Department of Community, Rural and Gaeltacht Affairs

Review of Certain Subsidised Ferry Services to the Islands

Report and Appendices

Prepared by

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In association with

Posford Haskoning  Raymond Burke Consulting  McCaig Watson  Seosamh Mac Donnacha

9th March 2004
Study of Ferry Service Requirements to a Number of Islands

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1. Introduction

1.1 Terms of Reference

Malachy Walsh and Partners, in association with Raymond Burke Consulting, Posford Haskoning, McCaig Watson and Seosamh Mac Donnacha were commissioned by the Department of Community, Rural and Gaeltacht Affairs to carry out a study of the ferry service requirements of a number of offshore islands.

These islands are: Toraigh (Tory Island), Inishturk, Clare Island, Inis Mór, Inis Meáin, Inis Oírr, Inishbofin and Oileán Cléire (Cape Clear). The map overleaf depicts their location.

Specifically, we were asked to advise on:

A:
1. appropriate indicators by which effectiveness and value for money may be assessed in respect of the provision by the Department of subsidies towards island transport services generally
2. the optimal duration and terms and conditions of contracts, having regard to the investment required to provide quality customer ferry services
3. the socio-economic and socio-linguistic impact subsidised services have had on the development of the islands since 1997

B: Within the framework of the overall existing levels of subsidy, to evaluate and make recommendations regarding:

1. (a) the adequacy of, and need for, each of the existing subsidised ferry services, both cargo and passenger to the specified islands, having regard to any other transport services to the islands, whether subsidised or not
   (b) the case, if any, for upgrading or providing additional subsidised ferry services, the appropriate subsidy required in each case
2. The likely costs of structural improvements, if any, that would be necessary to facilitate such upgraded services
3. The advisability of operating cargo and passengers services using the same or separate vessels
4. to advise on the outline functional specification of vessels referred to in paragraph B.3 above.

1.2 Background

The Government has a formal policy of promoting the sustainable development of the populated offshore islands. Priority is given, in particular, to improving access to
the islands and to developing infrastructure in order to maintain and enhance islanders’ living standards.

This policy reflects the findings and recommendations of The Strategic Framework for Developing the Offshore Islands of Ireland which notes that the offshore islands constitute a unique element in the fabric of Irish society. Island communities have a special inheritance, a way of life that is to be cherished and valued. Their peripheral location can make it difficult to share equally in the economic and social life of the nation, and they face particular barriers in ensuring full participation arising from their location. The Report makes the point that island communities face special difficulties that need to be addressed and, where possible, sustainable solutions must be designed and implemented in the light of available resources.

In relation to access, the Report noted that due to their geographical isolation, inadequate transport infrastructure and irregular transport services, island communities have greater difficulty in travelling and must bear relatively higher transport costs. It is recommended that the provision of a socially desirable minimum level of transport be a priority for all islands, and that there should be all-year round services to ensure the importation of essential supplies, to provide reliable means of exporting island produce and to gain access to the mainland for social, employment and/or education purposes. It also noted that every effort should be made to ensure that the services take into account the needs of people with disabilities in terms of easy access to vessels and subsequent disembarkation.

Two key recommendations on Access were made:

- a statement by Government of a socially desirable minimum standard of access service to be made available to all island communities
- on the basis of the principle of subsidiarity, such services to be provided at local level where possible

The Department of Community, Rural and Gaeltacht Affairs has espoused these principles in its Statement of Strategy incorporating as one of its Strategic Objectives to facilitate the provision of adequate access to transport services for islanders on an all-year round basis, and provides an annual subsidy for certain ferry and air services to the inhabited islands as well as capital funding for the provision of necessary infrastructure.

The commitment is underlined in the agreed Programme for Government between Fianna Fáil and the Progressive Democrats which recognises the importance of the Islands by incorporating a number of undertakings to their development within the overall goal of Ensuring Balanced Regional Development.

The Department allocates funding for both capital works and current projects such that in 2003, €4.37 million was spent on the development of infrastructure on the

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1 Report of the Interdepartmental Co-ordinating Committee on Island Development, 1996
islands while €2.27 million was spent on the provision of ferry and air services to the islands and on assisting current projects. In 2004, the capital budget increased to €7.5 million and the current budget to €2.5 million.

In 2001, the Office of the Comptroller and Auditor General conducted an examination of the transport services to the Aran Islands and reported its findings in its Annual Report of the same year. As part of its response to the findings and recommendations of the Report, and because there are a number of ferry service contracts due for renewal, the Department of Community, Rural and Gaeltacht Affairs decided to commission this independent Review.

1.3 **Service Providers**

The table overleaf summarises the service operators and present key contract details.

1.4 **Approach**

In our approach to this Review, we were anxious that we should hear the views of the islanders and other stakeholders. In this regard, the Department of Community, Rural and Gaeltacht Affairs placed a public notice in the national press on 1st August 2003 advising that Malachy Walsh and Partners were commissioned to carry out a Study of Island Ferry Services and that submissions from the public would be welcome as part of this study. Information on the study was provided on the Department’s website at [www.pobail.ie](http://www.pobail.ie) and is reproduced as Appendix 1.

The Department also reported this study on Raidió na Gaeltachta and TG4.

We visited each of the islands and had discussions with local interests including ferry operators, tourism interests and community groups. In advance of each visit, the Manager of the local Co-Operative placed notices of the study in prominent positions and arranged a public consultation meeting which was well attended by the islanders.

We also made contact with a range of interested parties and sought their views.

The study included a brief examination of ferry services in other jurisdictions. We visited the Department of Regional Development in Belfast where we had discussions with local officials on how the Rathlin Island ferry service is tendered for, funded and monitored.

The organisations with whom we met or were in contact are listed in Appendix 2.

The Review was overseen by a Steering Group composed of representatives of the Department of Community, Rural and Gaeltacht Affairs, as well as the Marine Survey Office, the Marine Institute, as well as the Dingle Harbour Master. The Steering Group and the Consultants met on a number of occasions over the life of the Review to review findings, analysis and proposed recommendations.
For commercial reasons, we have not reported on individual company accounting details.
## Subsidised Services and Key Statistics

<table>
<thead>
<tr>
<th>Island</th>
<th>Oileán Cléire</th>
<th>Oileán Thorai</th>
<th>Inishbofin</th>
<th>Inishturk</th>
<th>Clare Island</th>
<th>Aran Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 2002</td>
<td>129</td>
<td>133</td>
<td>178</td>
<td>72</td>
<td>127</td>
<td>1280</td>
</tr>
<tr>
<td>Service Provider</td>
<td>Oileán Cléire Ltd</td>
<td>Turasmara</td>
<td>King Ferries Ltd</td>
<td>O'Malley Ferry Services</td>
<td>Clare Island Ferry Co</td>
<td>Island Ferries</td>
</tr>
<tr>
<td>No of Contracted Journeys Annually</td>
<td>Pass/Cargo</td>
<td>Passenger</td>
<td>Pass/Bus</td>
<td>Pass/Bus</td>
<td>Pass/Bus</td>
<td>Pass/Bus</td>
</tr>
<tr>
<td></td>
<td>876</td>
<td>364</td>
<td>520</td>
<td>286</td>
<td>403</td>
<td>1,456</td>
</tr>
<tr>
<td>Annual Subsidy €</td>
<td>104,118</td>
<td>135,000</td>
<td>128,500</td>
<td>100,000</td>
<td>76,570</td>
<td>240,900</td>
</tr>
<tr>
<td>Passengers* (2002)</td>
<td>19,314</td>
<td>7,720</td>
<td>11,500*</td>
<td>1,625*</td>
<td>6,500*</td>
<td>123,371</td>
</tr>
<tr>
<td>Subsidy/Passenger €</td>
<td>807</td>
<td>1,015</td>
<td>722</td>
<td>1,389</td>
<td>603</td>
<td>188</td>
</tr>
<tr>
<td>Subsidy/Journey €</td>
<td>5.39</td>
<td>17.49</td>
<td>11.17</td>
<td>61.54</td>
<td>11.78</td>
<td>1.95</td>
</tr>
<tr>
<td>Average Passengers per Contracted Journey</td>
<td>22</td>
<td>21</td>
<td>22</td>
<td>6</td>
<td>16</td>
<td>85</td>
</tr>
<tr>
<td>Average Load Factor¶</td>
<td>41%</td>
<td>37%</td>
<td>22%</td>
<td>12%</td>
<td>32%</td>
<td>47%</td>
</tr>
<tr>
<td>Contract Started</td>
<td>1-Jun-01</td>
<td>1-Sep-03</td>
<td>1-Nov-02</td>
<td>1-Nov-02</td>
<td>1-Nov-02</td>
<td>1-Nov-02</td>
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<tr>
<td>Term (years)</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Tot Passengers (2002)</td>
<td>38,628</td>
<td>15,440</td>
<td>23,000*</td>
<td>3,250*</td>
<td>13,000*</td>
<td>246,742</td>
</tr>
</tbody>
</table>

Notes: * = Passenger Numbers are the Total Number of Return Journeys, ie, actual passenger numbers are twice those stated; 
** = annual figures prepared by Consultants based on returns supplied; 
*** Annualised over the three years of the contract; 
**** the high subsidy per passenger arises from the fact that few passengers use this service as it is primarily a cargo service; 
¶ = being the ratio of Average Passengers per Contracted Journey to Winter Capacity as reference other than for Island Ferries where an average capacity of 180 is taken. The reported Load Factor for Aer Arann is 55% due to the additional flights made during the summer.
1.5 Summary Findings and Recommendations

1.5.1 Findings

The Key Findings of the Review are:

**Importance of Subsidised Ferry Services to the Islands**

- Ferry services are the lifeblood of the islands; the need for ferry services to the islands has been confirmed.
- From a socio-economic perspective, the availability of a regular and guaranteed service provides a lifeline service improving the quality of life for islanders, reducing relative remoteness and allowing island populations remain together and to sustain the community identity.
- The availability of a ferry service also fosters a vibrant tourism industry which contributes to local economic well-being, and to an enhanced awareness and positive appreciation of local traditions, way of life and cultural heritage.
- Based on our economic analysis and on a number of broad assumptions, we estimate that the subsidised sea and air ferry services to the eight islands within our Review result in:
  - a local tourism spend of at least €12 million
  - a broader economic impact of €17 million
  - a contribution to GNP of €11 million
  - 275 jobs on the islands and elsewhere being supported by the tourism expenditure
  - €6 million in tax and excise receipts
  - ignoring deadweight, a Benefit/Subsidy Ratio of 4:1 (excluding the Aer Árann Subsidy) or 3:1 (including the Aer Árann Subsidy)

**Need for and Adequacy of Subsidy**

- In general, the requirement for a subsidy for ferry services has been validated; this subsidy, including that to Aer Árann, for the islands under consideration in this Review is of the order of €2.13 million annually on the basis of existing contracts.
- Without the subsidy, fares would have to increase.
- Almost 75 per cent of the subsidy of the various air and sea ferry services under review goes to the three services to the three Aran Islands.
- The maintenance of the total subsidy amount at present levels cannot be sustained as ferry costs increase with inflation and there is no change in fares; therefore, if the total current subsidy amount is not to be exceeded in the future, then some services must face a real reduction, if not a withdrawal, in subsidy. This could result in a reduction in the frequency and scale of certain services provided.
- The options for re-allocation are few; the ferry service to Inis Mór probably requires minimal subsidy if at all; the scale of the Aer Árann service could also probably be reduced.
- In general, based on the Accounts received from those operating in excess of a year, the subsidy is not over-generous.

**Quality of Passenger Service**

- As a general comment, the quality of passenger ferry services has improved since 1997 and continues to do so. Islanders, generally, are
happy with the quality and adequacy of the passenger services.

- Competition, where it exists, has improved the quality of the passenger services. However, it is equally obvious that competition, if not properly managed, could lead to monopolies and ultimately to a reduction in the quality of the service. This comment particularly applies to the Aran Islands and to the Mayo Islands.

**Cargo Services**

- All Islands covered by this Review would like a cargo service.
- There is general dissatisfaction on the Aran Islands with the quality of the scheduled cargo service. This dissatisfaction, we have been told, relates primarily to the management of the service with further dissatisfaction with the boat type. Also, on the Aran Islands there is a widespread view that the cargo service should be based out of Rossaveal. O’Brien Shipping in its response to the Report by the Comptroller and Auditor General on State Subsidised Transport Services to the Aran Islands and in a submission to the Consultants maintains that the company offers its customers a quality, reliable, efficient and economical service that contributes to the sustenance of the social and economic life of the islands.

**Air Services**

- The Aer Árann service to the Aran Islands is generally used by islanders for emergencies, for specific appointments and by old age pensioners.
- Greater inter-island air services would be welcomed by the island communities.
- Based on detailed economic and socio-economic analysis, the 2001 Cranfield Report on *Island Airstrips and Associated Air Services* proposed that new airstrips should be built at Clifden and Inishbofin, for a regular scheduled fixed wing air service between these two locations, and on Tory Island, for a fixed wing scheduled service between the island and Carrickfinn.
- The Report suggested that the nett operational loss (ie subsidy required) for the Inishbofin/Clifden Air Service in 2002 would be €322,000, before depreciation, on the assumption that 5,900 passengers would travel that year. If the service were to be provided to Minna rather than Clifden, the loss would be €275,000 though from a smaller projected market of 3,100 passengers.
- In relation to the Tory Island/Carrickfinn service, the Report estimated that the nett operational loss in 2002 would be €274,000, before depreciation, on the assumption that 6,800 passengers would travel that year.
- The study added that the four existing airstrips serving the Aran Islands also needed improvements, and that a fortnightly winter helicopter service could be provided for the Mayo islands of Clare and Inishtruk in the interests of equity. The study put the estimated cost of the new airstrips at €8.13 million.
- The introduction of new subsidised scheduled air services at Tory and Inishbofin will require additional funding by the Department of Community, Rural and Gaeltacht Affairs.

**Value for Money**

- The absence of detailed statistics and data with regard to passenger numbers, cargo, visitor spend profiles, duration of stay, operator financial performance etc on a number of the routes has affected our ability to fully assess whether the Department of Community, Rural and...
Gaeltacht Affairs is securing Value for Money, and to determine the economic and socio-economic benefits of the various ferry services

- Single tenders and the absence of competition on certain routes mean that Value for Money is difficult to guarantee.

**Socio-Linguistic Value**

- Within the context of current language shift patterns within the Gaeltacht, the Gaeltacht Islands referred to in this Report are extremely important, given that four of them, i.e. the three Aran Islands and Oileán Thoraigh, retain a level of daily usage of Irish which is well in excess of that for the Gaeltacht as a whole. In addition, the Irish language itself represents a major economic resource for these islands and any serious negative changes to the linguistic diversity of their communities would result in serious economic as well as social and cultural repercussions for them. The ferry services, by increasing access to the islands and making the islands more attractive places to visit and live, have the potential to have both a positive and a negative sociolinguistic impact on Gaeltacht Islands.

**Islander Requirements**

- The islanders’ demands for increased services will have significant financial implications; the fulfilment of some of their demands will require improvements in infrastructure on most of the islands which will also be costly

- The islanders’ requirements for the ferry service are based on their expectation of infrastructural improvements, i.e,
  
  - At Roonagh the extended pier will undoubtedly help pier management problems, in that two ferries will be able to berth alongside the quay at the same time. It may not however fully solve them.
  
  - The new planned pier at Clare Island and the improved pier on Inishturk will improve the comfort of the service and health and safety aspects.
  
  - In Rossaveal, there is not adequate space for the existing ferry services and for a possible future cargo service. The improvement project when completed will be a major benefit in that regard.
  
  - The improved pier at Kilronan will be a major benefit, when complete.
  
  - On Oilean Cleire the expectation is that the upgraded harbour will improve the quality of service
  
  - If at all possible, ferry services should initiate from the island. Same day returns are obviously very desirable
  
  - There is a perceived benefit if the crew of the ferry serving an island, are based on the island

**Tender Process**

- The tender process in the past was seen to be loose. This needs to be much more structured in the future both with regard to performance specification of the vessels, specification of fares and schedules and evaluation of tenders. The need or otherwise for an escalation clause should be reviewed.

- There is a general view by the island communities that the monitoring of the contracts could be better. Monitoring committees, where they exist, do not meet regularly and are perceived to have no power and no teeth
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Developments at Galway and Rossaveal

- As part of its Development Plan, Galway Port Company has indicated its intention to develop a 300 metre quay space which would cater for shallow draft vessels. Such a development would allow a passenger service to be offered between the Aran Islands and Galway City and thus avoiding the need for a bus service between Rossaveal and the City. However, the timescale for such a development is not guaranteed. In the interim, the reality of the existing infrastructure has to be recognised.

- The proposed development at Rossaveal is significant and comprises a new multi-purpose deep water quay as well as significantly improved and additional berthing facilities for ferries. The deep water quay will service the fishing industry, the oil exploration industry and increased commercial traffic. The improved ferry facilities will service the existing regimen at Rossaveal as well as allowing for a cargo berth. Warehousing is not an issue. The cost implication of the Rossaveal development is significant, probably up to €30m. A clear start date for this project is not yet apparent. Much of the infrastructure planning however is complete. The cost of the ferry upgrade element is estimated at between €8.0m - €10.0m

New Charges at Rossaveal

- The introduction of new passenger charges at the Fishery Port of Rossaveal may impact on passenger numbers and fares if no additional subsidy is required

Pier and Harbour Management

- There is a significant issue with regard to pier management at some locations specifically Roonagh and, to a lesser degree, on the Aran Islands. Those with responsibility for pier and harbour management have a particular role in ensuring health and safety.

Maritime Security

- A new international maritime security regime will come into effect in July 2004; from 2007, EU regulations will require a mandatory risk assessment for all domestic passenger ships and associated harbours

1.5.2 Recommendations

The Key Recommendations of the Review are:

Holistic Approach

- A more holistic approach to the funding and definition of the purpose of ferry services should be adopted by the Department of Community, Rural and Gaeltacht Affairs

Tender Process

- The tender documentation for completion by potential tenderers needs to be expanded to include financial and operational details that support the basis for the subsidy proposed. The onus should be on the tenderer to justify the subsidy amount

- The tender evaluation process should be transparent and auditable. A scoring system should be used where tenders are evaluated against pre-defined criteria

- The proposed fare, timetable and schedule should be agreed in principle before the tender is issued

Contract

- The contract between the Department of Community, Rural and Gaeltacht Affairs and the operator should be in the form of a Service
Level Agreement

- The Department of Community, Rural and Gaeltacht Affairs should consider defining the contracts as maritime Public Service Obligations (PSO); this will establish formally that the subsidy is not state aid in the context of EU competition policy. It will, though, place obligations on the Department for ensuring that the tender and evaluation processes are carried out in accordance with EU guidelines. However, given the recent Communication by the Commission in relation to the simplification of the Maritime Public Transport Rules to be followed, we suggest that no final decision is taken until these are clarified.

- The ferry contract should be more precise in relation to penalty clauses and take into account the need to carry disabled people.

- The duration of the contract should be of the order of five years. Longer contracts could be considered where the financial or the operational nature of the contract warrants it; thereafter, the contract should be retendered.

- Contractors should ideally be limited companies.

Monitoring

- Monitoring of the performance of the operator should be through the use of Key Performance Indicators to ensure Value for Money.

- There must be a significant improvement in contract monitoring with an active input from the islanders. A partnership approach is recommended.

- Vessels should ideally be based on the island and have an early sailing and a late sailing.

- Details of the contracts and performance of the various operators should be presented on the Department’s website.

Aran Islands

- The tender for the passenger services to the Aran Islands should be split into two, a tender for Inis Mór and a tender for Inis Meáin and Inis Oírr, to avoid the danger of cross-subsidisation and to improve competitiveness.

Cargo Services

- The subsidised cargo/passenger service from Galway should become a freight-only service.

- Due to the space and other limitations at Galway, the freight service should operate from Rossaveal when the required infrastructure has been provided there; however, suppliers are expected to charge for the transport of freight to Rossaveal.

- In the event that additional funding becomes available for ferry services to the islands, consideration should be given to providing a subsidised monthly freight service to the remaining islands.

Socio-Linguistic Models of Best Practice

- In order to maximise the potential for positive sociolinguistic impacts there is a need to develop linguistic models of best practice in relation to the way in which ferry services are marketed and delivered to people living on the islands and in relation to the marketing of Gaeltacht Islands as islands with a particular linguistic identity.

Training

- All pier management personnel should receive increased assistance from their respective local authority in the form of training, backup and
support

- Financial training and maritime awareness programmes should be provided to all relevant staff of the Department of Community, Rural and Gaeltacht Affairs

1.6 **Structure of the Review**

This Review comprises seven Chapters and a number of Appendices. Following this Introduction, there are chapters dealing with

- The Existing Ferry Services
- Socio-Economic and Socio-Linguistic Impact
- Other Ferry Services
- Issues to be Addressed
- Recommendations
- Conclusions

1.7 **Acknowledgements**

Malachy Walsh and Partners would like to thank the Steering Committee for their inputs and co-operation. The members of the Committee were:

- Séamus Mac Giolla Chomhaill, Department of Community, Rural and Gaeltacht Affairs (Chair)
- Pádraig Ó Cinnéide, Department of Community, Rural and Gaeltacht Affairs
- Aodhán Mac Cormaic, Department of Community, Rural and Gaeltacht Affairs
- Máire Úi Churraoin, Department of Community, Rural and Gaeltacht Affairs (Rúnaí)
- Anne Wilkinson, Marine Institute
- Brian Hogan, Department of Communications, Marine and Natural Resources
- Brian Farrell, Harbour Master, Dingle Harbour Commissioners.
- Helena O’Brien, Department of Community, Rural and Gaeltacht Affairs (as observer)

In addition, we would like to thank the islanders, ferry and air operators and all those whom we met or who provided us with information or submissions.
2. **Ferry Services**

In this section, we profile the various ferry services operating to and from the various islands that are included in the brief for this review.

Appendix 7 includes the key points raised at the Public Consultation meetings. Their inclusion does not necessarily imply the endorsement of the Consultants.

### 2.1 *Oileán Cléire (Cape Clear)*

#### 2.1.1 Island Profile

Oileán Cléire (Cape Clear) is Ireland's southernmost inhabited island, 3 miles long by 1 mile wide, lying 8 miles off the coast of West Cork.

A Gaeltacht island, its population in 2002 was 129. During the summer months and at times of the various festivals, the population can increase significantly. Like all of the offshore islands, tourism is a major contributor to the economic and socio-economic well-being of the island. It is estimated that the number of tourists to the island varies between 10,000 and 15,000 of which only a small proportion remain overnight.

The island does not have a secondary school which means that pupils have to go to the mainland for their secondary education.

The principal tourism events and indicative tourist numbers are as follows:

- **International Story Telling, 3 – 5 September** (300 visitors)
- **Mini Story Telling, April (2 days)** (50 – 100 visitors)
- **Cape Clear Regatta (one day)** (500-600)
- **Life Boat Day** (200)
- **Annual Mass in the Graveyard (50-100)**
- **August Bank Holiday (peak)** (1,000 – 1,200)
- **Annual Siamsa (April)** (100)
- **Bird Observatory Courses**

The island also boasts two Irish colleges that annually attract almost four hundred students as well as their teachers and parents.

#### 2.1.2 Service Description

The subsidised ferry service is provided by Naomh Ciaran II Oilean Cleire Ltd using the Naomh Ciarán II which is a vessel owned by the Department. The ferry operator’s web site is [www.capeclearferry.info](http://www.capeclearferry.info)
This 57’ long Class IIA vessel, built in 1982, has a passenger capacity of 68 in the summer and 54 in the winter. It can also carry up to 66.32 tonnes of different forms of cargo including food, diesel, small amounts of cement, timber and other building materials. There are three deep freezers on board. Its engines were refurbished in 1999.

