller boutique vessels in terms of passenger spend whereas the target ships under consideration do have different profiles depending upon each option. There is also plenty of conflicting evidence on the number of returning visitors after cruises, and consequently no additional benefits of repeat visitors has been included in the analysis.

What is clear is that passengers are much more likely to come ashore independently from ships berthed alongside and passengers who have been on an organised tour in the morning can still come ashore again independently after lunch.

This tends not to happen with tender operations and consequently a major part of all the options is to actively develop and drive up spending opportunities and value.

Harbour Dues – The work in 2017 clearly highlighted an opportunity in all options to significantly increase fees from a passenger basis to a tonnage and passenger basis. Experience shows that cruise companies will aggressively negotiate these fees between jurisdictions and although this presents a financial risk, the assumptions are based on other port charges.

Ships berthed alongside can be expected to pay significantly higher port charges than ships at anchor and ships berthed alongside can more readily be supplied with local goods and services. Few if any goods and services are supplied to ships at anchor.

Ships alongside will pay for the disposal of garbage and purchase significant tonnages of potable water if available and reasonably priced. Typically several hundred tonnes or more might be sold at up to £2.50 per tonne.

The Department for Enterprise supports that increased harbour fees can be obtained from a revised model and is working with the Department of Infrastructure to support a revised, increased fee framework.

Cost Summary

Deloitte prepared the following cost summary :

Option	Base Cost	Contingency	Tugs/On Cost	Total Cost
450m concrete Princess Alexandra Pier	£40m	£13m	£15.53m	£68.53m
240m Victoria Pier	£16m	£ 4m	£ 3.87m	£23.87m

With the Victoria Pier option, Royal Haskoning revised their initial estimates in the summer of 2017 to factor in cost savings of around £5m and a further cost avoidance of up to £5m (excluded at this stage from all numbers) by undertaking the work as part of the broader harbour redevelopment.

Their revised outline costs total £11m including contingency of £1m and as such the construction and contingency costs reduce from £20m to £11 which to include Tugs and other costs gives a potential expected cost of **£14.87m**. The precise number will be firmed up as part of any outline business case taken forward by the Department of Infrastructure.

Consequently the Department supports an outline total cost of around £15m as follows :

Option	Base Cost	Tugs/On Cost	Contingency	Total Cost
240m as part of harbours strategy	£10m	£3.87m	£1m	£14.87m

Summary of Payback Periods

The Deloitte report did not include any cost of funding as this is the basis on which many Government capital projects are undertaken. However to ensure the options are reasonably assessed on a true economic basis, a range of costing has been prepared with 2.4% being seen as currently the most reasonable cost that Government could attach to any significant funding.

Option	0% cost of funds	2.4% cost of funds
450m (£69m)	28	41
240m (£24m)	48	100
240m as part of harbours strategy	18	33

Expected Benefits

The principle goal behind any development of deep water berth facilities has to be to grow the number of visitors and the value of their spend in the Island's economy with an ancillary benefit being to protect and secure ships that have planned to stop but due to weather at the time, choose not to. Under these circumstances businesses lose real money having set aside facilities, goods and services for the planned passengers. Deloitte conclude a reasonable assessment of passengers on the options as follows :

Years	Year 10	Year 25	Year 50
240m Victoria Pier	34,612	37,301	42,254
450m Princess Alexandra Pier	90,860	163,558	209,497

Harbour Fees and Passenger Spend

It was noted by Deloitte that the majority of Harbour Fees are calculated based on the Gross Tonnage of the vessel and not a fixed fee as per the Isle of Man. Changing the method used to calculate Harbour Fees represents an opportunity for increasing the value of cruise passengers and this is factored into all options.

Deloitte used an average of £44.48 as the average passenger gross spend in the economy per head which stems from the previous G P Wild July 2014 report. There is clearly a significant opportunity to increase this with more passengers allowing for better facilities to target spending opportunities.

