



LOUGH FOYLE FERRY SERVICE

This paper deals with the scope and limitations in the provisions made in the *Roads (Northern Ireland) Order 1993* for the subsidising of ferry services by the Department for Regional Development. It also looks at the possibility for other legislative instruments to subsidise the Lough Foyle Ferry Service. Other international examples are also given.

Research Papers are compiled for the benefit of Members of The Assembly and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

SUMMARY OF KEY POINTS

- The Greencastle to Magilligan ferry service which is operated by the Lough Foyle Ferry Service is currently making a loss and cannot continue to operate on the current subvention it receives from Donegal County Council and the Limavady Borough Council;
- The Department for Regional Development cannot subsidise a ferry service through the *Roads (Northern Ireland) Order 1993* because the ferry is linked to another jurisdiction;
- EU Rural Development funding cannot be utilised for the ferry service until the end of 2009 and this will be too late as the ferry service will have its busiest period during the Spring/Summer months;
- The Department of Enterprise, Trade and Investment has tourism obligations and **may** be able to offer assistance;
- There are two main European projects through which funding may be sought: these are **Marco Polo** and **Motorways of the Sea**;
- A relatively similar situation in the Faroe Islands was solved last year because the Faroese government bought shares in their main ferry company.

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INTRODUCTION

The Greencastle to Magilligan ferry service has been operated by the *Lough Foyle Ferry Company*¹ since 2002 – it is expected later this year to have carried 2 million passengers since the route began.

It was launched with *European Structural Funds*, and was designed to promote cross-border tourism and trade. In these respects, it has been a success story – the service recorded its one millionth passenger in 2005, and every year since has carried around a quarter of a million passengers.

PART ONE: THE SCOPE AND LIMITATIONS IN THE PROVISIONS MADE IN THE ROAD (NORTHERN IRELAND) ORDER 1993 FOR THE SUBSIDISING OF FERRY SERVICES BY DRD/OTHERS

FINANCIAL DIFFICULTY FOR THE SERVICE

The service has ran on subventions from *Donegal County Council* and *Limavady Borough Council*.

At the *Northern Ireland Assembly (Official Report)*² John Dallat MLA stated:

- “Five years ago the service was ran successfully with a subvention of € 156,000. By *December 2007*, this had fallen to €75,123, forcing the operators to increase a single-journey fare from an initial £5 to £10”.

Current Prices for cars less than 6 metres in length for 2009:

- Strangford – Portaferry: Single £5.30, Return £8.50
- Greencastle-Magilligan: Single £10, Return £15

The effect of the price change was immediate and resulted in a drop in the number of cars from 90,866 in 2007 to 63,405 in 2008

The ferry is of importance for visitors to *Malin Head* and *Glenveigh* as well as those who visit the *Giant’s Causeway* and the *Bushmills* distillery.

Overheads have increased over the last few years and include:

- Public Liability Insurance;
- Cost of dry docking to comply with safety inspections

BENEFIT OF THE SERVICE

- In 2008, 400,000 tourists visited the Giant’s Causeway in Co. Antrim, a significant number of these tourists use the service;
- A land journey of one hour would have to be negotiated if the 15 minute ferry service is not maintained.

¹ <http://www.loughfoyleferry.com/>

² <http://www.niassembly.gov.uk/record/reports2008/090217.htm>



WHO IS RESPONSIBLE FOR THE SERVICE?

The *Lough Foyle Ferry Service* was established under a contract between *Limavady Borough Council*³ and *Donegal County Councils*.

The *Harbours Act (Northern Ireland) 1970*⁴ does not provide for the funding of ferry services and therefore the Department has no statutory basis, under its harbours legislation on which to provide funding for this ferry service.

ROADS (NORTHERN IRELAND) ORDER 1993⁵

The *Department for Regional Development* can subsidise road ferry services through the *Roads (Northern Ireland) Order 1993* under *Articles 99 and 100*.

However, the road ferry service referred to in these Articles is in respect of conveying vehicles from a “road” across water to another “road”.

A “road” in the Order is a public road maintained by the Department and covers the provision of ferry services across Strangford Lough. The Department’s⁶ view is that these articles do not allow for funding for the Lough Foyle Ferry Service as this service conveys vehicles from one jurisdiction to another.

PART TWO: COULD SUBSIDY BE PROVIDED UNDER ANOTHER EXISTING LEGISLATIVE INSTRUMENT?

The *Special EU Programmes Body* is the managing authority for the *Peace III* and *INTERREG IVA*⁷ EU-funded cross-border programmes.

³ <http://www.limavady.gov.uk/>

⁴ http://www.opsi.gov.uk/SI/si1993/Uksi_19933160_en_1.htm

⁵ http://www.opsi.gov.uk/SI/si1993/Uksi_19933160_en_1.htm

⁶ <http://www.niassembly.gov.uk/record/reports2008/090217.htm>

⁷ http://ec.europa.eu/regional_policy/atlas2007/eu/crossborder/index_en.htm

The *INTERREG* programme for 2007-2013 has allocated indicative budgets to various themes whose eligible area comprises:

- Northern Ireland;
- Republic of Ireland's border counties;
- Western Scotland.

This includes:

- A tourist theme that has an allocation of €30 million;
- A rural development theme that has an allocation of €10 million.

The tourism theme is closed for applications and most of its budget has already been committed in principle – the rural development theme will be open later in 2009; this may offer an opportunity for funding the Magilligan to Greencastle ferry service. This, however, will be of no immediate value, given that the contract runs out in 2009.

LOCAL COUNCIL

Limavady Borough Council has stated that it simply cannot sustain the level of investment in the ferry service that it made previously.