The vessel has a crew complement of three from a total crew of four, all of whom are Irish speakers and live on the island.

The average speed of the vessel is nine knots and the duration of the journey between Baltimore and Cape Clear is approximately 50 minutes.

The present contract is for a five year period ending on 31 May 2006 at a total value of €520,593 or €104,118 per annum.

The current operator has also a contract with An Post for the collection and delivery of mail on Monday, Wednesday, Thursday and Friday.

In 2002, based on the records kept by the operator, it is estimated that almost 39,000 passengers availed of the service; 19,086 passengers from Baltimore to Cape Clear and 19,542 passengers from Cape Clear to Baltimore. Monthly passenger details are set out below.
2.1.3 Fares and Schedules

Fares:
The return adult fare is €11.50 while islanders pay €6.50. Children pay €6.50, and children from the Island up to the completion of their third level education travel free. There is also a family rate of €28.

Freight:

<table>
<thead>
<tr>
<th>Item</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grown Up Animal</td>
<td>10.00</td>
</tr>
<tr>
<td>Small Animal</td>
<td>5.00</td>
</tr>
<tr>
<td>Goods 1 – 5 tonnes (per tonne)</td>
<td>12.70</td>
</tr>
<tr>
<td>Goods in excess of 5 tonnes</td>
<td>Reduced rate depending on goods</td>
</tr>
<tr>
<td>Diesel – per litre</td>
<td>0.03</td>
</tr>
<tr>
<td>Small Parcels</td>
<td>0.60</td>
</tr>
<tr>
<td>Beer Kegs</td>
<td>5.00</td>
</tr>
<tr>
<td>Small Haystack</td>
<td>0.60</td>
</tr>
<tr>
<td>Large Haystack</td>
<td>6.50</td>
</tr>
<tr>
<td>Trailer, Car, Tractor</td>
<td>44.50</td>
</tr>
<tr>
<td>Small Trailer (single and empty)</td>
<td>10.10</td>
</tr>
<tr>
<td>Pallet (single tonne)</td>
<td>13.00</td>
</tr>
<tr>
<td>Washing Machine, Fridge, Freezer</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Service:
The contracted levels of service per week are as follows:

<table>
<thead>
<tr>
<th>Months</th>
<th>Number of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>October – May</td>
<td>14</td>
</tr>
<tr>
<td>June – 14th July</td>
<td>21</td>
</tr>
<tr>
<td>15th July – 15th August</td>
<td>35</td>
</tr>
<tr>
<td>16th August – 31st August</td>
<td>21</td>
</tr>
<tr>
<td>September</td>
<td>15</td>
</tr>
</tbody>
</table>

The first journey from the Island each morning is 11.00 except on Mondays when it is 07.15. The last journey from Baltimore is 17.30 except during the summer months (June – September) when it is at 19.00. On Wednesdays, between October and April, there is only one return service leaving the Cape at 09.00 and returning from Baltimore at 14.15.

Additional services are provided depending on demand.

The landing craft vessel operating between Baltimore and the Sherkin Islands by Sherkin Island Ferry Service is used to carry heavy freight to Cape Clear. It runs on demand and loads and unloads, weather depending, on the slipway at the Cape. The winds at the Cape are often unfavourable and unsafe for docking at the existing infrastructure. The vessel can carry two trucks or its equivalent in weight. The cost for hiring the vessel for a return journey is of the order of €260.
2.1.4 Infrastructure

The Baltimore and Skibbereen Harbour Board’s area of responsibility extends across to Sherkin Island, up the River Ilen to Skibbereen where the channel needs marking and into Church Strand.

There are two piers at Baltimore. The West Pier is 65 m long, and has a minimum depth of 0 to –1.2 m. It is used for ferries to the islands and small boats. It was built in 1882 and is in poor condition. The North Pier is 66 m long, with a minimum depth of –2.5 m to –3.0 m. It is used by the fishermen, anglers and divers and occasionally by yachtsmen. It was built in 1907 and is in fair condition.

The existing piers and slipways are owned by Cork County Council who are responsible for their maintenance and who contribute a share towards capital works.

These piers suffer severe congestion during the summer, and the harbour can be unsafe during certain weather conditions, in particular during north westerly gales. The Development Plan prepared for the Baltimore and Skibbereen Harbour Board recommends that a new breakwater is constructed at an estimated cost in June 1996 of £1.1 million. The follow-on report prepared for Cork County Council in 1997 recommended a breakwater at an estimated cost of £3.7 million. The latter would also provide berths on the inside face.

There are three slipways, one of which is used for a Ro Ro service to the islands. There are two boat yards, catering for vessels up to 100’, and a boat hoist for pleasure craft.

There are no storage facilities or open areas. Fork lift trucks are used to handle cargo.

Road access is fair, but there can be severe congestion around the piers in June, July and August. There is no rail link.

The main matters of concern relate to local safety, for instance, there can be five different boats on the same berth and passengers have to cross a number of vessels to get or leave their boat. The steps, built in 1882, are seen as too narrow and there is no shelter on the pier. Ferries, dinghies, ro-ro, leisure crafts are all operating within a confined space.

The existing facilities at Cape Clear harbour are maintained by the Department of Communications, Marine and Natural Resources. Currently, traffic to Cape Clear concentrates on the North Harbour. However, the infrastructure here is limited both with regard to water depth and shelter. Similarly, there is a dearth of adequate facilities for the pier users. The
Department of Communications, Marine and Natural Resources are currently developing proposals to improve the infrastructure at the North Harbour. The proposals include a new enclosing breakwater, additional dredging, a pier extension and upgraded land based facilities. The costs of this development have yet to be finalised. Likewise, a programme for same is not available. There is an expectation however, that funding might become available on a phased basis over the next number of years.

2.1.5 Other Ferry Services

Other services provided include

- **Spirit of the Isles** (Baltimore, Schull, Cape Clear, a summer service, 3 times daily and 8 pm on Friday),
- **Karycraft**, a summer service provided by a private company between Schull and Cape Clear
- **The Mystic Waters** which provides a service between Baltimore and Sherkin Island
- There is also a service between Baltimore and Heir Island provided by Bere Island Ferries Ltd.

2.2 Oileán Thoraí (Tory Island)

2.2.1 Island Profile

Situated 11 kilometres off the North West coast of Donegal, this Gaeltacht Island measures 3 miles by 1 mile long. Tory is designated a Special Protection Area.

With a population of 169, its economic life is highly dependent on tourism. Tourism generates many jobs during the summer season particularly in the hotel, shop and the Co-Op.

On the island there is a hotel, a shop, a post office, a public phone, a primary and secondary school, a new health centre, social club, a church, and a small number of registered Bed & Breakfast guesthouses. There is no Irish Summer College which is a feature on many of the other Gaeltacht islands covered in this Report.

Annual tourist numbers range between 7,000 and 8,000. Three quarters of the tourists are likely be day-trippers.

Electricity is generated on the island from oil; there is also a back-up generator.

2.2.2 Service Description

Following a public tender, a new one year contract, from 1 September 2003 to 31 August 2004, has been negotiated with the current provider of the ferry service, Turasmara, at a cost of €135,000.

The Class IIA vessel used is the Tormore which can carry 75 passengers in
the summer and 61 passengers in the winter. The vessel has a crew of three at any time. The overall crew complement is five. All the crew speak Irish. The vessel was constructed in 1992.

The service operates between Tory Island and Magheroarty and takes about 45 minutes. When the weather is bad, the vessel operates from Bunbeg increasing the journey time to one and a half hours.

Bunbeg is some 18 miles away while Magheroarty is 9 miles away.

The vessel carries cargo as well although it has no refrigerated facilities nor a winch; chilled goods are brought out from Bunbeg on the 09.00 service.

Due to inclement weather, the service was unavailable 48 days in 2002 primarily between December and March. The main vessel is out of service for about a week a year for planned maintenance and annual survey when the standby vessel, the Loinnir, is used.

Total travellers in 2001 were 17,357 while there was a decline in 2002 to 15,440. About 1,500 of the passengers are islanders.

Passenger numbers in 2003 are expected to be slightly higher than those for 2002.

The graph below shows the distribution of travellers over the two years 2001 and 2002. It can be seen that the load pattern is very consistent for each of the two years with peak travel in August.
Study of Ferry Service Requirements to a Number of Islands

The graph below provides a more detailed analysis for 2001 showing movement to and from Tory Island.

The operator also carries under contract mail for An Post, refuse for Donegal County Council and oil for ESB.

Details of the Tory Island Ferry service can be found on the Turasmara website: [http://www.toryislandferry.com/](http://www.toryislandferry.com/)
2.2.3 Fares and Schedule

The fares under the new contract are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Single Fare €</th>
<th>Return Fare €</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Islanders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adults</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Children over 16/Students</td>
<td>2.50</td>
<td>5</td>
</tr>
<tr>
<td>Children under 5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pensioners</td>
<td>Free</td>
<td>Free</td>
</tr>
<tr>
<td><strong>Non-Islanders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adults</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Children over 16</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Children under 5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pensioners</td>
<td>Free or €9*</td>
<td>Free or €18*</td>
</tr>
</tbody>
</table>

* pensioners from Northern Ireland

Cargo rates are set by the operator.

The new contract calls for a single return journey between Tory and Magheroarty each Monday, Thursday, Friday, Saturday and Sunday in addition to two return journeys on Wednesday all year round.

These services are to be provided in conjunction with the services provided for An Post on Tuesday and Friday.

The hours of the service are to be agreed with the islanders.

At the time of writing, we understand that the operator is in discussions with the island representatives in relation to the use of Bunbeg as an alternative to Magheroarty during the months of January, February and March.

Additional services are provided on demand.

2.2.4 Infrastructure

The infrastructure at Tory Island and Bunbeg is deemed adequate. There is a crane at both piers. The Department of Communications, Marine and Natural Resources is confident that the facilities at Tory, for which they were responsible, are adequate for any future developed ferry service.

The facilities at Tory were completed in 2000 after an €8.9m upgrade which saw the pier extended by an additional 80 metres to make it 190 metres long, 40 metres wide with a 15 metre return. More than 17,000 cubic metres of material was dredged. The breakwater is designed to allow for wave heights up to 5.8 metres.

The pier at Magheroarty\(^2\) was being finalised at the time of our visit. At a

\(^2\) The publication, National Development, has an article on the new facilities at Magheroarty in its September 2003
development cost of some €2m, the works consisted of the refurbishment of the existing structure with an extension of 50 metres and further 30 metres incorporated into a perpendicular return leg. The overall length of the works equates to 230 metres and sees the pier width increased from 3.5 metres to six metres. A wave wall has also been provided along the entire length of the pier to give added protection from wave action. The works also incorporate two vehicle turning areas as well as a ramped split deck to allow for ease of loading/unloading at all stages of the tide. No breakwater protection has been provided at Magheroarty.

The project also required the dredging of the approach channel and inner basin to allow for all-tide access. In all, almost 25,000 cubic metres of material was dredged to a depth of 1.5 metres OD to give a depth at low tide of 2.3 metres.

There is a large unsupervised carpark for 100 cars, a toilet, offices and restaurant at the pier.

While there are no plans to provide a crane at the pier for the transfer of freight, ducting has been provided to the outer limit for one.

Serious concern was raised by the ferry operator in relation to access there during winter months because of the swell and the depth of the channel.

It was suggested that further dredging is required at Bunbeg, and that Magheroarty will require maintenance dredging due to the huge amount of sand on the move. This dredging will be provided by Donegal County Council.

A larger vessel will require the removal of the bar at Bunbeg.

There is a proposal for the construction of an airstrip near the Lighthouse but there have been environmental concerns raised by the Department of the Environment, Heritage and Local Government in relation to wildlife.

### 2.2.5 Helicopter Service

Every fortnight, there is a return helicopter service provided by the North Western Health Board that brings to the island the local doctor and other community services staff. Last year, the Health Board introduced a women’s health clinic which now takes place every three months. Only islanders, with the recommendation of the Nurse, requiring medical treatment on the mainland are carried on the helicopter and, then, for free. The Health Board recognises that there is a demand for a more regular service to the island but on cost grounds is unable to supply it. In emergencies, the Aer Corps helicopter can be called on. Nevertheless, the Health Board is committed to
continuing the fortnightly service which costs €3,500 per day. Between December and March, starting at 09.30, for ten of the weeks, the helicopter services are available all day to the islanders. Údaras na Gaeltachta manages these services on behalf of the Department which part-funds the service at a cost of approximately €70,000 per annum. The service operates between Falcarragh and the Social Club and depending on space availability, costs €28 return for islanders, €65 for non-islanders.

2.2.6 Other Ferry Services
Arranmore Ferry Service provides a landing craft-type vessel for heavy goods and cars. The vessel has a 30 tonne cargo capacity and can carry seven cars or a six-wheel truck, as well as 148 passengers. It is reported that it costs €1,000 to hire the vessel for a return journey. This is not a subsidised service.
2.3 **Aran Islands - Inis Mór**

The Aran Islands consist of three islands: Inis Mór, Inis Oírr and Inis Meáin.

In this and the subsequent three sections, we provide brief profiles of the three islands.

Given that the same companies provide subsidised services to the three islands, their profile, fares etc are described once and that in the section on Inis Mór.

### 2.3.1 Island Profile

Inis Mór is the largest of the three Aran islands, covering approximately sixteen square miles. Situated on the west coast of Galway, it is about eight miles out in the Atlantic Ocean.

A Gaeltacht island, Inis Mór has a population of 831, according to the 2002 Census, which grows in the summer-time, becoming a mixture of islanders, mainland locals and holidaymakers. The population in 1996 was 838.

While a lot of island-income comes from the fishing industry, most islanders make their money from tourism and therefore the summer months are vital in terms of sustainable living throughout the rest of the year. Annually, about 250,000 tourists visit the Aran Islands with a minimum of a 1,000 daily visitors during the months of June, July and August, rising to 3,000 on a busy sunny day.

Inis Mór is the most developed island in terms of tourist facilities including Teampall Bheanain, Teaghlach Einne, Puffing Holes, Dun Duchathair, Teampall an Ceathrar Alainn, Stone Monuments, Poll na bPeist, Na Seacht dTeampall, as well as the world famous Dun Aonghus.

Ionad Árann (Aran's Heritage Centre) is located in Kilronan about five minutes walk from the pier. Opened in 1992, this major heritage and interpretive centre was established to introduce the visitor to the landscape, traditions and culture of the Aran Islands.

Interestingly, a recent document\(^3\) suggested that the scale of mass tourism has an impact on the language and traditions of the island. Key problems, according to the Framework document, now facing Inis Mór and increasingly the smaller islands, include:

- Overcrowding/congestion during peak periods
- Signposting
- Perceptions that the island is a day trip destination - during peak times, up to 63% of all visitors are day tours.\(^4\)

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\(^3\) Developing Sustainable Tourism in Galway – A Framework for Action 2003-2012, Galway City and County Tourism Committee

\(^4\) 'Creating a Sustainable Tourism Strategy for Árainn (Inis Mór)’ Prepared by Tourism Development International for Galway County Council and the Community of the Island of Árainn (Inis Mór)
Seasonality is also a significant problem for the Island. A major study on the impact of Tourism on Inis Mór\(^5\) recommended setting up a tourism management company run by the island’s co-operative.

### 2.3.2 Service Description

There are three subsidised services between the mainland and Inis Mór:

- A sea passenger/freight service from Galway City provided by O’Brien Shipping Ltd ([http://www.doolinferries.com/obriensh.html](http://www.doolinferries.com/obriensh.html))
- A sea passenger service from Rossaveal provided by Island Ferries Ltd ([http://wwwaranislandferries.com](http://wwwaranislandferries.com))
- An air service from Minna Airport, Inverin, provided by Aer Arann ([http://www.aerarannislands.ie/](http://www.aerarannislands.ie/))

**O’Brien Shipping**

O’Brien Shipping provides a minimum of three sailings a week to all three Islands during the winter months, ie September to May, and four sailings a week during the summer months, ie June to August. The service is provided under a seven year contract ending 31 December 2004 at an overall current cost of €4,221,879.

The vessel used is the two engined MV Oilean Arann 37.1m long with a service draught of 2 metres. It has a 26 tonne crane. It can carry up to 240 passengers and has a minimum crew complement of five. Its service speed is about 15 knots which allows it to make the journey to Inis Mór in approximately 90 minutes.

Details of freight and passengers carried over the last three years are presented below in tabular and graphic forms in the following two pages.

The table on the subsequent page, compiled from the Returns received by the Consultants, provides an analysis of the cargoes carried over the year 2002.

They show the Maximum, Minimum, Average and Median weights in tonnes of the return cargoes carried on the days that a service was provided. In addition, the table shows the average load carried for each of the days of the week of the respective month.

Most of the cargo traffic was out of Galway. In general, the typical cargo weight carried back to Galway reported was either 3 tonnes or 0.25 tonnes.

---

\(^5\) See \(^4\)
### Study of Ferry Service Requirements to a Number of Islands

<table>
<thead>
<tr>
<th></th>
<th>Cargo (Tonnes)</th>
<th>Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>335.80</td>
<td>170</td>
</tr>
<tr>
<td>February</td>
<td>638.40</td>
<td>179</td>
</tr>
<tr>
<td>March</td>
<td>822.60</td>
<td>133</td>
</tr>
<tr>
<td>April</td>
<td>981.35</td>
<td>149</td>
</tr>
<tr>
<td>May</td>
<td>907.30</td>
<td>167</td>
</tr>
<tr>
<td>June</td>
<td>695.05</td>
<td>1,287</td>
</tr>
<tr>
<td>July</td>
<td>944.75</td>
<td>6,827</td>
</tr>
<tr>
<td>August</td>
<td>674.66</td>
<td>8,997</td>
</tr>
<tr>
<td>September</td>
<td>659.50</td>
<td>1,303</td>
</tr>
<tr>
<td>October</td>
<td>175.50</td>
<td>44</td>
</tr>
<tr>
<td>November</td>
<td>617.65</td>
<td>14</td>
</tr>
<tr>
<td>December</td>
<td>480.70</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,933.26</strong></td>
<td><strong>19,288</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Cargo (Tonnes)</th>
<th>Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2001</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>639.95</td>
<td>33</td>
</tr>
<tr>
<td>February</td>
<td>917.65</td>
<td>35</td>
</tr>
<tr>
<td>March</td>
<td>891.90</td>
<td>16</td>
</tr>
<tr>
<td>April</td>
<td>522.30</td>
<td>19</td>
</tr>
<tr>
<td>May</td>
<td>637.05</td>
<td>137</td>
</tr>
<tr>
<td>June</td>
<td>769.90</td>
<td>852</td>
</tr>
<tr>
<td>July</td>
<td>741.80</td>
<td>3,709</td>
</tr>
<tr>
<td>August</td>
<td>580.70</td>
<td>6,623</td>
</tr>
<tr>
<td>September</td>
<td>277.55</td>
<td>350</td>
</tr>
<tr>
<td>October</td>
<td>292.95</td>
<td>8</td>
</tr>
<tr>
<td>November</td>
<td>444.00</td>
<td>0</td>
</tr>
<tr>
<td>December</td>
<td>455.55</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,171.30</strong></td>
<td><strong>11,796</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Cargo (Tonnes)</th>
<th>Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2002</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>397.75</td>
<td>3</td>
</tr>
<tr>
<td>February</td>
<td>272.50</td>
<td>12</td>
</tr>
<tr>
<td>March</td>
<td>888.80</td>
<td>11</td>
</tr>
<tr>
<td>April</td>
<td>571.00</td>
<td>6</td>
</tr>
<tr>
<td>May</td>
<td>601.00</td>
<td>7</td>
</tr>
<tr>
<td>June</td>
<td>600.75</td>
<td>236</td>
</tr>
<tr>
<td>July</td>
<td>578.40</td>
<td>369</td>
</tr>
<tr>
<td>August</td>
<td>650.65</td>
<td>342</td>
</tr>
<tr>
<td>September</td>
<td>397.90</td>
<td>36</td>
</tr>
<tr>
<td>October</td>
<td>280.65</td>
<td>0</td>
</tr>
<tr>
<td>November</td>
<td>316.35</td>
<td>20</td>
</tr>
<tr>
<td>December</td>
<td>431.60</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,987.35</strong></td>
<td><strong>1,047</strong></td>
</tr>
</tbody>
</table>

*Source: Department of Community, Rural and Gaeltacht Affairs*
According to the Department contract, the cargo capacity of the Oileán Árainn is 130 tonnes at a draught of 7.5 feet. Using a 50% value, ie, 65 tonnes, the table below also provides details of the number of services in excess and below that value. It can be seen that 88% of the volumes carried were less than 65 tonnes. The owners have indicated that the vessel’s Stability Book allows a cargo capacity of 225 tonnes in the hold or 85 tonnes on deck, if no passengers are being carried.

It should be noted, of course, that weight is not the only relevant cargo parameter but also its dimensions. Some bulky cargo can be relatively light.

In some cases where loads were low or non-existent, the vessel was carrying numbers of passengers.

It is difficult from the analysis to identify a pattern that would suggest a change in any new schedule. However, it is obvious that the carrying capacity of the vessel is very seldom fully utilised.
### Cargo Analysis (Tonnes) – O’Brien Shipping 2002

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns*</td>
<td>9</td>
<td>8</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>18</td>
<td>17</td>
<td>18</td>
<td>12</td>
<td>15</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Sum from Returns</td>
<td>397.8</td>
<td>272.5</td>
<td>770.8</td>
<td>571.0</td>
<td>601.0</td>
<td>560.6</td>
<td>578.4</td>
<td>677.4</td>
<td>397.9</td>
<td>280.7</td>
<td>316.4</td>
<td>434.6</td>
</tr>
<tr>
<td>Cargo Reported</td>
<td>397.8</td>
<td>272.5</td>
<td>888.8</td>
<td>571.0</td>
<td>601.0</td>
<td>600.8</td>
<td>578.4</td>
<td>650.7</td>
<td>397.9</td>
<td>280.7</td>
<td>316.4</td>
<td>431.6</td>
</tr>
<tr>
<td>Max Cargo</td>
<td>88.3</td>
<td>61.3</td>
<td>112.0</td>
<td>161.0</td>
<td>103.0</td>
<td>97.4</td>
<td>92.8</td>
<td>115.2</td>
<td>105.3</td>
<td>58.9</td>
<td>44.8</td>
<td>70.3</td>
</tr>
<tr>
<td>Min Cargo</td>
<td>7.2</td>
<td>7.0</td>
<td>3.5</td>
<td>12.3</td>
<td>3.0</td>
<td>0.0</td>
<td>5.2</td>
<td>0.0</td>
<td>5.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Average</td>
<td>44.2</td>
<td>34.1</td>
<td>55.1</td>
<td>47.6</td>
<td>50.1</td>
<td>31.1</td>
<td>34.0</td>
<td>37.6</td>
<td>33.2</td>
<td>18.7</td>
<td>24.3</td>
<td>33.4</td>
</tr>
<tr>
<td>Median</td>
<td>40.5</td>
<td>29.6</td>
<td>48.7</td>
<td>40.3</td>
<td>44.5</td>
<td>16.1</td>
<td>31.5</td>
<td>27.6</td>
<td>27.9</td>
<td>4.5</td>
<td>23.0</td>
<td>34.6</td>
</tr>
<tr>
<td>No of Services &gt; 65t</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>No of Services &lt; 65t</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>11</td>
<td>10</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td>11</td>
<td>15</td>
<td>13</td>
<td>12</td>
</tr>
</tbody>
</table>

**Average Load:**

<table>
<thead>
<tr>
<th>Day</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
<th>Sunday</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16.5</td>
<td>55.3</td>
<td>40.4</td>
<td>47.7</td>
<td>26.2</td>
<td>7.2</td>
<td>27.3</td>
</tr>
<tr>
<td></td>
<td>6.0</td>
<td>41.4</td>
<td>43.0</td>
<td>24.4</td>
<td>24.3</td>
<td>31.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.2</td>
<td>33.9</td>
<td>57.5</td>
<td>49.1</td>
<td>32.8</td>
<td>64.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>27.6</td>
<td>15.2</td>
<td>51.2</td>
<td>39.9</td>
<td>64.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>35.8</td>
<td>26.2</td>
<td>35.9</td>
<td>26.2</td>
<td>32.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>51.0</td>
<td>59.1</td>
<td>38.5</td>
<td>39.9</td>
<td>16.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>27.1</td>
<td>39.4</td>
<td>35.9</td>
<td>39.9</td>
<td>37.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>22.5</td>
<td>11.0</td>
<td>27.4</td>
<td>20.0</td>
<td>21.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>30.9</td>
<td>70.3</td>
<td>18.0</td>
<td>25.3</td>
<td>27.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>41.2</td>
<td>40.2</td>
<td>45.6</td>
<td>54.3</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>37.2</td>
<td>43.5</td>
<td>34.6</td>
<td>21.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29.1</td>
<td>36.7</td>
<td>2.1</td>
<td>22.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>27.3</td>
</tr>
</tbody>
</table>

* Source: Returns provided to and analysed by the Consultants
**Island Ferries**

Island Ferries Teo. was established in 1982 by Paddy and Sally O'Brien to provide a year round passenger service to all three islands. The Galway-based company provides employment for 24 permanent staff and 97 part-time.

