



**Isle of Man**  
**Government**

*Reiltys Ellan Vannin*

**GD 2016/0079**



# Strategic Sea Services Policy

November 2016

Department of Infrastructure

## **FOREWORD**

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

Our sea links are one of the most important influences upon our community. Reliable, regular and accessible sea links to our neighbouring jurisdictions are essential to the safe and affordable transportation of people and goods. Without them, our economic and social wellbeing is at risk.

The Strategic Sea Services Policy, based on eight strategic principles approved by Tynwald Court in July 2016, provides the framework for the current and future provision of freight and passenger services. It sets out the manner in which the Isle of Man Government will intervene in the market to protect the Island's social and economic requirements.

This paper explains the context of the current sea services, and introduces the Strategic Sea Services Policy.

A handwritten signature in black ink, appearing to read 'R Harmer', is positioned above the printed name of the Minister for Infrastructure.

**Hon R Harmer MHK  
Minister for Infrastructure**



# STRATEGIC SEA SERVICES POLICY



**Isle of Man  
Government**

*Reiltys Ellan Vannin*

**NOVEMBER 2016**



## **Table of Contents**

<b>1.0</b>	<b>Introduction .....</b>	<b>3</b>
<b>2.0</b>	<b>Current sea services situation .....</b>	<b>3</b>
<b>3.0</b>	<b>Ensuring the Island’s current and future social and economic requirements are met.....</b>	<b>4</b>
<b>4.0</b>	<b>Future for sea services .....</b>	<b>5</b>
<b>5.0</b>	<b>Strategic Sea Services Policy.....</b>	<b>6</b>
<b>6.0</b>	<b>Conclusions .....</b>	<b>10</b>
<b>7.0</b>	<b>Strategic Sea Services Policy.....</b>	<b>11</b>

## **1.0 Introduction**

- 1.1 The Isle of Man's social and economic success depends upon links to the UK, and to a lesser extent, Ireland, for the transportation of people and goods. Whilst air links can successfully meet many of the needs of leisure and business travellers, goods have travelled by sea to and from the Island for thousands of years and there is every likelihood that sea transport will continue to provide these key economic and social links in the future. This is reflected in the Agenda for Change national outcome that "we have safe and reliable transport services that support our communities and businesses".
- 1.2 The purpose of this document is to set the context of the current sea services and provide the basis of ensuring that future sea services meet both the economic and social needs of the Island.

## **2.0 Current sea services situation**

- 2.1. Residents will always require access to safe, affordable and reliable sea travel especially those wishing to travel with their cars; the Isle of Man Government must ensure that there will always be provision for that for as long as it is wanted. At present these needs are met by the Isle of Man Steam Packet Company Ltd (IOMSPC) which delivers the only passenger ferry service to and from the Island.
- 2.2 Likewise there will also always be a requirement for the provision of the transportation of freight to and from the Island. Currently, the market for freight is largely dominated by the IOMSPC taking 98% of the total lane meterage of freight. Mezeron Limited Freight Services makes up most of the rest of the freight market. Gas and liquid fuels are shipped into Douglas and Peel. Evidence shows that unlike the passenger ferry service there is some competition for freight services.
- 2.3 The Isle of Man Government recognised some time ago that in order to ensure that there was a reliable and safe minimum passenger ferry service which met the social and economic requirements of the Island, a level of intervention was required by Government. This intervention came by way of the Department entering into a User Agreement with the IOMSPC in 1995 following the installation of the Department's linkspan. The User Agreement gave the IOMSPC preferential licensed access to the linkspan to operate ferry and freight services in return for maximum price and

minimum service guarantees over and above what may ordinarily be commercially viable for the operator to deliver. The User Agreement gave the Island greater long term protection of its sea routes and a framework for these to develop.

