

# NATIONAL PORTS POLICY

## Briefing Note on Government Policy Statement of 26 March 2013

### Introduction

The Government has published a new statement of national ports policy which replaces the 2005 Ports Policy Statement. The new document, which extends to over 50 pages, is significantly more detailed and descriptive than the 2005 Statement. The following paragraphs set out some of the key elements of the new document.

### Categorisation of Ports

The new policy document introduces a much more detailed categorisation of the country's principal seaports, acknowledging the commercial realities:

- **Ports of National Significance (Tier 1)** which each handle at least 15-20% of overall tonnage and have a clear potential to lead the development of future port capacity: Dublin, Cork and Shannon-Foynes.
- **Ports of National Significance (Tier 2)** which each handle at least 2.5% of overall tonnage, have a clear demonstrable potential to handle higher volumes of unitised traffic and have existing transport links to serve a wider national market beyond their immediate catchment regions: Waterford and Rosslare.
- **Ports of Regional Significance:** This includes the five other State owned commercial ports of Drogheda, Dun Laoghaire, Galway, New Ross and Wicklow, which between them handle about 3% of total tonnage, and all other ports that handle commercial freight.

Between them the three Tier 1 ports handle about 82% of total national seaborne trade.

The decline in trade through the five ports of regional significance has been particularly marked over the period from 1998 (their first year as commercial port companies) to 2011 – Dun Laoghaire (-95%), New Ross (-65%), Drogheda (-49%), Wicklow (-37%) and Galway (-7%). It is now proposed to transfer

these five State ports to local authority control. This is a continuance of the policy announced in the 2005 Ports Policy Statement which saw all but one of the smaller State ports (Kinsale, Sligo, Tralee-Fenit and Youghal) transferred to local authority ownership. (Bantry is the one exception and the policy document says that a process to decide on its future is already underway.) The Government is open minded as to the precise future operational arrangements for these ports and identifies a number of possible options drawn from European experience, ranging from direct operation by an administrative unit of a local authority to potential private investment.

In the new policy document, the Government endorses the core principles underpinning Dublin Port's Masterplan and Cork Port's Strategic Development Plan Review. It acknowledges the master-planning work being undertaken by Shannon-Foynes but stops short of endorsing its recently published policy document. The policy document goes on to state that the continued commercial development of all three ports is a key strategic objective of national ports policy.

The policy document notes the significant fall-off in trade at Waterford over the past decade, with its share of total LoLo traffic falling from 20% in 2001 to 9% in 2011. The port has recently engaged consultants to carry out a strategic review of its operations and the policy document says that the outcome of this review and ongoing work within the Department will inform future policy on the port.

The policy document says that the Government is committed to ensuring that the full commercial and operational potential of Rosslare is achieved and that external advice has been sought to analyse its commercial and operational performance and make any necessary recommendations for changes to its corporate governance arrangements and/or operational structures. Rosslare is unusual in that it operates outside the ambit of the Harbours Acts. Along with Fishguard, Rosslare owes its origins to the Fishguard Bay Railway and Pier Act of 1893 and is the financial and operational responsibility of Iarnród Éireann. This complex legal ownership structure makes it more difficult to establish it as a conventional State port or to privatise it.

The Government has committed itself to publishing “a pathway” for the future development of Waterford and Rosslare ports during 2013.

### **Funding and Investment**

The new policy document restates existing policy that direct Exchequer funding will not be available for port infrastructure development or otherwise. This seems to rule out any Exchequer spending such as the limited funding that was available in recent years to carry out capital works at regional ports prior to their transfer to local authorities. It also seems to rule out any funding support for ports in financial difficulties or with pension deficits.

The policy document goes on to say that port infrastructure projects with stable and strong cash flows are attractive prospects for private investment and that the Government is open on a case by case basis to considering the use of a variety of mechanisms for such investment, including the sale of equity stakes, public private partnerships, build-operate-transfer arrangements and other similar proposals. There is also the potential for investment from the European Investment Bank, the National Pension Reserve Fund, NewEra or other unspecified State or European sources. However such investment would have to be made on a commercial basis and provide a commercial return. This requirement is consistent with EU State aid rules.