Island Ferries provides daily passenger services between Ros a Mhíl and the islands under an agreement between the Department of Community, Rural and Gaeltacht Affairs covering the three-year period 1 November 2002 to 31 October 2005. The value of the agreement is €722,700. The agreement covers the provision of two return trips per day, seven days a week in the case of Inis Mór and Inis Meáin/Inis Oírr. This service also includes the transportation of passengers by road to and from Galway City. Journey time between Rossaveal and the Aran Islands is about 35 minutes.

Island Ferries has a fleet of five vessels including its most recent acquisitions, the MV Draoicht na Farraige and the MV Ceol na Farraige the lengths of which are 31.83 metres. The Draoicht has a capacity of 291 passengers in the summer and in the winter, while the Ceol na Farraige has a capacity of 294 passengers in the summer and 228 in the winter. They are both Class B vessels.

The characteristics of the other three vessels are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Class</th>
<th>Gross Tonnage</th>
<th>Crew</th>
<th>Summer Passengers</th>
<th>Winter Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aran Seaboard</td>
<td>III</td>
<td>143</td>
<td>6</td>
<td>181</td>
<td>181</td>
</tr>
<tr>
<td>Aran Express</td>
<td>IIA</td>
<td>117</td>
<td>5</td>
<td>180</td>
<td>115</td>
</tr>
<tr>
<td>Aran Flyer</td>
<td>III</td>
<td>170</td>
<td>6</td>
<td>208</td>
<td>208</td>
</tr>
</tbody>
</table>

The table below shows the number of passengers for the last number of years from Rossaveal to each of the islands only.
Study of Ferry Service Requirements to a Number of Islands

<table>
<thead>
<tr>
<th>Year</th>
<th>Inis Mór</th>
<th>Inis Meáin</th>
<th>Inis Oírr</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>92,806</td>
<td>4,985</td>
<td>3,934</td>
<td>101,725</td>
</tr>
<tr>
<td>1999</td>
<td>123,297</td>
<td>7,162</td>
<td>7,174</td>
<td>137,633</td>
</tr>
<tr>
<td>2000</td>
<td>133,967</td>
<td>6,464</td>
<td>9,117</td>
<td>149,548</td>
</tr>
<tr>
<td>2001</td>
<td>113,316</td>
<td>8,021</td>
<td>8,321</td>
<td>129,658</td>
</tr>
<tr>
<td>TOTAL</td>
<td>463,386</td>
<td>26,632</td>
<td>28,546</td>
<td>518,564</td>
</tr>
</tbody>
</table>

*Note: A breakdown of passenger numbers for the Inis Oírr and Inis Meáin services separately for 2002 is no longer available as they are submitted together on the logs within the new contract. (For technical reasons, the values for Inis Meáin and Inis Oírr for 2002 in the Datatable in the graph overleaf are required to be set to zero rather than left blank for the graph to be produced).*

*Aer Árann*

Aer Árann has provided air services to the Islands since 1970. This service had been supported by funding from Údarás na Gaeltachta over a number of years. In 1999, direct responsibility for the funding of the service passed to the Department of Community, Rural and Gaeltacht Affairs.

The service can be viewed from two perspectives:

- The islanders’ perspective of the service is in access terms i.e. quick access to and from the mainland and as a medivac/emergency service to bring patients to hospital in emergencies.

- People on the mainland tend to view the service more in business and social terms i.e. allowing business people and agencies providing services to the islanders easy and effective access to the island.

Using BN Islander aircraft, Aer Árann has been contracted to provide, from 1 February 2002 to 31 January 2005, scheduled services between Minna
Airport and the Aran Islands Airstrips at the rate of at least six return trips per day (three in the morning and three in the afternoon, Monday to Friday each week throughout the year). In addition, the company shall provide at least three return trips on Saturday and on Sunday with one return trip in the morning and two return trips in the afternoon. The aircraft shall have a minimum seating capacity of nine passenger seats per flight. The duration of the flight is about 10 minutes.

In addition, Aer Árann provides a shuttle bus service from a pick-up point in Galway city.

The total compensation over the three years is €2.235 million.

Aer Árann believes that the services being provided should be viewed in the context of providing a similar quality and level of service to people living on the islands and in the West of Ireland generally, as is available to people living in, for example, Dublin.

The future development potential of the service is tied in with what is happening in the tourist market, i.e. more competition from abroad; tourists inclined to stay in Dublin and surrounding counties; tourists visiting the West generally for shorter holiday periods. Within this context, and in view of the fact that tourism is the most stable element of the islands’ economy, Aer Árann sees itself a key local player.

Aer Árann’s expansion into national and international services is already bringing some spin offs to the local/island tourism market as a result of their increased marketing reach.

The aircraft used are dedicated solely to the Aran Islands for all intents and purposes though Aer Árann sometimes accepts some charter business. However, this is negligible in their overall turnover – less than 1%.

Cargo represents about 5/6% of their turnover, eg, post, groceries, medical supplies, Inis Meáin Knitwear products.

The airline operates flights beyond their minimum contract depending on the level of demand. In the summer, the number of flights can be up to 25-30 per day and in the winter can vary from 7-12 per day resulting in an overall load factor of about 55%. The extra flights help to reduce the level of subsidy required. The extra flights tend to be mainly to Inis Mór.

Aer Árann rarely loses flights for a full day due to bad weather – at most 4-5 days a year, and that would be exceptional. On a more regular basis, they may lose an hour or two at a time.

Aer Árann co-operates with the ferry operators in providing a fly-sail ticket for
Study of Ferry Service Requirements to a Number of Islands

passengers. They would like to increase this level of co-operation and perceive some benefit in providing joint link services between Galway and Inverin-Ros a ‘Mhil and expanding their shuttle services on the islands to provide a service for boat passengers as well.

The table and chart below provide details of the total number of passengers carried to and from the three islands between 1997 and September 2003.

<table>
<thead>
<tr>
<th>Year</th>
<th>Inis Mór</th>
<th></th>
<th>Inis Meáin</th>
<th></th>
<th>Inis Oírr</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Islander</td>
<td>Other</td>
<td>Islander</td>
<td>Other</td>
<td>Islander</td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>1,855</td>
<td>10,309</td>
<td>2,629</td>
<td>3,317</td>
<td>2,994</td>
<td>3,881</td>
<td>7,478</td>
</tr>
<tr>
<td>1998</td>
<td>2,398</td>
<td>10,570</td>
<td>2,927</td>
<td>2,754</td>
<td>3,297</td>
<td>3,953</td>
<td>8,622</td>
</tr>
<tr>
<td>1999</td>
<td>3,693</td>
<td>11,697</td>
<td>2,829</td>
<td>3,416</td>
<td>2,986</td>
<td>4,374</td>
<td>9,508</td>
</tr>
<tr>
<td>2000</td>
<td>4,550</td>
<td>17,176</td>
<td>3,289</td>
<td>2,824</td>
<td>3,332</td>
<td>3,905</td>
<td>11,171</td>
</tr>
<tr>
<td>2001</td>
<td>4,259</td>
<td>17,101</td>
<td>3,318</td>
<td>3,415</td>
<td>3,267</td>
<td>4,033</td>
<td>10,844</td>
</tr>
<tr>
<td>2002</td>
<td>4,058</td>
<td>15,484</td>
<td>3,747</td>
<td>3,402</td>
<td>3,871</td>
<td>4,688</td>
<td>11,676</td>
</tr>
<tr>
<td>Oct 02 – Sept 03</td>
<td>4,119</td>
<td>16,323</td>
<td>4,008</td>
<td>3,547</td>
<td>4,157</td>
<td>4,494</td>
<td>12,284</td>
</tr>
</tbody>
</table>

Source: Department of Community, Rural and Gaeltacht Affairs & Aer Árann

The graphs overleaf show traffic patterns for the three islands for the twelve months October 2002 to September 2003 as well as split between Islanders and Non-Islanders.

It is interesting to note the seasonality of the service particularly that for Inis Mór and lesser so for Inis Oírr. Traffic to Inis Meáin does not vary that significantly across the year.

Islander traffic is very static with the highest number of passengers being carried during the month of December.
2.3.3 Fares and Schedule

**O’Brien Shipping**

O’Brien Shipping provides a minimum of three sailings a week to all three Islands during the winter months, i.e., September to May when the vessel leaves Galway Docks for all three Aran Islands at 08.00. In practice, the departure times depend on the cargo volume on the day.

The company operates four services in the Summer: Tuesday, Thursday, Friday, and Saturday, departing Galway Docks at 10.30. The vessel is scheduled to depart the last island for Galway Docks at 17.00.
The contract stipulates that there will be at least one direct sailing each week to each of the three islands all year round.

A detailed schedule of maximum goods and passenger rates has been drawn up and is appended to the formal contract between the operator and the Department. The rates are reproduced in Appendix 9.

**Island Ferries**
The contracted fares are:

<table>
<thead>
<tr>
<th></th>
<th>Vessel Return</th>
<th>Bus Return</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Islander</td>
<td>Other</td>
</tr>
<tr>
<td>Adult: €12</td>
<td>Adult: €19</td>
<td>Adult: €5</td>
</tr>
<tr>
<td>Student/Pensioner</td>
<td>Student/Pensioner</td>
<td>Student/Pensioner</td>
</tr>
<tr>
<td>€10</td>
<td>€15</td>
<td>€3.50</td>
</tr>
<tr>
<td>Child €6</td>
<td>Child €10</td>
<td>Child €2.50</td>
</tr>
</tbody>
</table>

The published Rossaveal/Inis Mór daily schedule is as follows:

<table>
<thead>
<tr>
<th></th>
<th>April – October</th>
<th>November - March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depart Rossaveal</td>
<td>10.30, 13.30, 18.30*</td>
<td>10.30, 18.00</td>
</tr>
<tr>
<td>Depart Inis Mór</td>
<td>09.00, 12.00, 17.00, 19.30*</td>
<td>08.30, 16.30</td>
</tr>
</tbody>
</table>

* June to September only

The published Rossaveal/Inis Meáin/Inis Oírr daily schedule is as follows:

<table>
<thead>
<tr>
<th></th>
<th>April – October</th>
<th>November - March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depart Rossaveal</td>
<td>10.30, 18.30</td>
<td>10.30, 18.00</td>
</tr>
<tr>
<td>Depart Islands</td>
<td>08.30, 16.30</td>
<td>08.30, 16.30</td>
</tr>
</tbody>
</table>

There would be several extra sailings in July and August depending on demand. The coach connection departs Galway city Office one hour prior to sailing time.

Their details can be found on the web: [wwwaranislandferries.com](http://wwwaranislandferries.com)

**Aer Árann**
The published present fares charged by Aer Árann are as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Return</td>
<td>44.44</td>
</tr>
<tr>
<td>Children Return</td>
<td>25.39</td>
</tr>
<tr>
<td>Student Return</td>
<td>36.82</td>
</tr>
<tr>
<td>Adult Single</td>
<td>22.86</td>
</tr>
<tr>
<td>Children Single</td>
<td>12.70</td>
</tr>
<tr>
<td>Senior Citizens Return</td>
<td>15.24</td>
</tr>
<tr>
<td>Fly/Sail</td>
<td>36.82</td>
</tr>
</tbody>
</table>

The Adult return fare for Islanders is €34 while the fare for local students and Islander children cannot exceed €22.86. Unaccompanied cargo/freight is carried at a cost of €0.20 per pound weight.
The minimum flight schedule for Aer Arann is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Dept Times Ex Galway</th>
<th>Dept Times Ex Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday – Friday</td>
<td>08.30, 09.00, 10.00, 15.30, 16.00, 17.00</td>
<td>08.45, 09.15, 10.15, 15.45, 16.15, 17.15</td>
</tr>
<tr>
<td>Saturday</td>
<td>09.00, 15.00, 16.00</td>
<td>09.15, 15.15, 16.15</td>
</tr>
<tr>
<td>Sunday</td>
<td>10.00, 15.00, 16.00</td>
<td>10.15, 15.15, 16.15</td>
</tr>
</tbody>
</table>

2.3.4 Infrastructure

The facilities at Galway Harbour are inadequate for the cargo vessel with insufficient space for vehicles queuing up to discharge freight for transportation to the islands. Galway Port Company has plans to develop a 300m quay space to cater for shallow draft vessels. An infrastructural improvement such as this would allow a passenger service to be offered between the Aran Island and Galway city. However, the timescale for this development is not guaranteed. In the interim, the reality of the existing infrastructure with all its shortcomings has to be recognised.

The existing facilities at Kilronan are limited both with regard to available berthing space, water depth and shelter. Land based facilities are also limited specifically with regard to storage, carparking and other infrastructural facilities.

A development plan for Kilronan Harbour is in place but has not progressed to foreshore and planning stage. The development is substantial and includes a new protective breakwater to the south and west of the existing facilities, additional dredging, extensions to the existing pier, allocation of space for a marina and the provision of a new slipway.

2.3.5 Other Ferry Services

InisMor Ferries provides a regular return passenger service four times a day to Inis Mór using the Queen of Aran II during the summer months. A reduced service is offered between November and March incorporating two return journeys for four of the days and three return journeys for the other three days.

The vessel, built in France, was bought new some three years ago and has a capacity for 227 passengers. The vessel carries some freight but does not charge for it. The vessel has a crew of 7 when carrying 227 passengers, and drops to 5 when carrying 111 passengers.

The company employs 45 during the peak season and between 15 and 20 in the off-season; all but three of the staff are from Inis Mór.

On the 4th December, 2003, the company announced that it was ceasing its passenger service as from 6pm on Sunday 7th December due to financial
constraints. Discussions on maintaining the service are ongoing at the time of writing.

Doolin Ferries also operates ferry services from Doolin to the three Aran Islands during the summer months using the Happy Hooker, the Tranquility, the Queen of Aran and the Rose of Aran. These are 100 seater Class 2A vessels 65’ – 70’ long.

Aran Islands Fast Ferries Ltd started a summer passenger service from Doolin earlier this year.

For the last four years, the Madelen, a landing-craft vessel some 24 metres in length and a draught of one metre, has carried heavy goods, machinery and large vehicles to the islands as well as plant for the Council and ESB. With a capacity of 80 tonnes, the vessel has a crane but no refrigerated facilities. It is not licensed to carry passengers. Operating out of Rossaveal, goods are landed and loaded via slipways on the islands. The service is weather-dependent and does not follow any particular schedule.

2.3.6 Increases in Port Charges at Rossaveal

On the 17th September 2003, the Minister for Communications, Marine and Natural Resources signed the Order bringing new charges into effect at the five Fishery Harbour Centres (Howth, Dunmore East, Castletownbere, Rossaveal and Killybegs) with effect from 1st October 2003. The Harbours operate under the Fishery Harbour Centres Acts (1968 - 1998).

The Act requires the Harbours to fully meet their costs from rates, tolls and other charges. The revised charges are to address the increasing deficit, but they are not designed to contribute to the continuing capital and maintenance investment at the harbours (€30m in 2003). The charges at Fishery Harbour Centres were last increased in 1990.

These additional costs may have implications for the passenger fares charged by Island Ferries Ltd and InisMor Ferries. The new passenger charge is €1.20 on departure on a monthly basis from 1 May 2004 with the charge reduced by €0.40 per passenger per departure for multiple journey tickets (five return journey tickets or more) in respect of ferry passengers from Rossaveal Harbour.

Already, Island Ferries, we understand, has indicated an interest to move their base from Rossaveal to Galway on the grounds that (a) if they were sailing from Galway their passengers would not have to pay these taxes and (b) that the tax is particularly unfair given the complete lack of passenger facilities at Rossaveal. However, this is not possible under the conditions of its present contract with the Department.
2.3.8 TDI Report – Creating a Sustainable Tourism Strategy for Árainn (Inis Mór)

Galway County Council and the Community of the Island of Árainn commissioned Tourism Development International to carry out a Study entitled Creating a Sustainable Tourism Strategy in 1999.

Their Report included the following relevant recommendations:

- Improved management of Cill Ronain Harbour will be required to relieve congestion and allay safety concerns. Management will be overseen by a Harbour Master and will be facilitated through development of an off-pier mini-bus rank and a new visitor terminal.
- Improved access to the Island, from the mainland, should be facilitated through immediate investment in signposting.
- Proposed improvements to passenger transport services should use the Draíocht na Faraige vessel as a benchmark of quality in the standard of service required.

2.4 Áran Islands - Inis Meáin

2.4.1 Island Profile

Inis Meáin is the middle of the three Aran islands. It is about 3 miles long and 2 miles across and had a permanent population of 187 in the 2002 census. In the summer the population can rise to 500.

There are some 42 in full time employment on the island and about 62 in part time employment. The largest employer would be Inis Meáin Knitwear, with 16 full time employees. Others are employed in the Co-Op, in tourist related activities and services. There is a primary school on the island with 12 pupils, and a secondary school with 11 pupils.

Tourism would be one of the largest sources of employment on the island. There is one ten room hotel, nine bed and breakfasts most of whom serve an evening meal, six people offer self catering accommodation, and a restaurant. There is also an airport, a craft shop, a diving centre, a public house, a library and a credit union. Fishing and farming are engaged in to varying degrees by most households on the island.

The island has a wind turbine to supplement the power supply from the mainland. Fresh water is in short supply and wells on the island are supplemented by a desalination plant.

2.4.2 Service Description

The subsidised service is described in section 2.3.2

2.4.3 Fares and Schedules

The fares and schedules are described in section 2.3.3

2.4.4 Infrastructure

At present, the subsidised ferry to Inish Meáin brings passengers from Rossaveel to the pier at Cora Point. This pier has sufficient water depth but
is very exposed sometimes resulting in berthing difficulties during rough weather. Based on the public consultation exercise reported in section 2.4.6, these difficulties sometimes result in the island having no service.

There are two other piers on the North West side of the island, Caladh Mor and Cora Caladh. In 2000/2001 Galway County Council, at the Department's request, commissioned a study of the provision of improved berthing and mooring facilities on the island in the area of Caladh Mor and Cora Caladh. This study referred to the berthing difficulties at Cora Point and pointed out that there had been two deaths on the Cora Point pier in the four years previous to the study. The study recommended a phased development at Cora Caladh consisting of dredging, the construction of an L shaped berthing quay and the construction of an offshore breakwater with an estimated cost of €9.27 million. The works could be constructed in two phases, each valued at approximately half the total cost. The study report stated that the construction of phase 1 alone will provide berthing for 81% of an average year and on completion of phase 2 safe berthing and long term mooring will be provided for 99.9% of the average year. The development at Cora Caladh could then be further enhanced to include the existing pier at Caladh Mor.

2.4.5 Other Ferry Services
See section 2.3.5

2.5 Aran Islands - Inis Oírr

2.5.1 Island Profile
Inis Oírr is the smallest of the three Aran islands, being about 3km by 3km, with a permanent population of 262 measured by the 2002 census. The island lies just off the coast of Clare. It is similar to the other two islands in that it has a barren and rugged landscape and is of considerable cultural importance.

Tourism is the principal source of employment. There is one hotel, nine bed and breakfasts, a number of holiday cottages, two public houses, a campsite, two restaurants, bicycle hire, island tour, craft shop, and a number of historical walks. There is a cultural and arts centre containing: a museum, a folk theatre, an art gallery, craft units and a café. There are Irish language courses for adults and cultural holiday courses. The island can be accessed by boat from Doolin in County Clare and from Galway and Rossaveel in County Galway. There is a subsidised passenger ferry service from Rossaveel and a subsidised passenger/ cargo service from Galway.

2.5.2 Service Description
The subsidised service is described in section 2.3.2
2.5.3 Fares and Schedules

The fares and schedules are described in section 2.3.3
2.5.4 Infrastructure

The existing infrastructure is such that there are constraints on the ferry service that can be provided. It appears that during stormy conditions from the southwest there is considerable wave action to the west of the existing pier. This causes overtopping of the existing structure. In addition, while waves generated within Galway Bay by north easterly winds are smaller than those from the Atlantic, the existing pier provides little shelter from such waves. The area adjacent to the pier was dredged in the recent past and water depths do not appear to be a problem as regards restricting access to existing craft. However, the length of pier fronted by water of sufficient depth is not adequate and in the past, particularly during the busy summer months ferry boats have had to queue to disembark.

Galway County Council, at the Department’s request, will shortly be undertaking a study to deal with the overtopping issue at the pier. The results of this study are anticipated in 2004. However, a timescale for implementation is not available.

2.5.5 Other Ferry Services

See section 2.3.5

2.6 Inishturk

2.6.1 Island Profile

Inishturk Island is located 14km off the County Mayo coast between the larger islands of Clare Island to the North and Inishboffin to the South. Inishturk Island is located in the Mayo County Council administrative area.

The population of Inishturk Island was 72 persons according to the 2002 census. Of these 38 are still in full time education, whether primary, secondary or third level, 14 are in the age group 20 – 40, 27 in the age group 40 – 65 and 7 are 65 years plus.

In the 20 – 40 age group, there is a distinct gender imbalance with 10 males and only 4 females. Many of the younger women have left the island due to a lack of employment opportunities for this age group on Inishturk. It appears that this population characteristic is replicated in other offshore islands off the Atlantic coast line.

The employment profile on Inishturk is significantly part-time and concentrates on fishing and farming with seasonal employment from tourism. In that regard, it is estimated 6 persons are in full time employment, 53 persons in part time employment and 10 persons are in seasonal employment. The full time employment relates to the ferry, the Development Company and some County Council and State employment. The part time
employment would be very significantly farming and fishing with lesser part

time employment being provided by the County Council and by FAS. The
seasonal employment would almost be exclusively tourism related.

The key parameters on the island is as follows:

- At present there are 22 households on the island, 20 local islanders and
  2 holiday cottages. There are no empty habitable buildings on the
  island.