- 2.4 Prior to the introduction of the User Agreement, the Isle of Man Government had no control over the provision of sea services to and from the Island. The Agreement has provided long term certainty about services and costs for users and led to growth in the market. Whilst this is important to leisure passengers, it is essential to the business community.
- 2.5 The current User Agreement includes minimum service requirements including inbound freight capacity with service frequency to ports in the North West of England, and for passenger services (including summer period frequency to Liverpool and Holyhead, services to Ireland, capacity of the fast craft and provision for special offer fares amongst other requirements). The service provided by the IOMSPC since the implementation of the User Agreement has exceeded the minimum service requirements set out by Government resulting in a safe, reliable, regular passenger ferry service for residents and visitors to the Isle of Man. Furthermore it has been implemented and delivered at no direct cost to the tax payer.

### **3.0 Ensuring the Island's current and future social and economic requirements are met**

- 3.1 As set out above without intervention in the provision of strategic sea services (primarily for passenger services), the Isle of Man Government would have no control of the delivery of these services to meet the social and economic needs of the Island. The services would operate on a purely commercial basis which may mean that there would be limited, if any, year round passenger services to and from the Island. Such a limited service would not meet the social and economic requirements of the Isle of Man.
- 3.2 Whilst it might be the case that a lack of intervention could lead to free market outcome with competition for freight, it could also lead to the removal of uneconomic routes, and services that will likely focus on freight, rather than passengers. A purely commercial operation would probably be limited to a single overnight return crossing between Douglas and Heysham and possibly some fast craft services to Liverpool in

the peak summer months. This will likely result in fall of capacity for services including at peak travel times, with obvious adverse wider economic impacts.

3.3 The Department therefore proposes to continue to adopt the overall policy that it will intervene in the market for sea services to ensure that it achieves the social and economic requirements of the Isle of Man. These requirements will be determined following the consideration of evidence based research which may include user surveys, visitor surveys, Census data, social attitudes survey and any other surveys undertaken by Government or an operator which will demonstrate user attitudes towards the service. It is recognised that there may be wider aspirations for the service from users. However, whilst the Isle of Man Government is in a position to guide and oversee matters through the implementation and delivery of the Sea Services Policy, there will be a limit to how much is achievable or advantageous by intervention.

3.4 A good service provision with reasonable fares can be achieved by there being a good relationship between any operator and their customers and not by government standing proxy for one party alone. The Isle of Man Government will therefore most effectively achieve its aim of meeting the social and economic requirements for the Island by establishing some guidance which any operator will be expected to comply with and deliver to. The guidance will be made available at a time when any agreements or partnerships are being entered into between the Department and an operator undertaking a Strategic Sea Service.

3.5 The Strategic Sea Services Policy will be there to guide the Strategic Sea Service for the Isle of Man to ensure that services meet the needs of the Island. It must be a flexible policy which will be kept under review and amended if required to meet any changes. Such changes may include technological including advances in vessels and ports, economic incorporating any changes to the visitor economy, social, demographic and environmental changes.

#### **4.0 Future for sea services**

4.1 The Department is aware of the need to review the model of delivery for the Strategic Sea Services for the Isle of Man and determine that it is providing the best opportunity to meet the Island's social and economic requirements.

- 4.2 Such reviews can be planned or required either at key points in a contract or when the Island's social and economic requirements change significantly. At review, a number of options for the provision and delivery of the Strategic Sea Service for the Isle of Man may be identified. These options have in the past included:
- Nationalising of the IOMSPC;
  - Acquisition of the IOMSPC;
  - Franchising of the Isle of Man ferry service;
  - Extension of the current Linkspan User Agreement without change; and,
  - Renegotiation of the Linkspan User Agreement.
- 4.3 There may be other additional options to consider in any future reviews. By looking at different models, the Department is able to look at the costs and benefits to Government against the impacts (both positive and negative) on the user and the wider economy.