The policy document also identifies the possibility of funding from the EU Connecting Europe Facility for ports that form part of the Trans-European Network for Transport (TENS-T). The five ports of national significance are seen as fulfilling the European Commission’s criteria for inclusion in the TENS-T network. It is also proposed by the Government that the “Greater Dublin Area ports cluster” form part of the TENS-T network and this includes existing ports within the GDA, any new east coast port (such as Bremore) which might be developed in the future and presumably Dundalk (which was recently absorbed by Dublin Port).

## **McCarthy II Report**

The policy on port categorisation and funding summarised above seems to be the Government's principal response to the recommendations of the Review Group on State Assets and Liabilities (McCarthy II). That Review made two specific recommendations on commercial ports:

- State ports should be restructured into several multi-port companies, built around Dublin, Cork and Shannon-Foynes.
- Privatisation of some or all of the ports should be considered.

The policy document's cursory and somewhat dismissive response says that the McCarthy report's recommendations are "attractive in their simplicity" but that "the diversity of the Irish commercial ports sector militates against a 'one size fits all' approach".

## **Corporate Governance**

The new policy document has relatively little of major significance to say about the corporate governance of ports and the more important points include:

- All port company boards will comprise eight members from now on, in line with existing policy from the 2005 Ports Policy Statement. Board members will receive a letter of mandate from the Minister and be kept informed of relevant Government policies. All boards should be active and have an appropriate balance of skills. Boards should regularly review their operation and seek to identify ways to improve effectiveness.
- All port companies will be expected to have a clearly defined dividend policy. The general guideline is that State companies should pay a dividend to the Exchequer of 30% of after-tax profits but this may be modified upwards or downwards depending on the particular circumstances of the company.
- In line with wider Government policy, new arrangements will be put in place to manage the performance of the State port companies, with a greater focus on outputs and outcomes. A national port performance measurement system will be introduced in 2016 to assist the Government in evaluating its shareholding in the State port companies.

## **Competition Policy**

The core objective of the new ports policy is “to facilitate a competitive and effective market for maritime transport services” but the document says little about how this objective will be achieved in practice. It acknowledges that competition between port can be limited due to geographical factors but argues that this can be offset by the use of a landlord port model providing for intra-port competition with, for example, competing terminals in a port. It recognises that Dublin Port’s competitive advantage over other ports (accounting for about 85% of national RoRo trade and around 70% of total LoLo trade in the State) will give rise to competition concerns, but argues that a strengthening of the landlord model will allow for continued intra-port competition between the private terminals.

The document refers to the study of competition in the ports sector currently being undertaken by the Competition Authority and undertakes to provide a reasoned response to any relevant recommendations within six months of publication. It is not clear why the Government could not have waited for the completion of this study before publishing its ports policy document. Alternatively it could have published the ports policy in draft as an input to the Competition Authority work and finalised it once the study had been published and considered.

## **Planning**

There will be a more formal approach towards capacity forecasting. The Department will commission independent analyses at regular intervals, beginning in 2018. Regular ongoing independent origin-destination studies are planned, starting in 2016. It is not clear at present how or by whom these will be carried out but a report is expected shortly from the Irish Maritime Development Office.

The Tier 1 ports of national significance (Dublin, Cork and Shannon-Foynes) will be the main drivers of future port capacity development, supported by the Tier 2 ports (Waterford and Rosslare).

The policy document is relatively weak when it comes to the interaction between ports policy and land use policy. It recommends that port companies

should engage with the relevant local planning authorities to ensure that their masterplans and the relevant land use planning and development strategies are complementary and consistent. National and regional planning guidelines should recognise the importance of the three categories of port and allow for their continued development.

### **Surface Transport Connections**

The new policy document acknowledges the importance of hinterland road and rail connections but has little concrete to say about their development and improvement. It states that a number of unspecified road connections still require attention. It says that the Department has carried out a number of surveys of hinterland access priorities but provides no details. The NRA will be required to consult the Department's Maritime Transport Division on future network development. It recognises the importance of ports having multimodal distribution networks to meet future environmental obligations and other developments. However it has little of substance to say about rail, other than to note that the disused rail link to Foynes has been designated as part of the TENS-T core rail freight network.