- There is a resident public health nurse. A doctor from Cliften visits every
  3 weeks. Emergency evacuations are by helicopter, usually to the
  Regional Hospital in Castlebar.

- Mayo County Council, with assistance from the Department, has laid a
  mains pipe for a centralised water scheme. Sewerage disposal on the
  island is by means of septic tank.

- The island is served by mains electricity since 1986 using diesel
  generators.

- There is a primary school with 10 pupils attending at present. Secondary
  school pupils leave the island, attending school at
  Louisbourg or in Westport.

2.6.2 Service Description

Following a public tender, a new 3 year contract from November 02 to
November 05 was let to O'Malley Ferry Services at a annual subsidy of
€100,000. A bus service is part of this contract.

The main vessel used is the Island Princess, a Class IIA vessel, certified to
carry 46 passengers and three crew. It has a gross tonnage of 61.13 tonnes.
The back-up vessel is the Ocean Star II which can carry 12 passengers and
a crew of one.

Island Princess
Ocean Star

In the period November 2002 to end August 2003, 2,552 passengers were carried on the service comprising 1,918 islanders and 634 non-islanders.

The graph below shows the traffic flows over the 10 months.

<table>
<thead>
<tr>
<th></th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islanders</td>
<td>116</td>
<td>179</td>
<td>140</td>
<td>181</td>
<td>216</td>
<td>223</td>
<td>207</td>
<td>260</td>
<td>194</td>
<td>202</td>
</tr>
<tr>
<td>Non-Islanders</td>
<td>23</td>
<td>13</td>
<td>21</td>
<td>15</td>
<td>24</td>
<td>30</td>
<td>9</td>
<td>127</td>
<td>202</td>
<td>170</td>
</tr>
</tbody>
</table>

2.6.3 Infrastructure

The infrastructure at Inishturk is deemed inadequate. There are two piers within the harbour, the inner pier and a more recent outer pier. The problems identified by the users are:

- Swell and local waves from the south-east cause problems for boats moored at the inner and outer piers.
- Local waves generated from the east cause problems at the outer pier.
- There is insufficient water depth at the inner pier with a large part of it drying at low tide.
- The inner pier is not long enough to accommodate all the boats using the pier without stacking, up to six wide, during peak usage.

In addition it is considered that there are insufficient ancillary facilities, car parking, storage areas, slipways, access and craneage at the harbour area.
However, these issues are already being addressed. A Preliminary Report, prepared in 2001 by Mayo County Council at the Department's request, identified the need for a pier extension to give better shelter and more acceptable water depth. A 25m pier extension has been procured and a contractor is currently being appointed to undertake the work. It is anticipated that this work will be completed in 2004 with funding provided by the Department of Community, Rural and Gaeltacht Affairs.
2.6.4 Other Ferry Services

The previous operator of the subsidised services, Inishturk Ferries, operates a private ferry service to the main land during the summer and a more limited operation during the winter. This ferry has a capacity of 12 passengers. This ferry service also does the postal run to Cleggan Pier twice a week on Tuesday and Thursday.

2.7 Clare Island

2.7.1 Island Profile

Clare Island is situated at the mouth of Clew Bay, has a population of 137 (2002 census) and measures some 8km long by 5km across. During the summer months a considerable number of tourists visit the island, mostly daytrippers, but some who stay overnight in the Hotel, bed and breakfasts and self catering accommodation. There are a number of special events such as the “singles” weekend and a music weekend to boost the overnight stays on the island. The principal full time employer on the island is fish farming, through which some twelve people are employed. There are two teachers in the primary school. People are employed in the tourist industry via the provision of accommodation, meals and refreshments. There is a shop, a post office. Others earn their living through a mixture of fishing, farming and building work.

Tourism is very important for the survival of the island. Tourists that visit the island ensure the viability of the ferry services, the hotel and other accommodation. Most tourists visit during the summer months. Tourist numbers peak in July/August per day. While exact figures are unavailable, it is estimated that there are some 10,000 visitors to the Island each year.

2.7.2 Service Description

The present subsidised ferry service is a passenger service run by Clare Island Ferries from Roonagh Quay to the Island. The present contract commenced in November 02 with a completion date in November 05. The annual subsidy is €76,570. The contract requires the operator to provide one return sailing seven days a week between September and May with two return sailings three days per week and one return sailing four days per week during the months of June, July and August. The contract also includes for a road transport service for each scheduled sailing to and from Louisburg and Westport.

The principal vessel is the Pirate Queen, a vessel with a gross tonnage of 73.12 tonnes and a passenger capacity of 96 in summer and 51 in winter. The vessel has a crew of 4 in summer and 3 in winter. The back up vessel is the Very Likely with a passenger capacity of 12 and a crew of 2.
The journey time is approximately 20 minutes. During bad weather it is sometimes necessary to operate to Corraun in Achill Sound. In the winter time, the subsidised boat is based at Rosmoney because of poor shelter at Clare Island.

The vessel carries some light cargo such as provisions for the hotel and local shop as well as some light construction material.

During the period November 2002 and July 2003, 8,434 subsidised passengers were carried comprising 3,926 islanders and 4,508 non-islanders.

The figure below shows the distribution of the subsidised traffic over the seven months.
The specified fare structure is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fare per Single Trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>National School &amp; College student</td>
<td>€4</td>
</tr>
<tr>
<td>Islanders (ferry only)</td>
<td>€6</td>
</tr>
<tr>
<td>Islanders (ferry and road service)</td>
<td>€10</td>
</tr>
<tr>
<td>Non islanders</td>
<td>€7.50</td>
</tr>
</tbody>
</table>

The winter timetable is

<table>
<thead>
<tr>
<th>Day</th>
<th>Depart Clare Island</th>
<th>Depart Roonagh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>10.00am</td>
<td>10.45am</td>
</tr>
<tr>
<td>Tuesday</td>
<td>10.00am</td>
<td>10.45am</td>
</tr>
<tr>
<td>Wednesday</td>
<td>No Scheduled Service</td>
<td>No Scheduled Service</td>
</tr>
<tr>
<td>Thursday</td>
<td>09.30am</td>
<td>10.15am</td>
</tr>
<tr>
<td></td>
<td>04.00pm</td>
<td>04.45am</td>
</tr>
<tr>
<td>Friday</td>
<td>04.00pm</td>
<td>04.45am</td>
</tr>
<tr>
<td>Saturday</td>
<td>11.30am</td>
<td>12.15am</td>
</tr>
<tr>
<td>Sunday</td>
<td>04.00pm</td>
<td>04.45pm</td>
</tr>
</tbody>
</table>

It was agreed with the islanders that there be no Wednesday service but that there would be two return sailings on Thursdays in winter.

The summer timetable is

<table>
<thead>
<tr>
<th>Day</th>
<th>Depart Clare Island</th>
<th>Depart Roonagh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>10.00am</td>
<td>11.00am</td>
</tr>
<tr>
<td></td>
<td>05.00pm</td>
<td>06.00pm</td>
</tr>
<tr>
<td>Tuesday</td>
<td>10.00am</td>
<td>11.00am</td>
</tr>
<tr>
<td>Wednesday</td>
<td>10.00am</td>
<td>11.00am</td>
</tr>
<tr>
<td>Thursday</td>
<td>10.00am</td>
<td>10.15am</td>
</tr>
<tr>
<td></td>
<td>05.00pm</td>
<td>06.00pm</td>
</tr>
<tr>
<td>Friday</td>
<td>10.00am</td>
<td>11.00am</td>
</tr>
<tr>
<td></td>
<td>05.00pm</td>
<td>06.00pm</td>
</tr>
<tr>
<td>Saturday</td>
<td>10.00am</td>
<td>11.00am</td>
</tr>
<tr>
<td>Sunday</td>
<td>05.00pm</td>
<td>06.00pm</td>
</tr>
</tbody>
</table>

2.7.3 Infrastructure

The existing infrastructure at Clare Island is deemed inadequate. In that regard, the existing pier facility was built in 1981 as an extension to a much older structure and is situated at the southern end of a sandy beach on the east coast of the island. The existing landing facility has two main shortcomings. Firstly, the depths adjacent to the berthing face are inadequate for berthing at all stages of the tide, both for the ferry operators and for the other users. Secondly, the pier does not provide adequate
shelter from wave attack. These shortcomings mean that on low tides passengers must embark and disembark the larger ferry boats via a gangway at the head of the pier.

Significant progress has already been made in improving the infrastructure in Clare Island. In that regard, a Preliminary Report prepared in 2000/2001 by Mayo County Council at the request of the Department, identified a preferred location for a new pier adjacent and to the south of the existing facility. This new pier location will give tidal access at all times to the existing users with considerably improved shelter and increased berthing length. The optimum facility at Clare Island would consist of 110m length of new pier with an additional 45m length at an angle of 45° with a rock armour revetment protection provided to the new pier and to the existing pier in order to limit wave overtopping and to improve wave conditions within the new harbour.

Mayo County Council, with funding of the order of €10 million from the Department of Community, Rural and Gaeltacht Affairs, is currently proceeding with a significant upgrading and renewal of the facilities at Clare Island. The contract, which is currently due to commence, includes for the 110m new pier length with revetment protection. This will provide considerably improved accessibility at low tides and improved shelter from wave action. The existing pier is also being upgraded and provided with revetment protection. It is anticipated that this project will be significantly complete in 2004/05.

The operation of winter ferry services to Clare Island is significantly curtailed by the exposure of Roonagh Pier both for subsidised and non-subsidised services. Currently, a pier extension project is being completed at Roonagh. This however, will only provide additional fair weather berthing, it will not improve the seasonal accessibility of Roonagh Pier.

2.7.4 Other Ferry Services

O’Malley Ferries operate a ferry service to Clare Island. They advertise a “full” timetable during the period May to September. They also operate a lesser service during the winter.

Heavy cargo such as building materials, plant and equipment, etc are brought to the island on specialist cargo craft. These craft operate on an on demand basis. There is no subsidised cargo service to Clare Island. Generally the service is from Westport and is provided by Molloy’s of Westport.

In the winter time, O’Malley Ferries boat is based at Westport because of poor shelter at Clare Island. Sometimes they have to go for Achill island for
shelter.
2.8 **Inishbofin**

2.8.1 **Island Profile**

Inishbofin is an English speaking island of the coast of Galway. It is some 5km across by 3km north south. The island had a population of 191 according to the 2002 census. It is accessed from Cleggan in County Galway.

The people of the island work principally in tourist related employment. There is a 22 bedroom hotel, five bed and breakfasts and eleven people offer self catering accommodation on the island. There are four restaurants on the island and in the summer months two ferry services provide passenger access from Cleggan. One of the ferry services is the subsidised ferry. Two cargo boats operate from the island. A number (6) of people are employed by Galway County Council to carry out work on the island, others are in the community development programme (2) and job initiatives (3). There is a primary school with two teachers on the island. There is a shop, a post office, a laundry, a heritage museum, bicycle hire, a minibus service, one building contractor, three plant hire, and a waste management contractor. Others on the island are employed in fishing, farming and labouring.

There is a community co-op through which an island development officer and part time assistant are employed. From time to time, courses are organised such as ECDL, childcare and business courses run by teachers from the mainland.

2.8.2 **Service Description**

Following a public tender, a three year contract, from the 1st November 2002 to 31st October 2005, was agreed with King Ferries to provide a subsidised passenger service to Inishbofin from Cleggan. The service to be provided was one return sailing four days per week and two return sailings three days per week all year round and including a road transport service to and from Galway, via Oughterard and Clifden to fit with the daily timetable. In addition, transport was to be provided for second level students to and from Tuam, via Kylemore on Fridays and Sundays of second level school terms. This school’s service is now provided to Ballinasloe following the closure of St. Jarlath’s in Tuam to boarders.

The principal boat is the Island Discovery with a gross tonnage of 107 tonnes and a passenger capacity of 100. The back up vessel is the Very Likely with a passenger capacity of 12. The principal boat has a crew of 4, who are either islanders or overnight on the island when on duty. The trip takes approximately 35 to 40 minutes depending on weather conditions.
The present contract has a total value of €385,000, giving a value of €128,333 per annum.

A report on dredging requirements at Inishbofin prepared by the Department of Communications, Marine and Natural Resources refers to a “Galway Islands Plan, CAAS 1996. The Department’s report states that “the plan gives the number of visitors as peaking at 369 per day in summer”. The ferry operator estimated that the visitor numbers using his ferry during the summer peaked at approximately 150 per day in summer. A Galway County Council Report on the Access and infrastructural needs of the County Galway Islands, Galway Co. Engineer 1996 quotes a passenger traffic of 20,000 people per year travelling to Inishbofin.

Statistics returned to the Department indicate that between 1 November 2002 and 31 May 2003, 10,142 passengers in total travelled on the Inishbofin Ferry of which 5,821 were Islanders and 4,321 were non-islanders.

The figure below shows the monthly flows.

![Monthly Flows Graph]

**2.8.3 Fares and Schedules**

The return adult fare for non islanders is €15, for adult islanders it is €8. Non islanders children pay €8, and islanders children pay €4.

The contracted level of service is one return sailing four days per week and two return sailings three days per week all year round and including the bus services outlined above.
The winter schedule (for November 2003 to May 2004) provided by the subsidised ferry service is given below.

<table>
<thead>
<tr>
<th></th>
<th>Depart Inishbofin</th>
<th>Depart Cleggan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>2.00pm</td>
<td>4.00pm</td>
</tr>
<tr>
<td>Tuesday</td>
<td>8.15 am &amp; 4.00pm</td>
<td>11.30am &amp; 7.30pm</td>
</tr>
<tr>
<td>Wednesday</td>
<td>2.00pm</td>
<td>4.00pm</td>
</tr>
<tr>
<td>Thursday</td>
<td>2.00pm</td>
<td>4.00pm</td>
</tr>
<tr>
<td>Friday</td>
<td>8.15 am &amp; 2.00pm</td>
<td>11.30am &amp; 7.30pm</td>
</tr>
<tr>
<td>Saturday</td>
<td>8.15 am &amp; 3.00pm</td>
<td>11.30am &amp; 4.00pm</td>
</tr>
<tr>
<td>Sunday</td>
<td>2.00pm</td>
<td>4.00pm</td>
</tr>
</tbody>
</table>

This schedule was drawn up following a survey carried out by the Inishbofin Development Company based on options offered by the subsidised carrier.

The timetable for the bus service dedicated to the subsidised ferry is given below.

<table>
<thead>
<tr>
<th></th>
<th>Depart Cleggan</th>
<th>Depart Galway</th>
<th>Depart Cleggan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>12.00 noon</td>
<td>2.30pm</td>
<td>12.00 noon</td>
</tr>
<tr>
<td>Tuesday</td>
<td>9.00am</td>
<td>5.30pm</td>
<td>6.15pm</td>
</tr>
<tr>
<td>Wednesday</td>
<td>12.00 noon</td>
<td>2.30pm</td>
<td>12.00 noon</td>
</tr>
<tr>
<td>Thursday</td>
<td>12.00 noon</td>
<td>2.30pm</td>
<td>12.00 noon</td>
</tr>
<tr>
<td>Friday</td>
<td>9.00am</td>
<td>5.30pm</td>
<td>6.15pm</td>
</tr>
<tr>
<td>Saturday</td>
<td>9.00am</td>
<td>12.00 noon</td>
<td>2.30pm</td>
</tr>
<tr>
<td>Sunday</td>
<td>9.00am</td>
<td>12.00 noon</td>
<td>2.30pm</td>
</tr>
</tbody>
</table>

2.8.4 Infrastructure

There are two piers at Inishbofin, the “old” pier and the “new” pier. The “old” Pier is in what is referred to locally as the inner pool, whereas the new pier is within the outer pool. Water depths in the outer pool are greater than within the inner pool. The subsidised ferry uses the new pier predominantly. However, there are restrictions due to lack of water depths in the pier approaches and alongside the new pier.

A series of dredging options have been drawn up by Galway County Council at the request of the Department for the improvement of access to the new pier and the old pier and inner harbour. They include dredging the approaches to and an area adjacent to the new pier to -5.1mODM. Some remedial works to the new pier are also recommended. Other options relate to dredging the approaches to the old pier and within the inner harbour. It is expected that some of the dredging options will be carried out in 2004. The
actual extent of the dredging will depend on cost and monies available. It
appears that the priority dredging relates to the new pier and approaches to
the new pier. Such dredging will allow improved ferry access to the new
pier. The dredging to improve access to the new pier is estimated to cost
some €367,807.

During the public forum to discuss the ferry services there was a general
level of satisfaction that the proposed dredging would improve access to the
new pier. However, an additional constraint on the use of the new pier was
raised. This constraint was due to wave action at the new pier during
periods of swell from the south west. During such swell, the ferry must moor
in the inner harbour. This results in inconvenience, increased health and
safety risk and increased running costs for the ferry operator. Sometimes
the boat has to be moored in the inner harbour late at night. The problem of
swell is worse at low tide. At low tide the ferry cannot berth at the old pier
and the gangway is very steep. One potential solution to the problem of
swell would be the construction of a breakwater some 200m west of the new
pier. To be effective, such a breakwater would have to extend sufficiently far
out from the shore for a substantial part of the new pier to be in the “wave
shadow” of the breakwater. Such a breakwater would be costly, perhaps in
the order of €2 million plus.

2.8.5 Other Ferry Services

The subsidised ferry operates a more frequent service during the summer
months. In addition, during the summer, there is one other ferry service
operating a scheduled service to the island. The second service is run by
O’Halloran Shipping, with the 99 passenger capacity Galway Bay as the
main vessel.

The subsidised boat carries light cargo such as baggage and groceries.
Specialised cargo boats bring heavier cargo to the island on an unscheduled
basis. There are two cargo boats on the island that operate principally to the
island on an on demand basis.

There are proposals to build an airstrip on the island and operate an air
service from either Clifden or Inverin with work to commence in 2004 and to
complete in 2005.
3. Socio-Economic and Socio-Linguistic Impacts

In this section, we examine the Socio-Economic and Socio-Linguistic Impact of the subsidised ferry services.

3.1 Demographic Context

It is very clear to us that without an ongoing regular and guaranteed ferry service, that island communities would not be as vibrant as they are. While population levels are declining slowly, the decrease would be significantly greater if a regular and guaranteed service were not available.

The table below provides details of the population changes since 1991.

<table>
<thead>
<tr>
<th>Island</th>
<th>1991</th>
<th>1996</th>
<th>2002</th>
<th>96/02 Diff</th>
<th>96/02 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inis Mór</td>
<td>836</td>
<td>838</td>
<td>831</td>
<td>-7</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Inis Meáin</td>
<td>216</td>
<td>191</td>
<td>187</td>
<td>-4</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Inis Oírr</td>
<td>270</td>
<td>274</td>
<td>262</td>
<td>-12</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Inis Cléire</td>
<td>132</td>
<td>145</td>
<td>129</td>
<td>-16</td>
<td>-11.0% - Cape Clear</td>
</tr>
<tr>
<td>Torai</td>
<td>119</td>
<td>169</td>
<td>133</td>
<td>-36</td>
<td>-21.3%</td>
</tr>
<tr>
<td>Inis Bó Finne</td>
<td>181</td>
<td>200</td>
<td>178</td>
<td>-22</td>
<td>-11.0%</td>
</tr>
<tr>
<td>Inis Tuirc</td>
<td>78</td>
<td>83</td>
<td>72</td>
<td>-11</td>
<td>-13.3%</td>
</tr>
<tr>
<td>Cliara</td>
<td>137</td>
<td>136</td>
<td>127</td>
<td>-9</td>
<td>-6.6% - Clare Island</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,969</td>
<td>2,036</td>
<td>1,919</td>
<td>-117</td>
<td>-5.7%</td>
</tr>
</tbody>
</table>

It is interesting to note that preliminary results from the 2002 Census indicate that the population of the islands has declined only by an order of 120. The population of the eight islands was 2,036 in 1996. In 2002, it was 1,919, with the biggest decline occurring at Tory Island of 36 or 21 per cent.
High transportation costs and other general inadequacies associated with transport services (e.g., poor landing facilities, interruptions due to bad weather) have been the primary causes of the long-term population decline. This decline was precipitated where these high transportation costs reduced the islands’ competitiveness and increased the cost of living for islanders. Both lead to fewer economic opportunities and to less attractive islands as places to live leading to sustained selective out-migration, an ageing population and a low birth rate culminating in long-term population decline.

In this section, where we examine the socio-economic and socio-linguistic impacts of the ferry services, it is very difficult to differentiate between the impacts generated by the subsidised ferries and the non-subsidised ferries. Both classes benefit the islanders and the islands equally except that the subsidised services generally provide a service all-year round.

Our discussions with the islanders have highlighted the many economic, socio-economic and socio-linguistic benefits that the ferry service provides. Cognisance has been taken of these in the text below.

3.2 **Socio-Economic Impact**

There is little difference and much overlap between ‘economic impact’ and ‘socio-economic impact’. We, therefore, examine both under the heading of Socio-Economic Impact. For the purposes of this Report, we define economic impact as the financial and other effects that activity has on the well-being of individuals. Socio-economic impact deals with the effects of the activity on the community as an entity.

We examine, first, the economic impact of the ferry services.

3.2.1 **Economic Impact**

The ferry service generates economic activity at three levels:

- The ferry companies themselves are generators of economic activity through local purchases, spend on local contractors, equipment hire etc. Ferry crew are generally from the island. Their incomes also contribute to the local economy.

- Spend by visitors on the mainland adjacent to the island(s) on meals, accommodation etc. For instance, there is additional tourism expenditure in Baltimore and Galway by virtue of the expenditure of those who plan to visit and travel to Cape Clear and the Aran Islands respectively.

- Spend by visitors on the islands themselves

This third spend, from an economic perspective, has the greatest impact, by far. It is on this element of economic activity that we concentrate our analysis.

Tourism has significant benefits for the islands including:

- Tourism is a major instrument of regional development. Many tourism
enterprises are situated in areas where other employment options are limited

- Local communities benefit from investment in facilities for tourists such as leisure and sporting facilities and in associated infrastructure including access transport and roads
- A vibrant tourism industry contributes to the viability and sustainability of a wide range of local enterprises
- Tourism promotes an enhanced awareness and positive appreciation of local traditions, way of life and cultural heritage

Specifically, tourist expenditure creates both temporary employment and income from the purchase of local goods and services. Service-type jobs are created in shops, gift production, and restaurants and hotels. In addition, the crew of the ferries, in many cases, live on the islands. There is also a multiplier effect where the income or wages generated from tourism is spent by islanders on local services. The multiplier is estimated to be of the order of 1.4.

It has been calculated\(^6\) that every million Euro of domestic tourism spend supports 23 jobs broadly. Also, every €100 of tourism revenue generates an overall GNP impact of €93 after applying multiplier effects (direct, indirect, induced and Government interacting).

In addition, it is estimated that for every Euro spent by domestic and out-of-state tourists, 48c eventually ends up with the government when VAT, Excise and Income Tax receipts are taken into account.

Many of the islands have various tourist events throughout the year and these can attract many times the indigenous population. While there is no record of average spend or the length of time tourists remain on an island, we suggest that day trippers could spend anything up to €25 a head while on an island. Those remaining on the island could spend anything up to €100 per night, depending on the island, on accommodation, gifts, food and drink. Many visitors stay more than one night when visiting an island.

At a national level, Fáilte Ireland has estimated that the average spend by domestic tourists in Ireland in 2002 per trip was €163 while out-of-state tourists spent, on average, €504 each. The average spend, overall, was €400.