## **5.0 Strategic Sea Services Policy**

- 5.1 The Department undertook a Consultation on Ferry Services in September 2015 to seek the opinions and priorities of the public and to help understand what may be needed in the future. This Passenger Survey has shown that the three most important considerations in the majority of responses are price, the reliability of service, and frequency of service. In terms of personal considerations for a future ferry service, reliability of service, protection of vital routes and lower fares were cited in order of preference.
- 5.2 Taking the results of the Passenger Survey into consideration, there is a common aspiration to have a secure sea link from the Isle of Man to neighbouring jurisdictions (primarily to England) for a reliable, regular, accessible service for the safe and affordable transportation of freight and passengers travelling with their vehicles. It must meet the social and economic requirements of the Isle of Man.
- 5.3 There is the potential for a conflict between the aims of this policy – lowering price fares to a certain level may only be achieved by a lowering in the quality or reliability of the service. The Department wants to ensure the delivery of a robust service (to include the use of an all year conventional ferry which can be relied upon during the



winter months in the challenging conditions of the Irish Sea) and recognises that this may come at a price.

5.4 Tynwald agreed in July 2016 to endorse the eight Strategic Principles for the Strategic Sea Services below and that these should form the basis of a new Strategic Sea Services Policy –

- High quality sea transport is a critical element in serving international trade and services must be to appropriate international standards;
- Reliable sea transport which has a proven record of operating safely at all times of the year in a challenging sea environment is a key requirement and has a critical impact on the quality of life and cost of living on the Island;
- Long term arrangements that clarify future services and costs promote economic stability and increase certainty for businesses consumers;
- Direct and reliable sea transport service links to the main freight and passenger ports in adjacent jurisdictions must be retained to ensure rapid and direct access to centres of population and distribution, rail and trunk road infrastructure;
- Reduced duration of crossings and lower costs of travel encourage more frequent short stay travel, reduced business costs and faster delivery times;
- The size of ferries and timing and frequency of sailings must provide sufficient capacity for the fluctuating daily demands of passengers and freight customers while recognising the operational constraints of Douglas harbour. This includes the provision of additional capacity for planned tourism events including the TT and other predictable short term seasonal peaks in demand;
- High quality terminals and vessels are a crucial element in providing prominent gateways to the Isle of Man, ensuring passenger comfort and creating a good first impression. This includes investing in public areas, customer service, customer information, and customer welcome; and,
- Government should work with stakeholders to encourage appropriate investment in the Isle of Man economy and port of Douglas development through: marketing activity, protecting the Isle of Man's shipping lanes; supporting suitable expansion at strategically important ports; supporting improved transport links within the United Kingdom to the North West of England; promoting stability in the Isle of Man maritime.

5.5 The Department has considered these strategic principles, considered what is required for the Isle of Man, and has formulated the Strategic Sea Services Policy:

**The Department will intervene in the ferry services market to the extent that is necessary to provide for the social and economic requirements of the Isle of Man.**

5.6 In order to ensure the delivery of the Strategic Sea Services Policy, the Department will consider the following:

- **Protecting the tax payer -**

The Department will seek to ensure there are no direct costs to the tax payer for the provision and implementation of a reliable sea service.

- **Determining future sea services –**

The Department will consider the options for the provision and delivery of the Strategic Sea Service. By identifying the principles of the service, the Department will determine which model of delivery best meets the social and economic requirements of the Isle of Man. This consideration will take into account the commercial viability of any service.

- **Ensuring Strategic Sea Services meet the social and economic requirement of the Isle of Man -**

The Department will guide and oversee the long term operation of Strategic Sea Service provision for direct and reliable sea transport service links for the Isle of Man.

The Department will seek a high quality service which will meet the demand for safe, efficient, and affordable sea travel for both freight and passengers to and from the Isle of Man on a regular basis.

The Strategic Sea Service must accommodate fluctuation in demand for year round freight and passenger services within what at times can be a challenging sea environment. An operator will be required to equip their fleet accordingly

with modern vessels while working within the safe operating limits of destination ports.