Of the £44.48, £11.93 has been assessed by Economic Affairs as being the directly attributable proceeds Government receives as direct exchequer benefit. This level of spend and this ultimate level of exchequer benefit leads to any business case requiring a significant long term outlook to recoup any initial outlay.

Whilst the Isle of Man’s average passenger spend figure is currently lower than the Industry average, there are many areas where the Isle of Man can address this. Better retail opportunities at both the Sea Terminal Building and the various Heritage Sites the passengers visit would improve this figure. Often passengers on organised tours have very little time to make retail purchases, so this needs to be easily accessible. Increased Harbour Fees will also add to the value of each passenger. Some cruise calls to the Isle of Man are already generating significantly more income per passenger than the Industry average.

The following table indicates the potential growth in passengers calling at an alongside berth based on the options within the Deloitte Report. As the vessels are larger, the potential passenger numbers would rise from the current 3,000 that can come alongside the Victoria Pier berth per season to a potential 40,000 for the 240m Victoria Pier option and almost 150,000 for the 450m Princess Alexandra Pier option.

Table 2 - Cruise Ships in 2017 that sailed in the Irish Sea but not to Isle of Man

	Additional Ships	Potential Passengers
Current Situation with Victoria Pier	8	3,118
Extension of Victoria Pier to 240m	25	39,376
Newbuild Pier of 450m	48	149,558
Outsize of all options	2	12,250

Summary of Benefits

Using reasonable assumptions for inflation and driving harbour fees to a comparable level provides a range of harbour fees, passenger spend and direct exchequer benefit that may arise from each of the 240m Victoria Pier and 450 Princess Alexandra Pier options as follows :

	240m Victoria Pier Extension	450m Princess Alexandra New Pier
Deloitte Capital Costs Deloitte Additional Costs Deloitte Total Expected Costs Revised Costs per Royal Haskoning in 2017	£ 16m £ 8m Tugs & Contingency £24m £15m The reduction is due to a revised scheme costing £11m including contingency, and £3.87m for Tugs and on costs - if completed at same time as whole harbour strategy	£40m £29m £69m £0 £69m total
# Vessels Year 10 # Vessels Year 50	65 44 (vessels getting bigger)	114 150
PAX Year 10 PAX Year 50	34,612 42,254	90,860 209,497
Break Even @ 0% per Deloitte report Break Even @ 2.4% Break Even @ 0% for £15m scheme Break Even @ 2.4% for £15m scheme	48 Years 100 Years 18 Years 33 Years	28 Years 41 Years Not Relevant Not Relevant
Advantages	<ul style="list-style-type: none"> Provides improved facilities Meets 75% of existing demand Simplified planning & logistics Discount of £5m - £6m if completed as part of harbour strategy rather than standalone Cost avoidance of a further £3m - £5m in time (not factored in) Improve existing passenger facilities for everyone Quicker to deliver Least risk on future PAX numbers Forecasts 6 x growth on current If subsequent demand requires 450m, the berth will not be fully wasted as Victoria Pier will benefit generally from upgrade. 	<ul style="list-style-type: none"> Future proof option – 450m can accommodate the largest vessels in the world 200,000 visitors annually could come with over 12 months' notice each year to plan New infrastructure and new facilities would provide additional capacity in addition to Victoria Pier
Disadvantages	<ul style="list-style-type: none"> Has physical limit of 240m - cannot be extended and new pier would be required if business case demonstrated need Deloitte model assumes peak at 42,000 PAX 	<ul style="list-style-type: none"> Significant assumptions of growth required to justify PAX estimated at over 200,000 (30 x today) and consequential impact on infrastructure and attractions Infrastructure costs and complexity to move power, telecoms, and gas installations

Future Outlook

The Deloitte Report clearly demonstrates that a 450 metre concrete berth could be a preferred option based simply on passenger numbers and payback period. However the assumptions required to deliver a growth of almost 30 times historic peaks carries a significant degree of risk and stress and the Department believes a more cautious approach should be taken towards the development of any facilities.