Some islands, eg, Cape Clear, have Irish colleges. These can generate substantial income for islanders in many forms including teaching income, spend on subsistence for the students, gift spend as well as temporary bed and breakfast accommodation for parents when they come to visit their children. The income generated from the two colleges on Cape Clear can

\(^6\) See Tourism Facts 2002, Fáilte Ireland
contribute almost €200,000 to the island economy annually.

A key concern is that the vast majority of tourists to the islands are day-trippers. These, obviously, spend less than those who overnight. Estimates provided suggest that day-trippers account for between 75 per cent and 80 per cent of all visitors. The true economic benefits of tourism cannot be captured until such time that that percentage is significantly reduced. Notwithstanding local concerns about increased tourist numbers, there is the need for a joint and focused promotion campaign to encourage visitors to remain on the islands longer. Further, the development of tourism in the ‘shoulder’ months cannot be effected without greater marketing of the islands and a guaranteed ferry service.

Ferries also allow for the import of plant and equipment that allows for the construction of houses and other infrastructure. Often, this construction gives rise to local employment and local expenditure. A guaranteed ferry service can also be used for the export of fish and other local produce.

There is an interesting article in Irish Geography which considers whether the heritage of the still-populated islands should be exploited as a valuable economic resource or should instead be protected, celebrated but not exposed to the dangers and falseness of over-exposure to the tourist gaze. In such a case, the strategy might have a damaging economic cost. A number of interesting examples are referenced including the painters of the Tory Primitive School, the various dún to be found across the Aran Islands, Ionad Árann as well as Teach Synge on Inishmaan. The author of the article suggests that there is a major conundrum to be addressed: unspoiled places are getting little money from tourism.

### 3.2.2 The Economic Value of the Subsidised Island Ferry Services

We have attempted to make an overall estimate of the economic impact of the subsidised ferry services.

We have not included the impact of the visitor spend on the adjacent mainland and the ferries themselves because of the absence of relevant data; however, if each visitor, on average, spent, say, €20 on the mainland, then the overall impact would be at least €3.4 million annually. The impact of the ferry companies themselves is likely to be substantial when one considers the total permanent and temporary employment of all of the ferry companies, both sea and air, subsidised and otherwise, operating to the islands, as well as their purchases. Island Ferries and InisMór Ferries, alone, during the summer months employ about 165 staff.

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7 Exploitation and Celebration of the Heritage of the Irish Islands, Stephen A Royle, Irish Geography, Volume 36(1), 23-31
Study of Ferry Service Requirements to a Number of Islands

As noted elsewhere, there is a dearth of reliable data on number of tourists to the islands, spend by category of tourist and length of stay. We, therefore, were forced to make two key assumptions:

- 170,000 visitors travel to the eight islands annually by the various subsidised air and sea ferry services
- On a weighted average basis, each visitor spends €70 excluding ferry fares

On that basis, we obtain the following results for both the subsidised ferry services as well as for all of the ferry services to the eight islands:

<table>
<thead>
<tr>
<th></th>
<th>Subsidised</th>
<th>All Ferries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist Numbers</td>
<td>170,000</td>
<td>265,000</td>
</tr>
<tr>
<td>Average Tourist Spend €</td>
<td>70.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Total Tourism Spend €M</td>
<td>11.9</td>
<td>18.6</td>
</tr>
<tr>
<td>Broader Economic Impact €M</td>
<td>16.7</td>
<td>26.0</td>
</tr>
<tr>
<td>Contribution To GNP €M</td>
<td>11.1</td>
<td>17.3</td>
</tr>
<tr>
<td>Full-Time Job Equivalents on the Islands and Elsewhere Supported by the Tourism Expenditure</td>
<td>275</td>
<td>430</td>
</tr>
<tr>
<td>Government Tax and Excise Receipts €M</td>
<td>5.7</td>
<td>8.9</td>
</tr>
<tr>
<td>Govt Receipts/Subsidy (excluding Aer Árann Subsidy)</td>
<td>4.1:1</td>
<td>6.4:1</td>
</tr>
<tr>
<td>Govt Receipts/Subsidy (including Aer Árann Subsidy)</td>
<td>2.7:1</td>
<td>4.2:1</td>
</tr>
</tbody>
</table>

The last two ratios relate the return to Government in the form of tax and excise receipts to the subsidy provided by Government for the various ferry services. Ignoring deadweight, it can be seen that the receipts are a multiple of the subsidy.

### 3.2.3 Socio-Economic Impact

From a socio-economic perspective, the availability of a regular and guaranteed service provides a lifeline service and thus addresses the problems of isolation and sense of remoteness, and the consequent medical and other health problems. By allowing the local population to remain together, a regular ferry service maintains the community identity and the culture associated with it.

Without the ferry service, communities would decline and disappear as children and students would not be able to attend school or college and return at weekends; now, those in employment on the mainland can leave for work at the beginning of the week and return to their families at weekends, while those who wish to shop or go for specialist medical care can be assured that they can return home to their community within a reasonable time.

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8 We estimate that at least 265,000 tourists visit the eight islands on both the subsidised and subsidised services
9 it can be argued that not all of the economic benefit and, thus, the taxes can be attributed to the Subsidy because many of the ferry services are likely to be profitable during the summer months when most of the tourists visit the islands
With the lifeline service, local communities have fostered, a greater self-confidence has been expressed, new infrastructure has been built and community and educational facilities, including, in some instances, secondary schools, have been provided.

On a number of islands, local enterprises have developed creating employment opportunities for some.

Tourism also contributes to the socio-economic life of the island: it helps to sustain an enhanced transportation service, contributes to the viability of shops and other businesses, and improves the quality of life in general by facilitating the creation of a vivacious and pleasant social environment for the enjoyment of both tourists and the host community alike.

On a longer-term basis, the impacts of a reliable and cost-effective ferry service should be seen in greater wealth creation, increased employment, newer housing stock and improved quality of life.

The Cranfield Report on Air Services (see section 5.17) notes that a vital element in ensuring the continued existence of island communities is ready access to reliable transport services. Where this does not apply, as in the case of Tory island, the provision of reliable all year round communications may only be achieved in the form of an air service. Such a service provides islanders with a fast, frequent and reliable means of travelling to and from the mainland. During the winter months, an air service provides a more pleasant mode of travel, especially when sea conditions are rough.

Of course, without the economic contribution brought about by tourism, the communities themselves could not afford to remain on the islands even with subsidised access.

### 3.3 Socio-Linguistic Impact

#### 3.3.1 Background

Five of the islands covered in this report are Gaeltacht islands: Inis Mór, Inis Meáin, Inis Oírr, Oileán Thoraigh and part of Oileán Chléire, as defined by order made under section 2 of the Ministers and Secretaries (Amendment) Act, 1956.

While overall population figures are collated for the islands as part of the Census figures, linguistic data is only available at the District Electoral Division (DED) level. Within this format Oileán Chléire is treated as one DED; Inis Mór, Inis Meáin and Inis Oírr are collectively treated as one DED (Inis Mór DED); and data for Oileán Thoraigh is included in the data for Mín an Chladaigh DED.

Table 1 gives the linguistic data for each of these DED’s from the 1996
Census (the linguistic data at DED level is not yet available for the 2002 Census). On the three Aran Islands 90% of the population are able to speak Irish and 88% of those use Irish on a daily basis. In Mín an Chladaigh DED, which includes Oileán Thoraigh, 95% of the population are able to speak Irish and 95% of those use the language on a daily basis. The figures for Oileán Chléire, with 57% of the population being Irish Speakers and 43% of those using Irish on a daily basis, are significantly lower. However, only part of Oileán Chléire is designated as a Gaeltacht area, while the DED figures cover the total population of the island. In addition, there is no Gaeltacht area on the mainland contiguous to the island as is the case with the other Gaeltacht islands being discussed here.

<table>
<thead>
<tr>
<th>DED</th>
<th>% Able to speak Irish</th>
<th>Frequency of usage (%)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Daily</td>
<td>Weekly</td>
<td>Less frequently</td>
<td>Never</td>
<td>Not stated</td>
<td></td>
</tr>
<tr>
<td>Inis Mór</td>
<td>90%</td>
<td>88%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Mín an Chladaigh</td>
<td>95%</td>
<td>95%</td>
<td>1%</td>
<td>2%</td>
<td>0%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Oileán Chléire</td>
<td>57%</td>
<td>43%</td>
<td>21%</td>
<td>23%</td>
<td>10%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>An Ghaeltacht</td>
<td>69%</td>
<td>54%</td>
<td>9%</td>
<td>25%</td>
<td>7%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Nationally</td>
<td>41%</td>
<td>25%</td>
<td>8%</td>
<td>31%</td>
<td>26%</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: Ability and frequency of usage of Irish amongst population aged 3+ in DEDs covering Gaeltacht Islands referred to in this Report Source: Census 1996

A second source of data, which gives an indication of the current status of the Irish language in Gaeltacht communities is the data provided by the Department of Community, Rural and Gaeltacht Affairs for Scéim Labhairt na Gaeilge (SLG), under which the Department pays a small subvention to Irish-speaking households with young children in Gaeltacht areas. Table 2 indicates the number of households on each of the islands under discussion who applied under the scheme in 2001-02 and who received a subvention or a reduced subvention (a reduced subvention is paid to households who do not meet the standard required by the Scheme, but who satisfy the Department that they have the potential to reach the appropriate standard within a 3 year period).

<table>
<thead>
<tr>
<th>Island</th>
<th>Number of households who applied for SLG</th>
<th>Number and % of households approved for full subvention</th>
<th>Number and % of households approved for reduced subvention</th>
<th>Total number and % of households approved for full or reduced subvention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inis Mór</td>
<td>75</td>
<td>59 (79%)</td>
<td>10 (13%)</td>
<td>69 (92%)</td>
</tr>
<tr>
<td>Inis Meáin</td>
<td>18</td>
<td>17 (94%)</td>
<td>1 (6%)</td>
<td>18 (100%)</td>
</tr>
<tr>
<td>Inis Oírr</td>
<td>25</td>
<td>24 (96%)</td>
<td>1 (4%)</td>
<td>25 (100%)</td>
</tr>
<tr>
<td>Oileán Thoraigh</td>
<td>16</td>
<td>14 (88%)</td>
<td>2 (12%)</td>
<td>16 (100%)</td>
</tr>
<tr>
<td>Oileán Chléire</td>
<td>9</td>
<td>4 (44%)</td>
<td>5 (56%)</td>
<td>9 (100%)</td>
</tr>
</tbody>
</table>

Table 2: Number of families on Gaeltacht Islands referred to in this report applying for and receiving a subvention under Scéim Labhairt na Gaeilge in 2001-02 Source: Department of Community, Rural and Gaeltacht Affairs
The high level of competence and usage reported in the Census data and the high level of home usage reported in the SLG figures, indicate that Oileán Thoraigh and the three Aran Islands remain strong Irish-speaking communities, with Oileán Chléire being in a more marginal position. Evidence of the strong position of Irish on each of the islands was available to us at the public meetings conducted, with 3 of the meetings being conducted primarily in Irish and the other 2 being conducted bilingually.

Currently, only 18 of the 154 district electoral divisions contained in the official Gaeltacht, have a population of which 75% or more are daily speakers of Irish (Coimisiún na Gaeltachta: 2002). Within this linguistic context the Gaeltacht Islands referred to in this report are becoming increasingly unique linguistic entities.

3.3.2 Importance of the Irish Language to the Economy of Gaeltacht Islands

Because of its importance within a national context, the Irish language represents one of the major economic resources available to the communities living on Gaeltacht Islands. This resource is utilized through schemes operated by the Department of Community, Rural and Gaeltacht Affairs and Údarás na Gaeltachta; through language related projects on the island and from spin offs from these projects, particularly in the area of tourism.

The Department of Community, Rural and Gaeltacht Affairs provides support through schemes that aim to support the Irish language and to develop the social and physical infrastructure of the islands. The main language related schemes are:

- **Scéim Labhairt na Gaeilge**, which provides a small annual subvention (€260) to families who use Irish as a primary household language.
- **Scéim na bhFoghlaimeoirí Gaeilge**, through which support is given to mná tí who provide accommodation for students attending Irish language summer colleges.
- **Achtanna na dTithe (Gaeltacht), 1929-2001**: Under the provisions of this Act the Department provides housing grants of up to €15,300 for people building or making improvements to houses on Gaeltacht islands, providing that the primary language of the household is Irish.

Under the provisions of these schemes the Department paid a total of €714,061 to people living on Gaeltacht Islands in 2002. (Table 3)

In addition, the Department provides development grants of up to 80% for community developments, for example community centres and public works, on the islands. This provision was restricted to Gaeltacht islands in the past and was extended to non-Gaeltacht islands in 1997 when responsibility for the islands came under the brief of the current Department.
Study of Ferry Service Requirements to a Number of Islands

<table>
<thead>
<tr>
<th>Island</th>
<th>Scheme</th>
<th>Expenditure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inis Mór</td>
<td>• Scéim Labhairt na Gaeilge</td>
<td>€ 16,640</td>
<td>€346,733</td>
</tr>
<tr>
<td></td>
<td>• Scéim na bhFoghlaimeoirí Gaeilge</td>
<td>€ 44,093</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Deontais faoi Achtanna na d'Tithe (Gaeltacht)(^1)</td>
<td>€286,000</td>
<td></td>
</tr>
<tr>
<td>Inis Meáin</td>
<td>• Scéim Labhairt na Gaeilge</td>
<td>€ 4,550</td>
<td>€97,122</td>
</tr>
<tr>
<td></td>
<td>• Scéim na bhFoghlaimeoirí Gaeilge</td>
<td>€26,572</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Deontais faoi Achtanna na d'Tithe (Gaeltacht)</td>
<td>€66,000</td>
<td></td>
</tr>
<tr>
<td>Inis Oírr</td>
<td>• Scéim Labhairt na Gaeilge</td>
<td>€ 6,370</td>
<td>€165,791</td>
</tr>
<tr>
<td></td>
<td>• Scéim na bhFoghlaimeoirí Gaeilge</td>
<td>€71,421</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Deontais faoi Achtanna na d'Tithe (Gaeltacht)</td>
<td>€88,000</td>
<td></td>
</tr>
<tr>
<td>Óileán Thoraigh</td>
<td>• Scéim Labhairt na Gaeilge</td>
<td>€ 3,900</td>
<td>€43,900</td>
</tr>
<tr>
<td></td>
<td>• Scéim na bhFoghlaimeoirí Gaeilge</td>
<td>€88,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Deontais faoi Achtanna na d'Tithe (Gaeltacht)</td>
<td>€40,000</td>
<td></td>
</tr>
<tr>
<td>Óileán Chléire</td>
<td>• Scéim Labhairt na Gaeilge</td>
<td>€ 1,690</td>
<td>€60,515</td>
</tr>
<tr>
<td></td>
<td>• Scéim na bhFoghlaimeoirí Gaeilge</td>
<td>€48,825</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Deontais faoi Achtanna na d'Tithe (Gaeltacht)</td>
<td>€10,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>€714,061</td>
</tr>
</tbody>
</table>

Table 3: Language related expenditure by the Department of Community, Rural and Gaeltacht Affairs in 2002 on Gaeltacht Islands referred to in this report

Source: Department of Community, Rural and Gaeltacht Affairs

Údarás na Gaeltachta’s development policy\(^1\) for Gaeltacht Islands aims to:

- Acknowledge in a practical way the special economic, social and cultural importance of the Gaeltacht Islands.
- Encourage the economic, social and cultural development of the Islands.
- Give the island communities a central role in development and provision of services by recognizing and supporting the Comharchumainn Pobail (Community Co-operative) as the primary local development agencies.
- Increase employment and entrepreneurial activity.
- Build on the natural resources of the Islands.
- Provide support schemes and policies aimed specifically at reducing the constraints and barriers that islanders have to deal with.
- Develop a partnership approach with other bodies to ensuring that the basic services being provided to the islands are of a high quality and meet the needs of the islanders.

The schemes by which an Údarás provides support to the Gaeltacht Islands include:

- **Support for island co-operatives:** through the provision of an administrative grant and through the provision of training and other support programmes for managerial and voluntary personnel.
- **Support for the development of employment opportunities and entrepreneurial activity:** This includes the provision of an employment grant of €13,000 (for full time jobs) and €6,500 (for part-time/seasonal jobs) in language related and service industries; the provision of accommodation for community and private entrepreneurial projects at subsidised rates; grants of up to 80% for non-trading community projects.

\(^{10}\) Estimate based on grant approvals given in 2002.

\(^{11}\) (Údarás na Gaeltachta: Na hOileáin Ghaeltachta – Polasaí Forbartha (Gaeltacht Islands – Development Policy))
which are initiated under the auspices of co-operatives and other community based organisations; special provision for islanders under Údarás’s Apprenticeship Scheme. Also, in recognition of the extra costs and constraints which pertain to development on the islands, an Údarás operates a special scheme that allows it to provide special support in addition to its basic support schemes. Under this scheme up to €90,000 or 80% of expenditure can be provided to qualified trading businesses on the islands over a period of three years.

- **Support for the social economy**: Údarás works in conjunction with the Health Boards in supporting island co-operatives and other community groups in developing social and other care services for the elderly and other groups with special needs.

- **Support for education**: Údarás provides support for education initiatives on Gaeltacht islands, through support for the provision of Naíonraí (Irish-medium preschools); the provision of career guidance and support services for second level schools, and a special fund which provides support for Gaeltacht schools wishing to participate in extra-curricular educational, sport and cultural activities on the mainland.

- **Youth Work**: Support for the establishment of social and special interest clubs for young people and support for young people wishing to participate in social and cultural activities on the mainland.

- **Tourism**: Údarás’s Gaeltacht Tourism Strategy includes objectives in relation to the development of cultural tourism on the islands, through the development of local tourism products and services that promote the Gaeltacht as an identifiable tourist destination with the Irish language as one of the central aspects. Within this context Údarás provides support to co-operatives and private interests in establishing and developing tourism services; provides training support for islanders involved in the tourism industry; and provides support for island organisations involved in marketing the islands as a tourist destination.

In 2001, Údarás reported that it had approved grant aid of €2,871,531 and paid out a total of €2,060,037 in cumulative grant aid to industries located on the Gaeltacht Islands referred to in this report (Table 4).

<table>
<thead>
<tr>
<th>Island</th>
<th>Grants Approved in total</th>
<th>Grants paid in 2001</th>
<th>Total Grants paid to 31/12/01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Óileáin Thoraigh</td>
<td>€518,389</td>
<td>€14,663</td>
<td>€199,624</td>
</tr>
<tr>
<td>Inis Meáin</td>
<td>€1,676,198</td>
<td>€336,938</td>
<td>€1,374,040</td>
</tr>
<tr>
<td>Inis Mór</td>
<td>€475,556</td>
<td>€56,451</td>
<td>€317,776</td>
</tr>
<tr>
<td>Inis Oírr</td>
<td>€166,907</td>
<td>€27,969</td>
<td>€140,913</td>
</tr>
<tr>
<td>Óileáin Chléire</td>
<td>€34,481</td>
<td>€3,372</td>
<td>€27,684</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€2,871,531</strong></td>
<td><strong>€439,393</strong></td>
<td><strong>€2,060,037</strong></td>
</tr>
</tbody>
</table>

Table 4: Assistance given by Údarás na Gaeltachta to industries operating on Gaeltacht Islands referred to in this Report, up to and including 2001.  

Employment in Údarás supported projects on Gaeltacht Islands referred to in this report in 2002 totalled 141 fulltime and 287 part-time/seasonal positions (Table 5). These figures are collated in the period September-November and the numbers employed on a part-time/seasonal basis in tourism projects during the height of the summer season is likely to be higher.
Study of Ferry Service Requirements to a Number of Islands

<table>
<thead>
<tr>
<th>Island</th>
<th>Full time employment</th>
<th>Part-time/seasonal employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oileán Thoraigh</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Inis Meáin</td>
<td>35</td>
<td>71</td>
</tr>
<tr>
<td>Inis Mór</td>
<td>55</td>
<td>110</td>
</tr>
<tr>
<td>Inis Oírr</td>
<td>31</td>
<td>63</td>
</tr>
<tr>
<td>Oileán Chléire</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>141</strong></td>
<td><strong>287</strong></td>
</tr>
</tbody>
</table>

Table 5: Full time and part-time/seasonal employment in projects supported by Údarás na Gaeltachta on Gaeltacht islands referred to in this Report (as surveyed in September-November 2002)

Source: Údarás na Gaeltachta

Language Related Services: The major language related service being provided on Gaeltacht Islands are the summer colleges, sometimes run by local groups and supported by the Department of Education and the Department of Community, Rural and Gaeltacht Affairs.

With the exception of Oileán Thoraigh, all of the Gaeltacht Islands have a summer college on them, with Oileán Chléire having two. The figures for 2002, show that a total of 1281 students attended the colleges.

The estimated income generated by these Irish language projects in 2002 is €1,006,783 (Table 6). While it is difficult to estimate the total amount of pocket money that students bring with them, discussions with administrators of the colleges suggest that most students bring in the region of €125 with them. The colleges bring further spin offs in the form of visits by parents while their children are attending the college. It is estimated by college administrators that parents pay at least one visit to their children while they are attending college. In addition, it was suggested to us during our visits to some of the islands that the summer college business was responsible for a significant portion of the ordinary tourist trade to some of the Gaeltacht Islands as many of the summer students tend to pay return visits later on as adults.

<table>
<thead>
<tr>
<th>Island</th>
<th>Number of Colleges</th>
<th>No. of students</th>
<th>Support from Department of Community, Rural and Gaeltacht Affairs</th>
<th>Estimated support from Department of Education and Science</th>
<th>Estimated income from fees</th>
<th>Estimated expenditure of students</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inis Mór</td>
<td>1</td>
<td>291</td>
<td>€44,893</td>
<td>€14,113</td>
<td>€133,860</td>
<td>€36,375</td>
<td>€228,441</td>
</tr>
<tr>
<td>Inis Meáin</td>
<td>1</td>
<td>173</td>
<td>€26,572</td>
<td>€8,390</td>
<td>€86,500</td>
<td>€21,625</td>
<td>€143,087</td>
</tr>
<tr>
<td>Inis Oírr</td>
<td>1</td>
<td>496</td>
<td>€71,421</td>
<td>€24,056</td>
<td>€223,200</td>
<td>€62,000</td>
<td>€380,677</td>
</tr>
<tr>
<td>Oileán Chléire</td>
<td>2</td>
<td>321</td>
<td>€48,825</td>
<td>€15,568</td>
<td>€150,060</td>
<td>€40,125</td>
<td>€254,578</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>1281</strong></td>
<td><strong>€190,911</strong></td>
<td><strong>€62,127</strong></td>
<td><strong>€593,620</strong></td>
<td><strong>€160,125</strong></td>
<td><strong>€1,006,783</strong></td>
</tr>
</tbody>
</table>

Table 6: Number of pupils and estimated income generated by Irish language summer colleges on Gaeltacht Islands in 2002
The economic benefits gained by Gaeltacht Islands from these schemes and language related services are dependent in the long-term on them maintaining the Irish language as both a home and community language. Given the importance of these inputs into the economy of the Gaeltacht Islands referred to in this report it is reasonable to conclude that the loss of their linguistic uniqueness will have economic as well as social and cultural repercussions.

3.3.3 Sociolinguistic Impact of Ferry Services on Gaeltacht Islands

The essential importance of the ferry services to the islands is in increasing the attractiveness of the islands as a place to live. They do this by facilitating:

- People who live on the islands in communicating and interacting with the outside world;
- Island communities in participating in social, commercial and public activities which occur on the mainland;
- Access to the islands for mainland based commercial and public bodies providing essential and other services to island communities.
- Economic activity, including tourism, and increased employment opportunities on the islands.
- An enhanced quality of life for people living on the island, by increasing access to education; health and social welfare services; financial services, development agencies; fresh food, groceries and other necessities; and sport and social activities.