The operator of a Strategic Sea Service will be required by the Department to provide a schedule of proposed services which will include (but not be limited to) costs for the delivery of the service, preferred destination port(s) and visitor terminals, options for vessels, proposed minimum annual sailings, fares and approximate crossing times, and any benefits to the Isle of Man economy.

The Department will work with an operator to invest in the Isle of Man economy, and Douglas Port Development as well as working to promote stability and enhance the Isle of Man maritime environment.

- **Ensuring Strategic Sea Services meet the demand for freight services-**

The Department will oversee the overall provision of a high quality, reliable freight service. Such a freight service must meet the economic demand for the movement of freight on and off the Island. The Department will ensure the demand is met for safe, efficient and affordable sea travel for freight to and from the Isle of Man on a regular basis.

- **Ensuring Strategic Sea Services meet the demand for passenger services -**

The Department will oversee the overall provision of a high quality, reliable passenger service. Such a passenger service will ensure the demand is met for safe, efficient and affordable sea travel for passengers and their vehicles to and from the Isle of Man on a regular basis.

5.7 During the 2016 TT period, there were upwards of 42,000 visitors to the Isle of Man, of which 29,006 used the passenger ferry service to travel to the Island<sup>1</sup>. It is essential that there is an adequate ferry service to accommodate these increased visitor numbers. Any operator will be required to ensure there is sufficient capacity to

---

<sup>1</sup> Of the 29,006 visitors who used the IOMSPC ferry service to the TT in 2016, 6,892 were foot passengers, 14,444 travelled with a motorcycle and 7,670 travelled with another vehicle (source TT Visitor Survey 2016, DED).

safely transport passengers during this period, as well as being able to respond to any changes in the demand for the service by the visitor economy.

- **Meeting the demand in relation to the TT period -**

The Department will oversee the overall provision of a high quality, reliable freight and passenger service during the TT period. An operator must be able to accommodate the very high demand for travel by visitors with their vehicles to and from the Island to neighbouring jurisdictions during this period.

It is essential that a freight service continues to operate during this period to accommodate the increased economic demand for goods during this busy time.

The Department will expect the services to be safe, efficient, reliable and affordable. The service must also be high quality which will add to the overall visitor experience and encourage return trips.

## **6.0 Conclusions**

- 6.1 This paper has set out the current sea services situation and has explained the purpose of the User Agreement in providing preferential licensed access to the Department's linkspan in return for maximum price and minimum service guarantee over and above what may ordinarily be commercially viable for an operator to deliver. This has, in turn given the Island greater long term protection of its sea routes.
- 6.2 The way in which the Isle of Man Government intervenes in the market to ensure the Island's social and economic requirements are met has been set out. In addition, for future delivery, the Department has acknowledged that it will consider the manner by which future sea services could be delivered through a range of models (including ownership and operation).
- 6.3 The Department has formulated a policy with the purpose of facilitating intervention in the market to protect the social and economic wellbeing of the Isle of Man whilst having regard to the strategic principles as endorsed by Tynwald in achieving the purpose. The implementation of a Strategic Sea Services Policy will see the long term delivery of a high quality, safe, reliable and affordable service which requires some

level of intervention in the market in order to protect the social and economic wellbeing of the Isle of Man.

## **7.0 Strategic Sea Services Policy**

**The Department will intervene in the ferry services market to the extent that is necessary to provide for the social and economic requirements of the Isle of Man.**

7.1 In order to ensure the delivery of the Strategic Sea Services Policy, the Department will:

- Consider how best to protect the tax payer;
- Consider how future sea services can be delivered meeting the demand for freight and passengers services;
- Ensure the social and economic requirements of the Isle of Man are met, and
- Ensure the demand for services in relation to the TT period is met.



Cabinet Office  
Government Office  
Bucks Road  
Douglas  
IM1 3PN