OIREACHTAS⁸

The problems of the ferry service were discussed at the *Oireachtas* in Dublin.

In the *Official Report* on the 4th February 2009, the Minister of State for the *Department of Transport*, Noel Ahern stated: "When I first heard about this issue the *Department of Arts, Sport, Tourism* and the *Department of Community, Rural and Gaeltacht Affairs* came to mind".

He does not believe that it is a departmental issue in the ROI – "Current policy is that ports should operate commercially without exchequer support".

DEPARTMENT OF ENTERPRISE TRADE AND INVESTMENT

The *Department of Enterprise, Trade and Investment* (DETI)⁹ may currently have capital funds available for tourism projects.

DETI has a role in ensuring the provision of infrastructure for a modern economy.

The *Northern Ireland Tourist Board*¹⁰ is an agency of DETI and there has been large amounts of funding allocated to projects related to the Giant's Causeway – these projects have benefited from the ferry route.

PART THREE: OTHER EXAMPLES WHERE CROSS BORDER FERRY SERVICES ARE SUBSIDISED

There are two main **European Commission Programmes** to promote and subsidise shipping: these encourage the development of trans-national shipping routes with the

⁸ <http://debates.oireachtas.ie/DDebate.aspx?F=DAL20090204.xml&Node=H15-4#H15-4>

⁹ <http://www.detini.gov.uk/cgi-bin/downutildoc?id=2183>

¹⁰ <http://www.nitb.com/>

objective of shifting freight from the roads network. These are the **Marco Polo** programme and **Motorways of the Sea**.

MARCO POLO

This programme is geared at shifting cargo from road to rail and sea. Intermodale services that can prove a potential for such shift above a certain limit of tonne-kilometre are entitled to apply for funding.

The original programme had been called *PACT*: it was introduced in 1992 and has led to many initiatives, with 167 projects launched between 1992 and 2000.

A few PACT successes:

- A shipping service between Le Havre and Rotterdam has shifted 643,000 tonnes of cargo from road to sea in three years;
- A rail/sea service between Spain and Germany avoids approximately 6,500 lorry journeys per year on congested roads;
- Every day, a barge service between Lille and Rotterdam removes some 50 lorries from a heavily-used road corridor.

The 2nd *Marco Polo* programme runs from 2007-2013 and features:

- More money – the programme budget is €450 million;
- More themes – this project includes motorways of the sea and “traffic avoidance” projects.

Aveline Project

One of the twenty Marco Polo projects already financed is the *Aveline project*. This project is to develop a ferry shipping service between Lubeck/Travemude (Germany) and Liepaja (Latvia) aiming to reduce the transit time of freight for the Baltic and Russian Markets. The service runs six times a week and targets time-critical goods. It has received €1,778,126 in funding.

MOTORWAYS OF THE SEA

Short-sea shipping carries 41% of goods in the *European Union*. It is the only mode of goods transport with a growth rate between 1990 and 1998 (+27%) approaching that of road transport.

There are examples of efficient services between southern Sweden and Hamburg, between the ports of Antwerp and Rotterdam, and between south-east England and the inland port of Duisburg.

Based on proposals from the Member States, they will have to be “sign-posted”, notably by granting European funds, (from the Marco Polo Programme and the Structural Funds) encouraging start-ups and giving them an attractive commercial dimension.

FAROE ISLANDS

*Smyril*¹¹, the ferry service which runs internal ferries within the Faroese Island network **and** also ferries to/from Iceland, Scotland, Norway and Denmark ran into financial difficulty in *November 2008*.

¹¹ <http://www.smyril-line.com/>

In order to resolve these difficulties, the Faroese government bought shares in the company to the value of 30 million Danish Krona. This is approximately £3 million pounds. The government is still not the largest shareholder in the company.

- A similar buyout of shares happened in 1984 and the shareholders were able to buy back the government's shares again by 1990 once the company's finances were in a healthy position.
- *Smyril* does not receive any funding from the nations that its service delivers to.

It is worth noting however: The Faroese government receives a considerable amount of funding for infrastructural purposes from the Danish government.

OTHER EXAMPLES

The following examples do **not** refer to cross-border subsidies; however, they demonstrate the nature of problems which can occur in delivering a ferry service:

Isle of Man¹²

The *Steam Packet Company* is abiding by a 'user agreement' and provides a good service, but in *November 2008* there were concerns over the high price of freight transport which may be damaging the competitiveness of the Isle of Man economy.

A report into the ferry service criticises the notably high profit levels made by the company and the high cost of freight charges.

Critics of the user agreement argue that it gives the *Steam Packet Company* a monopoly on ferry transport because it gives the company preferential use of the King Edward Pier. The *Steam Packet Company* has extended its user agreement and the current agreement runs until 2020.

In the report, it was found that the average profit ratio of 23 different ferry lines was 13% in 2007 – the profit ratio for the Isle of Man *Steam Packet Company* was the highest at 36%.

Republic of Ireland

The ferry service between Passage East in Co. Waterford and Ballyhack in Co. Wexford has become a victim of its own success.

The ferry service carries upwards of a million passengers a year and has resulted in huge congestion problems in the small town of Passage East.

A disagreement arose in 2007 over who should foot the bill for the necessary infrastructure to alleviate congestion and pollution on the nearby roads. The *Waterford County Council* claimed it doesn't have the money to provide the necessary infrastructure from its own resources, and shouldn't be expected to subsidise a commercial venture.

The *Department of the Environment* promised to provide money, but this had not materialised, despite a detailed, fully-costed submission being prepared.

¹² <http://www.iomtoday.co.im/news/Steam-Packet-abiding-by-user.4676353.jp>