By increasing the attractiveness of the islands as a place to live, the demographic viability of the islands is enhanced and thus the chances of maintaining the current Irish-speaking population of the islands is increased. Our visits to Oileán Thoraigh provided some anecdotal evidence of this, where it was reported to us that, as a result of the significant improvement in the frequency of the ferry service in recent years, a number of young families had returned to live on the island.

However, although the ferry services are an essential ingredient in maintaining and increasing current population levels on the islands, it is important to note that this of itself will not ensure that the population of Gaeltacht Islands will remain Irish-speaking in the future. The viability of these islands as Irish-speaking communities is subject to the same language shift patterns happening in other Gaeltacht communities. These language shift patterns are driven by many situational factors not connected directly with the ferry services, including:

- effects of inward and outward migration.
- changes in the linguistic composition of the community.
- levels of access to Irish-medium education at second level.
• impact of young people leaving to avail of third level opportunities on the mainland.
• increased presence of English language media in everyday life.
• changes in social patterns leading to increased incidences of Irish-speakers marrying non-Irish speakers and a reduced role for the extended family in child rearing.

However, by increasing access to the islands and making them more attractive as places to visit and live, the ferry services indirectly facilitate these change patterns, which are likely, unless effective language planning interventions are in place, to lead to negative sociolinguistic impacts. In addition, by facilitating increased levels of tourist traffic to the islands, the ferry services increase the level of English-speakers visiting the island. While this, in an effectively managed Gaeltacht Island tourist industry, should not necessarily affect levels of language shift among the island populations, the reality is that tourism on the islands currently appears to have no clear long-term strategic focus or direction, with the result that it has developed on an ad-hoc basis in which language issues are given little or no consideration. This has resulted in Irish being sidelined in an effort to serve the perceived needs of tourists. An example of this is the increased levels of English-medium public signage, a particular example being Cill Rónáin, on Inis Mór, where virtually all public signage, i.e. names of shops, pubs etc. is in English only or bilingual.

Most of these factors, however, are outside the direct scope and role of the ferry service operators and can only be dealt with by effective local level language planning interventions which would include, amongst other things, language support for non-Irish speakers wishing to live on Gaeltacht Islands and the development and implementation of models of best practice for businesses providing island tourism services.

Within this socio-linguistic context, however, the ferry service operators themselves play a major role in view of their role in marketing the islands as tourist destinations, and the importance of the role they play in the life of the islands generally. Therefore it is important that they themselves operate a model of best practice:

• In the way in which their services are marketed and delivered to people living on the islands.
• In marketing the image of Gaeltacht Islands as islands with a particular linguistic identity – with the aim of developing sustainable cultural tourism on the islands, making tourists sensitive to linguistic issues when visiting the islands, and increasing the economic value of the language.

In this context, it is important to note that the opinions expressed at public meetings on Gaeltacht Islands referred to in this report included the
Study of Ferry Service Requirements to a Number of Islands

following:

- That subsidised ferry service operators should be required to employ Irish-speaking personnel – both on vessels and at other customer interface points - as part of their conditions of contract.
- That many Irish-speakers on Gaeltacht Islands have a preference for transacting their business through the medium of Irish when possible.
- That signage and public announcements on subsidised ferry services should be in Irish and English.
- That where ferry services which are heavily subsidised by the State are not seen to have a positive attitude to the Irish language in their dealings with Gaeltacht Islands, the implications for the language itself will be negative.

It was also noted that all of the subsidised passenger service operators to Gaeltacht Islands employed Irish-speaking personnel on their vessels. The delivery of customer services through the medium of Irish at other customer interface points and the use of Irish-medium and bilingual signage and advertising varied considerably across the range of services, indicating that there is a need to develop and implement models of best practice in relation to these issues.

3.3.4 Recommendations

Models of Best Practice in the Marketing and Delivery of Ferry Services;

In a language planning context, models of best practice require that organisations operating in a Gaeltacht area, in this case ferry service operators, adopt Irish as the primary working language in all of its activities. This ensures that the local public perceive the organisation as one in which Irish is the ‘default’ language and the language in which communication with the organisation is initiated. Where this is not possible, a minimum requirement is that the organisation adopts a policy of ensuring that:

- Irish is the default language used at all interface points between the organisation and the public. This includes, in the case of ferry service operators, communications with passengers on vessels, communications at ticket sales points, communications with customers by phone, written communications and advertising.
- That the public image of the organisation, as created through advertising and permanent and non-permanent signage is, at a minimum, bilingual with Irish given prominence.

This model of best practice as applied to the ferry services to Gaeltacht Islands, would require that:

- All personnel employed on vessels are competent Irish-speakers and are trained to use Irish as the default language in their dealings with passengers.
- All personnel employed at ticket office, enquiry, and all other customer service locations are competent Irish-speakers and are trained to use Irish as the default language in their dealings with customers.
• All permanent and non-permanent signage be in Irish only or bilingual with Irish given prominence. In particular vessels should carry names in the Irish language only and references to Gaeltacht place names should be in Irish only.

• All advertising be bilingual with Irish given, at a minimum, equal prominence.

While, with some notable exceptions, most aspects of the operations of the subsidised ferry service operators relevant to this section of the report, are already in significant accordance with this best practice model, there is also considerable room for improvement. This is unlikely to happen, unless linguistic factors are included in the conditions attached to contracts and as a significant performance indicator in the performance evaluation of services. A guideline for evaluating such performance indicators is given in section 6.3.

Role of the Department of Community, Rural and Gaeltacht Affairs:

It is also recommended that the Department of Community, Rural and Gaeltacht Affairs consider initiating language awareness training for staff and personnel involved in ferry services to Gaeltacht Islands, perhaps in a tourism development and marketing context.

It is important to note that the Department itself should continue to ensure that its own dealings with Gaeltacht Island Communities in relation to the development, monitoring, evaluation and delivery of ferry services, are primarily and as far as is practical, be carried out through the medium of Irish. In particular, where Ferry Service User Groups are established, care should be taken to ensure that they function through the medium of Irish.
4. Other Ferry Services

In this section, we present details of other subsidised ferry services.

4.1 Strangford Lough (Northern Ireland)

4.1.1 The Service

The Roads Service of Northern Ireland operates the ferry service across Strangford Lough between the villages of Strangford and Portaferry in Northern Ireland.

To travel the distance between Strangford and Portaferry by road is approximately 75 kilometres and takes about an hour and a half by car.

By contrast, the ferry route is approximately 0.6 nautical miles with a typical crossing time of about 8 minutes.

The ferry runs for approximately 16 hours each day, 364 days per year. The service normally operates with one vessel, leaving each slipway at 30 minute intervals; from Strangford on the hour and half hour and from Portaferry at a quarter past and a quarter to the hour. The car carrying capacity of the new £2.7 million MV “Portaferry II” is 28. This is a 40 percent increase on the capacity of the MV Strangford. MV Strangford is in a standby and support role and operates during peak traffic periods in the summer months.

The MV “Portaferry II” can carry 255 passengers.

The Roads Service originally intended the service to be provided as a Public Private partnership but this fell through.

4.1.2 History

The channel connecting the Irish Sea and Strangford Lough is five miles long and half a mile wide. The rush of the tide through the channel is so strong that the Norsemen called the place Strang Fiord. The channel has a maximum depth of 52 metres.

For almost four centuries without break, a ferry service has been provided between Portaferry and Strangford.

Strangford also had the first steam ferry in Ireland, thirty-six years before Belfast could boast a steam ferry on the River Lagan. In June 1836 the “Lady of the Lake” took up service between Strangford and Portaferry.

In early 1946 two flat-bottomed landing craft, fitted with twin engines and capable of accommodating about 36 passengers and two motor cars were brought into service. Sadly this arrangement ended with the capsizing of one of the boats and the loss of one life. The McDonald family from Strangford
operated a passenger service after this. This service lasted until 1967 when it was taken over by the Government.

A new car ferry, the MV “Strangford” was ordered from the Verlome Shipyard in Cork. She was launched on 6 September 1969. In 1974, another boat, the MV “Portaferry” was bought from a company in Wales and modified by Messrs Harland and Wolff of Belfast. This ferry acted as standby for whenever the main ferry was off due to annual maintenance. Another smaller passenger-only ferry, the “Isle O’Valla” was bought at about this time to cover for when neither vessel was operating.

The new £2.7 million MV “Portaferry II” was officially handed over to Roads Service on Tuesday 23 October 2001 by shipbuilders McTay Marine of Merseyside. This purpose-built craft successfully completed final trials in Strangford Lough. After crew training she came into service at 15:00 on Tuesday 18 December 2001.

The MV “Portaferry II” has replaced the MV “Strangford” as the main vessel. The MV “Strangford” has taken over the support role from MV “Portaferry”. MV Portaferry was sold in May 2002.

According to its Passengers’ Charter, a service reliability of not less than 99 percent is aimed for. In 2002, the reliability of the ferry was 99.97 percent. The figures for 2001, 2000 and 1999 were 99.94 percent, 99.91 and 99.98 percent.

4.1.3 Timetable

There are sailings every day of the year except Christmas day:

- From Strangford, the vessel departs on the hour and on the half hour
- From Portaferry, the ferry departs at quarter past and quarter to the hour
## 4.1.4 Fares

<table>
<thead>
<tr>
<th>Type</th>
<th>Single Fare</th>
<th>Same day Return</th>
<th>20 Ticket Book</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary fare</strong></td>
<td>£1.00</td>
<td>£1.60</td>
<td>£10.00</td>
</tr>
<tr>
<td><strong>Senior citizen</strong></td>
<td>FREE</td>
<td>FREE</td>
<td>FREE</td>
</tr>
<tr>
<td><strong>Children under 5 years</strong></td>
<td>FREE</td>
<td>FREE</td>
<td>FREE</td>
</tr>
<tr>
<td><strong>Children over 5 years and under 16 years</strong></td>
<td>50p</td>
<td>80p</td>
<td>£5.50p</td>
</tr>
</tbody>
</table>

### Motorcycles and Concessionary

<table>
<thead>
<tr>
<th>Type</th>
<th>Single Fare</th>
<th>Same day Return</th>
<th>20 Ticket Book</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motorcycle and driver</strong></td>
<td>£3.10</td>
<td>£4.80</td>
<td>£24.00</td>
</tr>
<tr>
<td><strong>Disabled drivers</strong></td>
<td>£1.80</td>
<td>£3.00</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### All Other Vehicles by Length and Driver

<table>
<thead>
<tr>
<th>Type</th>
<th>Single Fare</th>
<th>Same day Return</th>
<th>20 Ticket Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 6 metres</td>
<td>£4.80</td>
<td>£7.70</td>
<td>£41.00</td>
</tr>
<tr>
<td>Over 6 and not exceeding 8 metres</td>
<td>£8.40</td>
<td>N/A</td>
<td>£97.00</td>
</tr>
<tr>
<td>Each additional 2 metres</td>
<td>£3.60</td>
<td>N/A</td>
<td>£48.00</td>
</tr>
</tbody>
</table>

## 4.1.5 Website

Further details of the service can be obtained on [www.roadsni.gov.uk/](http://www.roadsni.gov.uk/)

## 4.2 Ballycastle – Rathlin Island (Northern Ireland)

Rathlin lies three miles (six miles by ferry) off the north-east coast of Antrim and has a resident population of 80 which increases significantly with tourists and visitors during the summer.

The Northern Ireland Department for Regional Development currently provides a Roll-on Roll-off, lifeline ferry service ([ferry](https://www.roadsni.gov.uk/)) between Ballycastle and Church Bay, Rathlin all year round through contracted arrangements with CalMac (Caledonian MacBrayne), a public company owned by the Scottish Executive. Under contractual arrangements the Department pays an annual subsidy in support of operating costs, which is in effect a Public Service Obligation subsidy. The total annual subsidy is of the order of Stg£400,000 (€571,000) which equates to Stg£5,000 (€7,140) per islander per annum.

The vessel operated is the MV Canna which was built in 1973 by James Lamont & Co Ltd of Glasgow. A Class IV, Class VI and Class VIA vessel, it is a single-ended car/passenger ferry designed to operate from 1:8 slipways. It has a size of 22.5m by 6.4m with a draught of 1.4m, and a service speed of 8 knots. Its gross registered tonnage (grt) is 69 tonnes, with a cargo dead-weight of 26 tonnes. It can carry six
Study of Ferry Service Requirements to a Number of Islands

cars (12 lane-metres) and 140 passengers in the summer and 27 in the winter, and includes a small lounge and toilet. The vessel is powered by Scania D9 engines rated at 257 hp at 1,900 rpm.

During the summer, the MV Canna makes up to four return crossings a day, while in winter this schedule decreases to two crossings. The passage time is approximately 45 minutes.

The total operation has a staff of complement of 11: two crews of four and three shore-based staff.

Rathlin Island is very popular destination for tourists and is renowned as a major bird watching destination. The ferry also acts as a lifeline for the island; everything from foodstuffs, agricultural supplies, machinery and building materials must come by ferry.

Details of the schedule and fares are set out below:-
The ferry loads and unloads cars via a slipway at both ports.

The average number of passengers, cars and commercial vehicles carried annually is of the order of 36,000, 2,500 and 150 respectively.

When the ferry service became operational in 1997, it was agreed between the Rathlin Islanders, Moyle District Council and the Department that people “ordinarily resident” on the island and who had no choice but to use the service on a frequent basis would qualify for a 50% concession on the standard fare, including vehicle charges. In addition to the Islanders’ concessionary fares scheme, a £1 discount on the standard single fare for Senior Citizens is also offered.

### 4.3 Lough Foyle Ferry

The Lough Foyle Ferry Company provides a regular day-light service between Greencastle and Magilligan 363 days a year. Offering a continuous shuttle service every 20 minutes or so, it operates between the hours specified below.

<table>
<thead>
<tr>
<th>Day</th>
<th>Season</th>
<th>Timings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mon – Sat</td>
<td>Apr – Sept</td>
<td>7:20am – 9:50pm</td>
</tr>
<tr>
<td>Mon – Sat</td>
<td>Oct – Mar</td>
<td>7:20am – 7:50pm</td>
</tr>
<tr>
<td>Sundays</td>
<td>Apr – Sept</td>
<td>9:00am – 9:50pm</td>
</tr>
<tr>
<td>Sundays</td>
<td>Oct – Mar</td>
<td>9:00am – 7:50pm</td>
</tr>
</tbody>
</table>

The crossing takes about 10 minutes and saves 78 km or 49 miles.

The fares are as follows:
### Study of Ferry Service Requirements to a Number of Islands

<table>
<thead>
<tr>
<th></th>
<th>£5stg</th>
<th>€8</th>
<th>£8stg</th>
<th>€13</th>
<th>£45stg</th>
<th>€72</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars &amp; Small Vans</td>
<td>£5stg</td>
<td>€8</td>
<td>£8stg</td>
<td>€13</td>
<td>£45stg</td>
<td>€72</td>
</tr>
<tr>
<td>Pedestrian – Foot Pass</td>
<td>£1stg</td>
<td>€1.60</td>
<td>£1.60stg</td>
<td>€2.60</td>
<td>£9stg</td>
<td>€14.50</td>
</tr>
<tr>
<td>Concessionary – OAP &amp; Children</td>
<td>£0.50stg</td>
<td>€1.30</td>
<td>£0.80stg</td>
<td>€1.30</td>
<td>£4.50stg</td>
<td>€7.20</td>
</tr>
<tr>
<td>Motor Cycle</td>
<td>£2.50stg</td>
<td>€4.00</td>
<td>£4.00stg</td>
<td>€6.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caravans &amp; Trailers(-4M)</td>
<td>£4.00stg</td>
<td>€6.50</td>
<td>£6.40stg</td>
<td>€10.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caravans &amp; Trailers(+4M)</td>
<td>£7.00stg</td>
<td>€11.00</td>
<td>£11.00stg</td>
<td>€18.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minibuses &amp; Light Commercials</td>
<td>£10stg</td>
<td>€16</td>
<td>£16stg</td>
<td>€26</td>
<td>£90stg</td>
<td>€144</td>
</tr>
<tr>
<td>Coaches</td>
<td>£15stg</td>
<td>€24</td>
<td>£24stg</td>
<td>€38</td>
<td>£135stg</td>
<td>€216</td>
</tr>
<tr>
<td>Lorries</td>
<td>£20stg</td>
<td>€32</td>
<td>£32stg</td>
<td>€52</td>
<td>£180stg</td>
<td>€290</td>
</tr>
</tbody>
</table>

Since its introduction in June 2002, the service has been very successful with high traffic volumes. The operator is a local company and its introduction has seen the creation of 11 full-time and 5 part-time local jobs.

The harbour facilities were provided by the local councils with funding from the IFI and the Department of Communications, Marine and Natural Resources. There are contract arrangements in place for the provision of the service in the form of a ‘contract for service’ which is a charge on the two councils, Donegal County Council and Limavady Borough Council. This contract, it is understood, is for three years and renewable up to a maximum of seven years. The two councils, it is understood, have put in place strict monitoring and reporting requirements on the operator.

The vessel on the service is the *Foyle Venture*, which is a 40 car, 250 passenger vessel. It has a crew of four. The vessel is 62 metres in length and 14 metres beam. The car deck is 48 metres long.

A stand-by vessel is planned for the end of the year and is likely to be operated on the Swilly next year.

The operator has a website: [http://www.loughfoyleferry.com](http://www.loughfoyleferry.com)

#### 4.4 Scottish Isles

In Scotland, the proposed provision of subsidised ferry services has been influenced by a consultation paper entitled *Delivering Lifeline Ferry Services* reproduced as Appendix 5.

This Paper stressed the importance in terms of the economic, social and cultural benefits to the communities served by lifeline ferry services. The need for reliable and secure services, affordable fares and freight charges were at the heart of this consultation exercise.
Currently, subsidised passenger, vehicle and shipping services are provided by Caledonian MacBrayne (CalMac) to twenty-two islands and four peninsulas spread over the West Coast of Scotland and in the Clyde Estuary, each with its own unique qualities and features. The map below shows the islands served. Only on the route between Gourock and Dunoon, in the upper reaches of the Firth of Clyde, is there competition which is provided by Western Ferries, a private company not receiving a subsidy. Nearly all CalMac's services are deemed to be of a lifeline nature and require Government support to keep them in operation. Under the terms of the current formal Undertaking between the Scottish Ministers and Calmac, approved by the UK Parliament in 1995, the Executive undertakes to advance monies to Calmac by way of revenue and/or capital grants. This is done to support approved services that, in the opinion of Scottish Ministers, are necessary to maintain or improve the economic or social conditions in the Highlands and Islands.

The Scottish Executive is now planning to go to public tender in the form of a PSO for two services:

- Gourock and Dunoon
- All other Clyde and Hebrides Routes

and has issued Consultation Papers for public response. Appendix 5 reproduces the Consultation paper for the Gourock and Dunoon service. These responses will inform and influence the contents of the proposed tender documents.

4.4.1 Caledonian MacBrayne
Caledonian MacBrayne is an established ferry operator based in Scotland and currently provides the majority of the Clyde and Hebridean ferry services including services between Gourock and Dunoon in the upper reaches of the Firth of Clyde. The company is wholly owned by Scottish Ministers on behalf of the Scottish Parliament and the Scottish Executive.

Caledonian MacBrayne operate a fleet of car (and some passenger) ferries in the west of Scotland. The Company serves over 20 islands in the Clyde and Western Isles, together with some inter-island and 2 mainland-mainland services.

The Company, known informally as “CalMac”, was formed in 1973 from the amalgamation of the Caledonian Steam Packet Company Ltd. (founded in 1889, and one of several Clyde steamer companies) and David MacBrayne Ltd. (founded in 1851, and the main provider of cargo and passenger services in the Western Isles).

Recently, the ferry operator has indicated that there will, for the second successive year, be no increase in fares for nearly all commercial vehicles on approved services throughout the network. General fares increases for cars, passengers and coaches will be pegged at 2.5% - an increase in line with the rate of inflation.

The repeated freeze in commercial vehicle tariffs is seen as a means of offering assistance to fragile island economies and remote communities served by Caledonian MacBrayne. According to the company, it has kept the fares increases for cars, passengers and coaches to the minimum level practicable, while at the same time securing its future as a business, recognising its lifeline service obligations and being mindful of its aim not to require any increase in the level of deficit grant it has been allocated.

The new ferry fares will apply from the start of the summer timetable on April 2, 2004.

4.4.2 Shetland Islands (Scotland)

The Shetland Islands consist of a group of 100 islands, some 567 square miles in area with approximately 900 miles of coastline and a population of 23,000. Shetland Islands Council own and operate a fleet of 14 ferries providing lifeline services between mainland Shetland and the islands. Operating 365 days a year, the services run from 16 terminals serving 9 islands with a total population of just under 3,500 people. The ships make over 70,000 crossing each year and carry almost 700,000 passengers and over 300,000 vehicles. Not much freight is carried.

Roll on / roll off services, carrying passengers and all types of vehicles,
operate every day to the islands of Yell, Unst, Fetlar, Whalsay and Bressay. Vehicles can be reserved on all these routes except to Bressay.

Freight and limited passenger services operate to Skerries, Fair Isle, Foula, and Papa Stour. Frequencies vary from 3 to 28 return sailings per week and some vehicles can be carried. All passengers and vehicles must be booked. Journey times ranges from 7 to 30 minutes for the Ro-Ro services, while freight journey times ranges between 40 minutes and three and a half hours.

There are generally two vessels on each route with a crew of six per shift.

A new ferry has been built for the Skerries service and commenced operations from Mid June 2003. Two new vessels are under construction, initially for the Yell Sound service, for delivery in Mid 2004 which will be able to carry up to 32 cars and 100 passengers.

The Ro-Ro vessels are double-ended with an automatic linkspan, and can carry up to 100 passengers and 20 cars. The passenger/freight vessels can carry 12 passengers, up to 55 tonnes of freight and one small car lifted on by crane.

The standard single passenger fare is £1.40 with no concessions for islanders. Freight costs £8.05 per tonne. Charges are adjusted by inflation annually. According to Council estimates, the net operating cost of the ferry service, after fares etc, is over £9.2 million.

It is the policy of the Council that the crew live on the islands and that the ferries operate out of the islands thus benefiting the local economy.

The internal ferry system is seen as part of the transport infrastructure in the same way as roads and footpaths, harbours and airstrips, and other transport services. It links the main islands to the Shetland Mainland, the main point of arrival and departure for the islands as a whole, and it connects the spine road system within the islands.

Shetland’s Ro-Ro passenger ferry service therefore provides what has become an almost seamless, 18 hours a day, “road”. For both people and
motor vehicles, it is an integral part of the transport system.

The services to the islands of Fair Isle, Foula, Papa Stour and Out Skerries are the very basic link that can be provided to any small island population, using a passenger/cargo vessel that can carry food, fuels, consumables and building materials. There are increased passenger services in summer months. All these routes connect to Mainland, to its road and public transport system and thus to the main ports and the airport at Sumburgh.

The recovery in Shetland’s population was supported by the provision of the inter island ferry system and the maintenance of viable communities on the smaller islands could not have been achieved without it. The mode of operation of the system and its scope, in terms of hours and capacity, have been key factors in that success.

The Council has plans to introduce Performance Management and Planning (PMP) under the Best Value initiative that would include the following components:

- Strategic financial and operational management and planning
- Effective systems for consulting customers – citizens
- Effective systems to involve staff and unions to ensure ownership
- Rigorous service review
- A focus on performance monitoring and measurement including accurate reporting and target setting.