Increasing the existing Victoria Pier to its maximum length of 240 metres would potentially enable 36,000 additional passengers to visit the Isle of Man each year using an adjacent berth, and this would accommodate 75% of passengers currently cruising in the Irish Sea Region.

This increase would be significant as last year only 3,000 passengers disembarked alongside the Victoria Pier with a further 3,000 or so arriving at tender out of the 6,000 booked to do so in 2017. Around half of all passengers scheduled to arrive in 2017 on tender did not do so due to adverse weather conditions.

Conversations between Cruise Lines and the Department's Cruise Consultant, have indicated that there is a real appetite for new destinations to be included in relevant cruise itineraries but being able to berth alongside is a significant criteria when considering a port.

With a two year lead in for Cruise Lines booking ports and creating itineraries, it is anticipated that bookings could be made during construction to maximise opportunities for the Island.

It would be realistic to anticipate that within five to ten years of the new berth being in situ, that the number of cruise passengers visiting the Island could meet the projections outlined in the Deloitte Report and the table above – over 30,000 each year.

There is now a significant opportunity to develop deep water berthing facilities as part of a broader harbour redevelopment, and in doing so save around £5m of capital costs and a further £3m - £5m of future cost avoidance and, demonstrating beyond all reasonable doubt the growth potential arising from fit for purpose facilities before committing to a much more significant scheme.

Out of the capital spend required - £11m is the revised estimated construction costs including £1m contingency with a further £3.87m for tugs and on costs and at this stage all numbers are high level estimates. At the outline business case stage these numbers will be revalidated however the Department concludes that at a provisional cost of £15m if done as part of the Harbours Strategy, this is the right scheme to progress to the next stage.

The only risk in choosing the 240m option appears to be that due to the ongoing increase in the size of cruise vessels, the Isle of Man could reach a point in the future whereby no additional business is attracted to a 240 metre berth, based on newer vessels being too large for our facilities.

At this stage, further consultation would be required to reconsider the Princess Alexandra Pier option that would allow for all of the vessels currently sailing in the Irish Sea Region to call.

Conclusions

The Isle of Man has been a valued place to visit for a small number of vessels for some considerable time and appears to be constrained from growing due to the lack of appropriate berthing facilities.

Despite many years of reports and discussions, no clear plans are currently in place and the Department believes that a Deep Water Berth is critical to now allow the sector to grow to its full potential.

Whilst a 450m new pier alongside the current Princess Alexandra Pier would future proof the Island for many decades to come, the Department believes there are too many inherent risks in the business case to support such a significant development of £69m at this stage.

Conversely, if the 240m Victoria Pier extension and remodelling was completed at the same time as the Harbour redevelopment the net costs can be reduced from £24m to **£15m** (£11m for the estimated actual construction including contingency) saving £9m from the original Deloitte estimates and also will allow for a further £3m to £5m of future cost avoidance.

The Department recognises that even with increased harbour fees and increased passenger spending opportunities the payback period for £15m with a 2.4% cost of funds is still a long way out at 33 years however the Department believes this level of long term funding and long term business case is appropriate as this scale of capital infrastructure is likely to last at least fifty years.

Although the paybacks on the 240m Victoria Pier (if done at the same time as the rest of the Harbour development), and 450m Princess Alexandra Pier options both with 2.4% funding are reasonably close (33 years vs 41 years) , the Victoria Pier is significantly lower cost, significantly lower risk on the assumptions for passenger growth, significantly more considered and manageable in its growth profile and appears to be a logical way of proving a far more significant business case in the fullness of time.

Therefore, taking all information into consideration the Department believes it would be prudent to support that the extension of the Victoria Pier to include a 240m deep water berth as part of the overall harbour work is the preferred and logical option in order to grow our existing cruise business in a managed and positive way from today's 6,000 to over 30,000 in ten years time, with a further reassessment to occur at that point.

The Department supports the proposal that an outline business case in support of such a capital scheme of around £15m should therefore be progressed as part of the broader Harbours strategy.

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