The ferry service already has most of this in place within the daily implementation of the ISM Code. If the consultation process is bolstered then the inter island ferry service can achieve ISO 9002 which is the full quality management and quality assurance standard being sought under Best Value.

The ferry service currently operates an electronic ticketing system but this will require updating, particularly in order to ensure integration of ticketing with other public transport services.

4.4.3 Campbeltown-Ballycastle Ferry Service

Recently, the Scottish Executive sought tenders for the Campbeltown-Ballycastle ferry service but received no offers. That bid document indicated that

- The initial contract term for the service will be five years
- The service will operate for at least 11 months of the year
- The maximum annual amount of subsidy to be made available for the support of the service will be St£1.0 million

4.5 Other Islands
4.5.1 The Balearic Islands (Spain)

The Balearic Islands supports the other islands in their attempts to persuade the EU and the Spanish government of the need to set up a PSO for the Balearic Islands covering inter-island air links, given that air transport is traditionally more important in the Balearic Islands than sea transport because inter-island sea links are too long.

Responsibility for inter-island shipping is regional, while responsibility for air transport and for Balearic Islands/Mainland sea transport lies with the national authorities.

In the field of air transport, inter-island services are insufficient and there are shortcomings concerning links between the Mainland and its minor islands. Especially worthy of note are the very high fares levied on its domestic lines. A study on cost per km shows that the Palma-Ibiza and Palma-Menorca links are the most expensive in Europe. The reason for this is the commercial strategy of the operators which, in order to offer attractive fares to tourists, make up for it by penalising passengers who travel only between the islands. The idea is to align these fares on the average EU price per Km. The Balearic Islands are studying a pricing solution, and hope that a PSO will improve inter-island air services. They would also like to see an improvement in number, frequency and winter capacity on minor island/mainland links.

The fare reduction is 33% for residents. For air transport, this is paid for fully by the State. For maritime transport, 10% of the subsidy is paid by the State and 23% by the Region, with an exception for Formentera which enjoys a 72% subsidy (10% State + 62% Region). However, the effects of this reduction are annihilated by the fares practised and, as demand is very rigid, this subsidy “added to the free fare” finally goes to the operator, not to the passengers. The Balearic Islands want an additional reduction of 50%, but the real solution would be to force the operator to rebalance its fare structures. Sea freight enjoys a mere 50% reduction on the port tariff, i.e. 2% on the price of the goods.

The fact that the State manages the airports also raises the problem of excessive centralisation. The region has no influence on taxes, traffic forecasts, etc. The Balearic Islands have performed sustained lobbying to introduce an island exceptionality clause concerning air transport.

4.5.2 Corsica (France)

Links between Corsica and the French mainland are subsidised by the principle of territorial continuity. This gives preference to national companies. With the agreement of the EU, central government allocates a very large
sum to a local authority (the Collectivité Territoriale de Corse) comprising representatives of the government, of the Corsican region and of the transport companies. Corsica boasts 7 ports and 4 airports. The Corsican transport office is a tool for enforcing the policy decided by the regional authority. The Office is entrusted with the task of distributing air and sea transport costs. It chooses the companies. On 01/01/03, Corsica will own the ports and airports.

A system of social tariffs has recently been set up for shipping in the face of stiff competition from a highly competitive Italian company. The subsidy is an annual one for the link with Marseilles, the idea being to manage the deficit of the company operating the link. This subsidy "is per passenger carried" on routes in the direction of Nice and Toulon, which are operated by two companies. Routes with Italy are not subsidised.

In the field of air transport, a subsidy per passenger carried is practised for the FIO lines between Corsica and Montpellier / Nice / Marseilles. This social aid solution is also envisaged on the Corsica /Paris line, on foot of legal action taken by a “lower bidding” company which was not chosen because it was regarded as economically too fragile. To avoid the problem of defining “residents”, the principle of a direction-based subsidy is applied in Corsica.

4.5.3 Crete (Greece)

The 3 airports in Crete have daily links with Athens and the two largest airports with Salonica and Rhodes. To these are added secondary and seasonal links. Air links with the islands of Northern Europe and the Atlantic are straight-line links, while those with the Mediterranean islands are much less so, and therefore longer and more expensive. There are no direct links with the southern Mediterranean. Athens and Amsterdam are the “hubs” which enable links with the rest of the world. The links are globally satisfactory save as regards western Greece and third countries. In the field of air transport, two companies are present, one public, one private.

The 6 Ports are linked with Piraeus and Salonica and various secondary links. The companies providing the links possess a high-quality fast fleet that enables 2 turnarounds per day. Piraeus-Crete fares remain expensive. In terms of passenger numbers, Heraklion boasts the 3rd largest port nationally (90% of the links are with Piraeus) and the 2nd largest airport, which is also the largest charter airport.

Most Greek islands are self-financing, and there is no State subsidy. However, the regions have no responsibility. Central government, via the Ministries for Commercial Navigation and for the Aegean Sea and the Ministry for Air Transport take the decisions. The ports have an obligation to
supply competent services. The ports and airports belong to the State. The airports are managed by the State, while the ports have, for a short time now, been managed by the local authorities via a type of limited company.

In the field of shipping, the main links are operated by two companies which are neither State nor private companies. They are popular shareholding companies, belonging to thousands of inhabitants of the island. These companies are listed on the stock exchange. Links with ports outside Greece have been developed. These companies make profits: the Heraklion-Piraeus link is the most profitable in the country and is therefore not subsidised. On the other hand, an application was made for aid on links with third countries (Israel, Syria, etc.) which could promote trade.

There is now a new law governing transport liberalisation: responsibility for transport lies with the State but the local authorities take all the steps necessary to promote transport quality. The minister for navigation can impose the PSO, define the criteria applicable to certain lines and sign a 3 to 5-year franchise contract, and impose discounts. These public service lines are funded via a special equalisation fund known as “the sea link fund” (the aim being for profitable lines to subsidise loss-making lines).

4.5.4 Saaremaa & Hiiumaa (Estonia)

The regional authorities help draw up the technical specifications concerning island-mainland links and participate in port administration.

In 1992, the ferry company was privatised and a 10-year contract concluded. The same company links Hiiumaa and Saaremaa with each other and with the mainland. A State subsidy is granted to these links. The small island of Ruhnu with its 70 inhabitants is also connected and enjoys a generous subsidy. The Estonian minister for transport is preparing an invitation to tender with a view to finding a new operator for 2005. The fleet is equipped with an icebreaker, in light of the highly specific climatic conditions (the water freezes for 2 months of the year).

Regional lobbying tends to demand an increase in existing subsidies to bring the price of maritime transport close to that of road transport. The regions also call for a subsidy on freight.

For a while now, the islands have an air link with the capital, which has had the effect of reducing transport time from 5 hours to 40 minutes. This link is essential for the island economy. These companies will be subsidised for 3-4 years, but if they are profitable, the subsidy will be eliminated.

The construction of a bridge between Saaremaa and the mainland is under study. This toll bridge, which would offer a time saving, should not be more
expensive than the ferry crossing.

4.5.5 Åland (Sweden)

In Åland there is a division of powers between the mainland, which manages air traffic and external trade traffic, and the archipelago which is responsible for maritime transport. 

External maritime traffic is free and is provided by private companies. Inter-island maritime traffic managed by the local authorities consists essentially of ferries belonging to local government companies. Different routes go via different islands and the fleet comprises a large number of ferries of different sizes adapted to the configuration of the archipelago. Åland's specific tax system attracts a lot of traffic between Sweden and Finland. The tax system is a form of subsidy to shipping companies. Without it, the GDP of the archipelago would fall by almost 50% and would have repercussions on the entire local economy, which explains the exception granted by the EU (Åland is regarded as a third territory). There are plans to lower the tax and the quota on alcohol and this will have repercussions for transport. Discussions are also in train with Finland, which subsidises Swedish and Finnish companies differently.

For Åland, a PSO is pertinent only for air transport. A Mariehamn-Stockholm PSO is planned.

4.5.6 Gotland (Denmark)

In the field of maritime transport, the region has a consultative role. The entire Community is consulted and suggestions are transmitted to the large companies. The State and the operators then make a decision. Air transport also has a Consultative Council. A regional Executive Council also discusses maritime and air problems. However, the municipality owns the ports and has to make the necessary changes.

National policy reaffirms the role of transport in regional development. It must, therefore, have a high priority, be efficient, affordable, and durable, and promote male/female equality.

In order to improve maritime transport in Gotland, there is a need for port facilities adapted to the new high-draught ferries, and an increase in turnarounds during peak periods (summer, week-end, etc.). In Gotland, one shipping company (the company operates 2 lines) provide passenger transport. For freight, a complex system of self-subsidy by road haulage companies is under study. The other problem is the lack of room for passengers in the mixed ferries.

In the field of air transport, the concern is to maintain certain unprofitable
lines under threat of abolition, and to reduce the fares, which remain too expensive. For this reason, the Region wants the State to be prepared to bring in a PSO if necessary. Certain local businessmen have set up turnarounds the initial concept of which was a single price, and which are now governed by a 4-price system. Their service is very good and the one-way trip relatively cheap.

4.5.7  Sicily (Italy)
Despite its status as an autonomous region, powers in terms of transport are negotiated with the State. The Civil Aviation authority has power over air transport for the entire territory. In the field of shipping, the ports have a high degree of autonomy. The region’s responsibility is restricted to links with the small minor islands, for which it has set up a subsidy system.

Social fares exist for air transport (-40%) between Sicily and the mainland.

In the field of sea transport, there is no real PSO, but the region has a subsidy system targeted at the small islands, in particular for the winter period. Without this subsidy, there would be no links because they would not be viable. The existing systems have not been subject to an invitation to tender; they are franchises given to the region. However, from next year, probably, a public service system in conformity with European legislation will be set up, but the modalities have not yet been defined.

As regards freight, the region plans to set up a system of subsidies such as that applicable to the minor islands, and is giving thought to new routes and to the need to modernise the fleet.

4.5.8  Bornholm (Denmark)
The region boasts a consultative transport Council, but the decisions are taken by the ministry for transport.

Airlines are privatised, and there is no PSO. A reduced tax for passengers is applied for those leaving Bornholm, and the fares remain high (140 euros/km). There is a direct link between the reduced ferry price and the number of air passengers.

Bornholm has three maritime lines: a subsidised direct line with Copenhagen, one with Sweden (Ystad) which has recently become entitled to a subsidy and one with Germany (Sassnitz) the subsidy of which was abolished on foot of a complaint by a private company. A line with Poland also operates during the summer. As regards fares, it is possible to buy a card which gives a 50% reduction on the price of the crossing and which pays for itself after the 3rd trip. For freight, the prices are very high (3 times more expensive than the same distance by road).
A night ferry exists but is used by a mere 15% of the users, the others preferring to travel via Sweden. However, this crossing accounts for 50% of the subsidies and could be closed with the introduction of the new PSO. There are proposals for applying a reduction of 30% for freight and special fares for children and the elderly. Bornholm thinks that the forecasts have been under-estimated and is not satisfied with the reduced capacities and frequencies.

4.5.9 Belle Ile en Mer (France)

This is the largest of the Breton Islands with a population of around 4,500 and measuring 18km by 5km with 80km of coastline. Its 4 main towns are Le Palais, Sauzon, Locmaria and Bangor. The island is an extremely popular tourist resort, attracting many well known French celebrities and politicians as well as visitors from around the world. The north coast offers a large number of sandy beaches whilst the south coast offers a more rugged coastline with spectacular rock formations and caves. Le Palais, the island's main town is the site of the Vauban Citadel, a fortification dating from the mid 16th century and now housing the historical museum. Several ferries a day leave from Quiberon and L'Orient with sailing times from 45 minutes for the shorter route from Quiberon. Prices for ferry sailings are given in the table below.
<table>
<thead>
<tr>
<th></th>
<th>Standard</th>
<th>Morbihan Fare</th>
<th>Discounted Fare</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Euro</td>
<td>Euro</td>
<td>Euro</td>
</tr>
<tr>
<td>Adult</td>
<td>11.82</td>
<td>7.32</td>
<td>7.48</td>
</tr>
<tr>
<td>Senior</td>
<td>8.36</td>
<td>7.32</td>
<td>7.48</td>
</tr>
<tr>
<td>Youth 4-12</td>
<td>7.48</td>
<td>6.10</td>
<td>7.48</td>
</tr>
<tr>
<td>Child</td>
<td>0.88</td>
<td>0.88</td>
<td>0.88</td>
</tr>
<tr>
<td>Roof Rack</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dog</td>
<td>4.79</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Youth</td>
<td>7.48</td>
<td>7.32</td>
<td>7.48</td>
</tr>
<tr>
<td>Youth 13-17</td>
<td>7.48</td>
<td>6.10</td>
<td>7.48</td>
</tr>
<tr>
<td>Vehicle C1</td>
<td>52.34</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vehicle C2</td>
<td>60.55</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vehicle C3</td>
<td>94.32</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The Morbihan fare is that charged to locals, rather than tourists. The fares are the same from both departure points on the mainland to both landing points on the island. The number of sailings varies throughout the year with typically six sailings per day from L’Orient during the shoulder season. The vessel capacity is up to 380 passengers, with a reduction to 289 passengers when the capacity for 13 vehicles on the ferry is used.

Ferry sailings to the other islands of Ile de Groix, Houat and Hoedic are similar with a similar tariff as shown above.

4.5.10 Ile d’Ouessant (France)

L’Ile d’Ouessant (pronounced Ushant) lies of the extreme western tip off the Brittany coast. Measuring 7km by 4km this small island has a population of around 1,000. Tourism is a significant part of the economy where tourists...
Study of Ferry Service Requirements to a Number of Islands

visit to see the Black Stones, Green Stones and the reef lying off the coast.

The main town on the island is Lampaul which is a hamlet of maintained old houses. The main attraction is the Créac'hor Lighthouse which has one of the most powerful lights in the world and with the Lighthouse at Lands End marks the entrance to the English Channel.

There is a plane service from Brest to the island during the summer. By sea there are daily ferries from either Brest (2.5 hours) or Le Coquet (1.5 hours). There are faster boats from Le Coquet with a shorter 45 minute journey time.

Typical fares are shown below.

<table>
<thead>
<tr>
<th>Route</th>
<th>Adult</th>
<th>Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brest – Ouessant</td>
<td>€29.50</td>
<td>€17.70</td>
</tr>
<tr>
<td>Le Coquet – Ouessant</td>
<td>€25.50</td>
<td>€15.30</td>
</tr>
<tr>
<td>Camaret – Ouessant</td>
<td>€26.40</td>
<td>€15.80</td>
</tr>
</tbody>
</table>

4.5.11 Ile de Yeu (France)

This island is off the French coast and is southwest from Nantes. There are 5,000 inhabitants on the 23km² of island, with over half the population under 25 years of age. Fishing and tourism are the prime sources of income to the island. This is a popular tourist destination. There are two sailings per day in each direction from the mainland harbour of Fromentine, increasing to five sailings per day in each direction during the peak summer season. In addition, there are up to three sailings per day from Saint Gilles Croix de Vie on boats with capacity of 250+ passengers. The tariffs are shown below with discounts of up to 20% for groups and students.

<table>
<thead>
<tr>
<th></th>
<th>Standard tariffs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Euro</td>
</tr>
<tr>
<td>Adult</td>
<td>13.25</td>
</tr>
<tr>
<td>Senior</td>
<td>10.70</td>
</tr>
<tr>
<td>Youth 4-12</td>
<td>9.50</td>
</tr>
<tr>
<td>Child</td>
<td>2.00</td>
</tr>
<tr>
<td>Vehicle C1</td>
<td>147.50</td>
</tr>
<tr>
<td>Vehicle C2</td>
<td>174.70</td>
</tr>
<tr>
<td>Vehicle C3</td>
<td>203.60</td>
</tr>
</tbody>
</table>

The most recent information for the numbers of passengers and freight moved is given for 2000 and is shown in the table below.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger trips (one way)</td>
<td>388,345</td>
</tr>
<tr>
<td>Vehicles</td>
<td>8,080</td>
</tr>
<tr>
<td>Cargo tonnage</td>
<td>12,073</td>
</tr>
</tbody>
</table>
4.5.12 Scilly Isles (England)

Background

The Scilly isles are a group of islands 45km of the southwest coast of England, with a population of 2,000 that is totally dependent on sea and air transport links with the mainland. There are five inhabited islands: St Mary's, St Martin's, St Agnes', Tresco and Bryher, with another 50 islands that are uninhabited and many smaller rocks.

An investigation was made and a report prepared titled "Impact of an improved transport link between Penzance and the Isles of Scilly on the local economy: Phase 1 report." by Atlantic Consultants, 2003. This document examines the potential economic impacts of proposed options to upgrade the Transport Link to the Isles of Scilly on the economies of the Isles of Scilly, Penzance and its neighbouring community, Newlyn.

Penzance and Newlyn are in Cornwall, on the mainland and the main harbours for vessels serving the Isles. Failure to invest in the sea freight infrastructure would undermine the whole economy. Potentially, over 1,100 out of 1,300 jobs would be lost. Even if a freight service were provided, the loss of the ferry passenger service could result in the loss of over 30% of the tourist economy.

There are an estimated 820 jobs sustained through tourism on the Isles at present. Access to the islands is by sea and from several air services from different southwest locations. The total visitor estimates are 101,000, with 33,000 as day-trippers and 68,000 as staying visitors. Island residents make up just over 7% of all passengers, with the ferry taking 22% of these trips.

Volumes of sea freight have remained steady in recent years at around 12,000 tonnes per year (88% imports and 12% exports). Air freight accounts for about 250 tonnes per year plus 210 tonnes of mail, and is not significant in terms of overall tonnage carried. It is not thought that these volumes will increase unless the shoulder season can be extended or the export economy can be diversified. At present, the freight operation is running under capacity for much of the year.

Modes of transport and costs

Travel to the Isles is by sea, fixed wing aircraft from a number of UK airports or by helicopter departing from Penzance. Times of travel from the south west of Cornwall are as follows

<table>
<thead>
<tr>
<th>Mode</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sea</td>
<td>2hr 40m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cargo m³</th>
<th>10,548</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of vessel voyages</td>
<td>1,023</td>
</tr>
</tbody>
</table>
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Fixed wing aircraft 30 minutes
Helicopter 15 minutes

The schedules for the helicopter and sea travel are all year around, with the fixed wing craft operating between March and October. A more frequent service operates during the summer months.

Costs for travel from Cornwall vary, depending on mode of transport. Flights on fixed wing aircraft are STG£92 return, with some discounts available depending on booking period before commencing journey. Helicopters from Penzance cost STG£117 return, with some discounts for out of season travel. The ferry costs are as follows for a day return sailing STG£37.50 for adults, STG£18.50 for a child, STG£3 for an infant and STG£10 for a dog.

The number of visitors to the Isles is tabulated below:

<table>
<thead>
<tr>
<th></th>
<th>Scillonian III (sea)</th>
<th>Skybus (air)</th>
<th>British International (air)</th>
<th>TOTAL All Modes</th>
<th>% All Modes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Staying Visitors</td>
<td>18,700</td>
<td>16,600</td>
<td>32,700</td>
<td>68,000</td>
<td>62</td>
</tr>
<tr>
<td>Day Visitors</td>
<td>21,200</td>
<td>4,000</td>
<td>8,100</td>
<td>33,300</td>
<td>30</td>
</tr>
<tr>
<td>Visitors Using Mode</td>
<td>39,900</td>
<td>20,600</td>
<td>40,800</td>
<td>101,300</td>
<td>93</td>
</tr>
<tr>
<td>Market Share of Visitor Market</td>
<td>39</td>
<td>20</td>
<td>41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staying Residents</td>
<td>2,600</td>
<td>1,300</td>
<td>3,100</td>
<td>7,000</td>
<td>6</td>
</tr>
<tr>
<td>Day Return Residents</td>
<td>0</td>
<td>200</td>
<td>900</td>
<td>1,100</td>
<td>1</td>
</tr>
<tr>
<td>Residents Using Mode</td>
<td>2,600</td>
<td>1,500</td>
<td>4,000</td>
<td>8,100</td>
<td>7</td>
</tr>
<tr>
<td>Market Share of Resident Market</td>
<td>32</td>
<td>19</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Staying Visitors</td>
<td>21,300</td>
<td>17,900</td>
<td>35,800</td>
<td>75,000</td>
<td>69</td>
</tr>
<tr>
<td>Total Day Visitors</td>
<td>21,200</td>
<td>4,200</td>
<td>9,000</td>
<td>34,400</td>
<td>31</td>
</tr>
<tr>
<td>Estimated Market Share Held by Mode (%)</td>
<td>42,500</td>
<td>22,100</td>
<td>44,800</td>
<td>109,400</td>
<td></td>
</tr>
</tbody>
</table>

The growth in passenger traffic (one way trips) is shown in the table below

<table>
<thead>
<tr>
<th></th>
<th>Total Movements (one-way trips)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>217,602</td>
</tr>
<tr>
<td>1996</td>
<td>226,811</td>
</tr>
<tr>
<td>1997</td>
<td>247,146</td>
</tr>
<tr>
<td>1998</td>
<td>251,319</td>
</tr>
<tr>
<td>1999</td>
<td>259,576</td>
</tr>
</tbody>
</table>
The Isles of Scilly Steamship Group and British International Helicopters are the only operators serving Scilly all year around. IOSSG employs approximately 100-140 people, depending on seasonal fluctuations, with the staff based predominantly on the mainland. British International Helicopters is based in Penzance employing 20 staff. With improved berthing facilities and an upgraded ship, IOSSG anticipated maintaining the same level of freight and increasing the number of day-trippers. The Scillonian III can carry up to 600 passengers. This vessel was purpose built and launched in 1977 and has now carried almost 2.5 million passengers. She was refitted in 1999 to include reclining seats, a well appointed bar, comfortable buffet area and a well stocked walk in shop.

During the winter when the Scillonian is not running, a smaller vessel, the Gry Maritha the dedicated freight vessel, can accommodate up to 12 passengers. Other smaller vessels operate inter-island. The freight volumes for the most recent reported period are shown below.

<table>
<thead>
<tr>
<th></th>
<th>Scillonian III (tonnes)</th>
<th>Gry Maritha (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex Scilly</td>
<td>409</td>
<td>799</td>
</tr>
<tr>
<td>Ex Penzance</td>
<td>1045</td>
<td>10879</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>409</strong></td>
<td><strong>1045</strong></td>
</tr>
<tr>
<td><strong>% Of Total Freight</strong></td>
<td><strong>11</strong></td>
<td><strong>89</strong></td>
</tr>
</tbody>
</table>

Conversations with the Isles of Scilly Steamship company found that there are no subsidies for their company.

Further details for travel to the Scilly isles is available at the travel website:

www.islesofscilly-travel.co.uk
5. **Key Issues**

In this section, we examine a number of issues that will inform our recommendations.

5.1 **The Purpose of the Subsidy**

The contracts issued make clear that the subsidy is to provide a scheduled passenger ferry service. The fare disparity between islanders and non-islanders could suggest that the purpose primarily is to serve the islanders rather than the island.

There is nothing in the scope of the ferry tender, though, to address the economic or socio-economic life of the island. For instance, the economic and socio-economic sustainability of the islands is highly dependent on tourism. While other government agencies have a brief for the development of tourism, we wonder whether there are potential synergistic benefits if the ferry operator is encouraged and partly funded by these agencies to develop additional traffic over and above the expected level of traffic. Where a target growth is achieved, the operator retains a share of the additional profit. Applicants could be asked to prepare an outline Marketing Plan as part of their Brief and would receive some funding for its implementation.

We believe a more holistic approach to island development by the Department would be beneficial.

5.2 **Value for Money**

Value for Money is always important. In a market place where there is little, if any, competition, Value for Money can never be assured. The Department is endeavouring to put in place a formal structured system to ensure that it is receiving Value for Money for the funding that it provides for the various ferry services.

The achievement of Value for Money requires a clear statement of goals against which performance can be measured. It particularly requires that there is in place a structured methodology for service specification, tender evaluation and contract monitoring. Where only a single tender is received, Value for Money cannot be guaranteed. There is always the possibility that another tender could have been lower.

We suggest that Value for Money can only be gauged through the establishment of appropriate Performance Indicators, a structured approach to the collection of detailed data, and a formal monitoring system involving the users of the service.

As we have noted elsewhere, the Government has a formal policy of promoting the sustainable development of the populated offshore islands with priority given to improving access to the islands. The ferry contracts note that the subsidy is for the movement of islanders with no particular mention of tourists or any other purpose. We wonder whether this narrow interpretation of the policy objective is right for the
ferry services and whether a broadening in scope would be more appropriate. We would argue that the sustainable development of the islands requires that the islands are economically, socio-economically and, for those islands which are of a Gaeltacht nature, socio-linguistically viable which can only come about with an appropriate ferry and freight service.

Our discussions with islander representatives suggest that the Monitoring Committees established were not effective, and were described to us as ‘tokenism’. We believe that properly constituted Committees with agreed Terms of Reference, structured agendas and a planned schedule of meetings should be provided.

In the specification of Indicators, it is essential to remember that Indicators are only as reliable as the quality of the source data, and there needs to be a consistent and common interpretation of those elements which make up the Indicator to enable any appropriate review to occur. Because of the different types of Indicator, they generally need to be considered in their totality rather than on an individual basis; evaluation on the basis of a single Indicator can give rise to difficulties in appreciating comparative performance.

In attempting to establish the characteristics of a good Performance Indicator, it is important to consider the purposes for which the Indicator is going to be used:

- to describe performance and activity
- as a means for monitoring performance
- to allow comparisons to be made, and
- as a way of reporting progress over time

Performance indicators and the related standards need to be relevant, need to be clear and unambiguous, and responsive to changes in the quality of service. In addition, they need to be

- easy and cheap to collect
- transparent and, as noted above,
- clearly defined

Indicators can take many forms; they include

- as a measure
- to indicate quality of service
- to record economy
- to record efficiency
- to record effectiveness

In identifying the appropriate indicators, they need to be defined under the three headings of Efficiency, Effectiveness and Economy.

In terms of efficiency, indicators should relate outputs provided to the resources
used to provide them. Examples of Efficiency Indicators include performance ratios such as the number of sailings carried out for the subsidy provided, ratio of subsidised capacity provided as a ratio of total capacity on the route, capacity provided to average demand etc.

In terms of effectiveness, indicators should relate to actual performance compared with specification as well as government policy in relation to access to the Islands.

In terms of economy, indicators should relate to the level of costs for the specified service. Economy Indicators can include actual subsidy provided for the capacity offered, the cost of the service per passenger, per islander, per tourist etc.

The table below provides a summary analysis of the performance of the various subsidised ferry services. Direct comparisons should be made with care as circumstances can be different, eg, different populations, different weather conditions and different journey lengths.

It should be noted that many of the operators provide a service in excess of their contract, particularly during the summer time. Consequently, the average Load Factor needs to be treated with caution as it has been calculated with reference to the contracted number of journeys rather than the actual number of journeys made.

<table>
<thead>
<tr>
<th>Island</th>
<th>Oileán Cléire</th>
<th>Oileán Thorais</th>
<th>Inishbofin</th>
<th>Inish Turk</th>
<th>Clare Island</th>
<th>Aran Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (2002)</td>
<td>129</td>
<td>133</td>
<td>178</td>
<td>72</td>
<td>127</td>
<td>1,280</td>
</tr>
<tr>
<td>Service Provider</td>
<td>Oileán Cléire Ltd</td>
<td>Turasmara</td>
<td>King Ferries Ltd</td>
<td>O’Malley Ferry Services</td>
<td>Clare Island Ferry Co</td>
<td>Island Ferries</td>
</tr>
<tr>
<td>Service Type</td>
<td>Pass/Cargo</td>
<td>Passenger</td>
<td>Pass/Bus</td>
<td>Pass/Bus</td>
<td>Pass/Bus</td>
<td>Pass/Bus</td>
</tr>
<tr>
<td>Vessel Capacity^</td>
<td>65s/54w</td>
<td>72s/58w</td>
<td>100</td>
<td>46</td>
<td>96s/51w</td>
<td>180s/115w</td>
</tr>
<tr>
<td>No of Contracted Return Journeys Annually</td>
<td>876</td>
<td>364</td>
<td>520</td>
<td>286</td>
<td>403</td>
<td>1,456</td>
</tr>
<tr>
<td>Current Annual Subsidy €</td>
<td>104,118</td>
<td>135,000</td>
<td>128,500</td>
<td>100,000</td>
<td>76,570</td>
<td>240,900</td>
</tr>
<tr>
<td>Passengers* (2002)</td>
<td>19,314</td>
<td>7,720</td>
<td>11,500*</td>
<td>1,625*</td>
<td>6,500*</td>
<td>123,371</td>
</tr>
<tr>
<td>Subsidy/Islander €</td>
<td>807</td>
<td>1,015</td>
<td>722</td>
<td>1,389</td>
<td>603</td>
<td>188</td>
</tr>
<tr>
<td>Subsidy/Passenger €</td>
<td>5.39</td>
<td>17.49</td>
<td>11.17</td>
<td>61.54</td>
<td>11.78</td>
<td>1.95</td>
</tr>
<tr>
<td>Subsidy/Journey €</td>
<td>119</td>
<td>371</td>
<td>247</td>
<td>350</td>
<td>190</td>
<td>165</td>
</tr>
<tr>
<td>Average Passengers per Contracted Journey</td>
<td>22</td>
<td>21</td>
<td>22</td>
<td>6</td>
<td>16</td>
<td>85</td>
</tr>
<tr>
<td>Average Load Factor¶</td>
<td>41%</td>
<td>37%</td>
<td>22%</td>
<td>12%</td>
<td>32%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Notes: *= Passenger Numbers are the Total Number of Return Journeys, ie, actual passenger numbers are twice those stated; e: annual figures prepared by Consultants based on returns supplied ** Annualised over the three years of the contract; *** the high subsidy per passenger arises from the fact that few passengers use the service; as it is primarily a cargo service. ^=summer, w= winter, Island Ferries capacity varies depending on vessel; ¶= being the ratio of Average Passengers per Contracted Journey to Winter Capacity as reference other than for Island Ferries where an average capacity of 180 is taken. The reported Load Factor for Aer Arann is 55% due to the additional flights made during the summer.
5.3 The Need for and Adequacy of Subsidy

One of the matters we were asked to address in our Terms of Reference was the adequacy of, and need for, each of the existing subsidised ferry services, both cargo and passenger to the specified islands, having regard to and any other transport services to the islands, whether subsidised or not.

We now deal with the two points separately starting with the Need for Subsidy. We shall use the Table below, drawn from the 2001/2002 CalMac Annual Accounts and from the latest accounts received, to reflect our findings. For commercial reasons, we report maximum and minimum values only.

*It should be noted that the ratios reported are the minimum and maximum of all of the Irish figures received.* That is, the company that reported the highest or lowest Subsidy per Passenger may or may not be the company which recorded the highest or lowest Profitability etc. All ratios need to be interpreted with caution as they reflect a company position and development at a particular point in time. They also recognise accounting conventions.

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Measure</th>
<th>CalMac</th>
<th>Reported Ferry Operators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Min</td>
<td>Max</td>
</tr>
<tr>
<td>1</td>
<td>Subsidy Per Passenger*^¶</td>
<td>€11.88</td>
<td>€2</td>
</tr>
<tr>
<td>2</td>
<td>Operating Cost per Passenger*^¶</td>
<td>€34.22</td>
<td>€11</td>
</tr>
<tr>
<td>3</td>
<td>Subsidy as % of Turnover</td>
<td>33.4%</td>
<td>9%</td>
</tr>
<tr>
<td>4</td>
<td>Profit after Interest &amp; Tax/Subsidy</td>
<td>0.06</td>
<td>-0.90</td>
</tr>
<tr>
<td>5</td>
<td>Fares &amp; Cargo Income as % of Operating Costs</td>
<td>50.7%</td>
<td>52%</td>
</tr>
<tr>
<td>6</td>
<td>Profit After Interest &amp; Tax as % of Turnover</td>
<td>2.0%</td>
<td>-8%</td>
</tr>
<tr>
<td>7</td>
<td>Liquidity (Current Assets/Current Liabilities)</td>
<td>1.3</td>
<td>0.2</td>
</tr>
<tr>
<td>8</td>
<td>Return on Net Assets (PAIT/(Equity + Reserves))</td>
<td>5.6%</td>
<td>-31%</td>
</tr>
</tbody>
</table>

Sources: CalMac Annual Accounts 2001/2002 and supplied sea carrier accounts;
Notes:* = Return Journey Equivalent; *^ = excluding O’Brien Shipping; ¶ excluding Aer Árann

5.3.1 Need for Subsidy

There are only four subsidised ferry services in place, under present contracts, that have been in operation for over a year. These services are provided by:

- O’Brien Shipping (Galway – Aran Islands)
- Island Ferries (Rossaveal – Aran Islands)
- Turas Mara (Tory Island)
- Naomh Ciaran II Oilean Cleire Ltd (Baltimore – Cape Clear)

We sought and examined the latest Accounts of these operators as well as those of Aer Árann.

On the basis of the accounts received, it is clear that each firm requires some degree of subsidy. Any profit, if made, was less than the value of the
subsidy received.

Ratio 4 reflects the range of the ratio of Profit after Interest and Tax to the Subsidy Received which ranged from –0.90 to 0.78.

Ratio 5 reflects what percentage of Operating Costs is provided by the Subsidy. In all cases, it is less than 100%.

5.3.2 Adequacy of Subsidy

Adequacy of Subsidy can be interpreted as whether the Company is making a net profit in excess of reasonable returns. A reasonable return is highly subjective but the Cost of Capital is one measure regularly used and is of the order of 10%.

The table above shows that the Return ranged from –8% to 27% (Ratio 6). In general, the Returns were less than 3.5% which suggests that the subsidy provided is not excessive.

The other two ratios (Ratio 7 and Ratio 8) deal with Liquidity and Return on Net Assets. While the maximum values are relatively high, the median values are 1 and 1.1% respectively which show that excessive profits are not being achieved.

It can therefore be maintained that the subsidies provided are not inadequate for the purpose.

5.4 Availability of Data

One of the key constraints we found in carrying out this Review was the lack of up-to-date traffic and financial data. For instance, the services at Inishbofin, Inishturk and Clare Island, at the time of this report, had not completed a year of their contract and so full-year returns were not available. Without such information, it is not possible to make informed decision-making or to establish whether one is achieving true Value for Money. It also has affected our ability to carry out any meaningful economic and socio-economic assessment of the ferry services.

A database of returns from each of the operators will over time provide the Department with a comprehensive inventory of information to enable a comparison of costs and performance to be made both between the ferries themselves and for individual ferry operations over time. Additional information from other ferry operators outside of the jurisdiction will allow further benchmarking to be carried out.

5.5 Fare and Subsidy Increases

We note that there is no escalation clause in the current sea ferry multi-annual contracts that form the scope of this Review. Ferry operators are no different to any other enterprise; their costs also increase with inflation where the key increases generally arise in labour, insurance and fuel. Without any increase in subsidy, ferry
operators, all things being equal, must therefore experience a growing loss. While contracts indicate that fares cannot be increased without the prior consent of the Minister in writing, we have not come across any examples where this has occurred.

If the Department is anxious to maintain resources at existing levels, then the natural consequence is that some services must suffer a reduction in subsidy or even a withdrawal in subsidy in favour of ensuring that a particular service can provide a continued service.

5.6 Tender and Performance Information

A key weakness with the historic contract arrangements is that not enough financial and operational information is being sought at tender time to assess whether subsidy demands are reasonable. If the required data is provided, using comparative data, some judgement can be made. Thereafter, ferry operators should be required to provide detailed financial and operational returns to allow performance to be monitored.

The Department of Community, Rural and Gaeltacht Affairs is already receiving detailed financial data from Aer Árann monthly, in respect of its PSO service to the Arann Islands. Therefore, it should not be difficult to extend the practice to ferry companies on a less frequent basis.

It should also be noted that airlines operating under Department of Transport PSOs are required to provide detailed financial and operational information monthly certified by the company’s auditors.

5.7 Termination Clause

The clause on Contract Termination is ambiguous. The Contract should be very specific in relation to the services expected of the ferry operator and should be clear and explicit on the various grounds that the Contract can be terminated.

There is a claw-back clause within contracts that allows the Department to reduce the subsidy payable where the number of contracted sailings is not provided. We concur with the inclusion of this clause.

5.8 Contract Monitoring

The importance of contract monitoring cannot be over estimated. The Department carries out random checks on the performance of operators on an ongoing basis. The involvement of Department representatives in the monitoring process can be improved upon. In the interests of partnership and equity, a more properly structured contract monitoring system should be put in place which will evaluate on a regular basis the performance of the ferry company.
5.9 **Contract Duration**

Our discussions did not enlighten us on the optimum duration of contracts. If the contract is too short, then tenderers may be unwilling to quote because the term would be insufficient to remunerate adequately the capital cost of the vessel. On the other hand, too long a term would encourage monopolistic tendencies and discourage competitiveness. The maximum duration of PSOs in respect of air services is three years while for maritime PSOs it is five years.

5.10 **Contractor Status**

The tender or contract documents do not indicate that the applicant should be a limited company. It would be prudent if applicants were.

5.11 **Comptroller and Auditor General Review of State Subsidised Transport Services to the Aran Islands**

Recently a study was carried out by the Comptroller and Auditor General on State Subsidised Transport Services to the Aran Islands. In this Report we do not intend to rehearse the analysis and findings of this detailed evaluation, however, we believe that we should note the C & AG’s Conclusions and Observations of the Department of Community, Rural and Gaeltacht Affairs as they are pertinent to our own findings and recommendations.

5.11.1 **Conclusions**

The C & AG’s conclusions were:

- A more strategic co-ordinated approach is needed to managing the delivery of travel services to the Aran Islands if value for money is to be obtained.

- Analysis of information on usage should be an ongoing feature of monitoring the services and form the basis of future decision making on the optimum level and mix of services.

- The need for a subsidised cargo/passenger service out of the City of Galway needs to be re-evaluated in the light of the out of season passenger usage of the service, the significant development of the facilities at Ros A Mhil and the fact that Ros a Mhíl appears to be the Islanders port of choice.

- Formal contracts, with enforceable performance clauses should be drawn up to cover all the subsidised travel services to the islands.

5.11.2 **Response of the Department of Community, Rural and Gaeltacht Affairs**

In a response by Mr. Gerry Kearney, Secretary General, Department of Community, Rural and Gaeltacht Affairs to the Public Accounts Committee Hearing on 29 May 2003, he noted the following Departmental actions:

1. **More effective management and monitoring of existing services**

To deliver on this recommendation, the following arrangements have been put in place -

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12 Chapter 12, Annual Report of the Comptroller and Auditor General, 2001
• The three providers of subsidised services to the Aran Island now submit monthly returns to the Department. These are scrutinised, actual delivery against contracted services is compared and payment is withheld for shortfalls;

• All new ferry contractors on other routes must provide monthly sailing logs, including details of all sailings and numbers of passengers carried and penalties for shortfalls apply;

• The core staff of the Islands Section has been doubled to four so as to ensure better scrutiny of returns, monitoring of service and support for the tendering process;

• New software support has been put in place. This enables improved monitoring procedures in relation to service provision and compliance with legal requirements such as tax, shipping certificates and insurance cover.

• In addition, increased frequency of spot checks and follow on reviews are being pursued. The data emerging from these activities will support future decision making.

2. A more strategic and co-ordinated approach to managing the delivery of travel services to the Aran Islands

A number of outcomes are critical to delivering on this recommendation -

• Firstly, an independent assessment of the need for and adequacy of each of the current services, as well as the balance of services required:

• Secondly, objective measures by which future decisions on subsidised services can be informed and assessed.

The Department has commissioned an independent study to assess the effectiveness of current subsidised arrangements and to advise on appropriate performance indicators. The findings of the report will help inform critical decisions regarding the optimal allocation of funds across the Aran services from 2004 onwards.

3. The need to re-evaluate the current cargo and passenger service from Galway City in the light of its out of season usage, the development of Ros a’ Mhíl and the fact that Ros á Mhíl appears to be the islanders port of choice

This issue comes within the scope of the independent review. The adequacy and need for the current service will be critically examined and reported on in the forthcoming study. Timing here is critical as the findings will be to hand well in advance of expiry of the current contract at end 2004.

4. The need for the introduction of formal contracts with enforceable performance clauses for all of the subsidised transport services.

Basically two issues need to be addressed here:

• Ensuring that providers formally sign up to the requirements and responsibilities attaching to the provision of subsidised services;

• Addressing a legal issue in relation to the jurisdiction of the Minister to require the provision of supporting bus transport for certain services.

Each of the three providers of subsidised transport services to the Aran Islands has now formally signed up to specified obligations and delivery
requirements.

As regards the legal issue, a draft Bill is currently being prepared. It has been afforded priority status by Government and is listed for publication this session\(^\text{13}\).

*Further measures undertaken by the Department*

In addition, as part of a wider response to the Report's findings, the Department has introduced the following measures:

- Securing the support of external expert advice to review and validate tendering processes;
- Strengthening of provisions in contract documents, including the signing of a declaration so as to ensure disclosure of breaches of any law generally and to ensure contractors’ financial and professional suitability;
- Requiring all staff involved in the tendering process to be subject to the Ethics Acts or other appropriate form of disclosure.

**Conclusion**

In sum, the Department is tackling the issues raised by the C&AG through:

- Addressing legal and strategic frameworks;
- Strengthening its administrative capability and processes;
- Improved management and monitoring of existing services;
- Improving reporting requirements and contractual obligations on providers.

5.12 *Schedule*

A number of current contracts specify a single return service; this means that islanders cannot complete their business in a single day and thus have to stay overnight before returning to the island.

Our discussions with islanders found that their, almost unanimous, wish is to be able to complete their mainland business, whether it is shopping, visiting specialists or attending a meeting, in as short a time as possible.

In this regard, there was the view that the first service should be out of the island early in the morning and that there be another service in the evening time returning from the mainland. Such a schedule would be consistent with the view that vessels should be located on the island overnight, if such was technically feasible.

\(^{13}\) The Department has addressed the matter through *The Minister for Community, Rural and Gaeltacht Affairs (Powers and Functions) Act 2003*. 
5.13 **Disability**

While tenders request tenderers to provide information regarding their record and policy in relation to health and safety matters, there are no conditions within the tender documents that state that vessels should be disability-proofed.

Similarly, many of the harbours served by the ferries are disability-unfriendly.

The Disability Bill 2001, which never came into law, stated in respect of Harbours (section 21) where "harbour authority" has the meaning given to it by section 2 (definitions) of the Harbours Act, 1946, and also includes—

- a company referred to in section 7 (formation of company in respect of harbour) of the Harbours Act, 1996, as amended by section 2(a) of the Harbours (Amendment) Act, 2000,
- in relation to a fishery harbour centre (within the meaning of the Fishery Harbour Centres Act, 1968), the Minister for the Marine and Natural Resources, and
- in relation to a harbour for whose management, control, operation and development a local authority is responsible, that local authority;

(1) *Without prejudice to section 47 (general powers and duties of harbour authority) of the Harbours Act, 1946, section 4 (operation and development of fishery harbour centres) of the Fishery Harbour Centres Act, 1968, section 11 (objects of harbour or port company) of the Harbours Act, 1996, and section 6, and subject to subsection (3), a harbour authority shall ensure that, as far as practicable, facilities are provided by the authority, at the harbour in connection with its use by a passenger ship service, which are adequate for the comfortable and safe accommodation and transport of persons with disabilities—*

(i) while in the terminal building or any building or other place within the harbour area which is open to members of the public,

(ii) while going to or coming from a passenger ship, and

(iii) while embarking or disembarking.

(2) *Those facilities shall include wheelchairs, boarding chairs, lifting devices or lifting vehicles, as appropriate.*

(3) *This section does not apply in relation to a harbour in respect of which the Minister concerned is of opinion, and so provides in regulations, that, having regard to the particular circumstances obtaining at the harbour, including the small volume of passengers using it, the cost of compliance with subsection (1) would be disproportionately high.*

(4) *In this section—"harbour area" includes the terminal building, related buildings, roads and parking areas; "Minister concerned" means, as appropriate, the Minister for the Marine and Natural Resources or the Minister for the Environment and Local Government.*
The Agreed Programme for Government between Fianna Fail and the Progressive Democrats, published in June 2002 outlines the Government's commitment to bringing forward a Disability Bill which will include provisions for rights of assessment, appeals, provision and enforcement. Given the complex and cross-cutting issues involved, the process of overseeing the preparation of the Disability Bill has been referred to the Cabinet Committee on Social Inclusion. As announced recently the Government is committed to publishing the Bill as a priority and it is aimed to have it ready for publication in the coming weeks.

In the UK, the Government has established the Disabled Persons Transport Advisory Committee, DPTAC to advise on the transport needs of all disabled people. DPTAC published in 2000 a document entitled Design of Large Passenger Ships and Passenger Infrastructure: Guidance on Meeting the Needs of Disabled People, the details of which can be found at http://www.dptac.gov.uk/pubs/guideship/index.htm

Some of the recommendations contained in this document could be applied to the ferries operating to the islands.

5.14 Competition

There are a number of subsidised services in place where competition is provided particularly during the summer season. In general, it was found that this competition enhanced the quality of service provided by the subsidised service.

While we would not be in favour of subsidising competing services, it is important that nothing is done that undermines the viability of any competing service.

5.15 Public Service Obligations

Public Service Obligations (PSO) were introduced by the European Commission to allow for financial compensation to be provided by a member state to

an air carrier operating a scheduled air service to an airport serving a peripheral or development region in its territory or on a thin route to any regional airport in its territory, any such route being considered vital for the economic development of the region in which the airport is located, to the extent necessary to ensure on that route the adequate provision of scheduled services satisfying fixed standards of continuity, regularity, capacity and pricing, which standards air carriers would not assume if they were solely considering their commercial interest.

Following a public tender process, the Department of Transport has introduced a number of such PSOs for air services between the airports of Donegal, Kerry, Sligo, Galway and Knock, and Dublin. All of the PSO routes now require early morning departures and late evening returns to facilitate the business and social needs of local communities.

Tenderers were required to supply comprehensive revenue and cost projections for
the life of the contract, required compensation and to indicate and support the profit margin that they required. As noted above, air service contracts are limited to three years, and the operators are required to provide detailed financial and operational information monthly which are monitored carefully by the Department of Transport.

Compensation is limited to the lesser of their actual losses on the route or the required compensation indicated in the tender.

Contracts indicate maximum fares. The operator is free to charge less.

There is a capacity-related clause in the PSO legislation which affects the introduction of competition for two of the three years of the contract. The Department of Community Rural and Gaeltacht Affairs operates a similar system in respect of the Arann Islands PSO.

In the field of shipping\textsuperscript{14}, subsidy for shipping services may only be payable through the declaration by a Member State government of a Public Service Obligation (PSO). Under European Commission guidelines, a PSO may only be declared to support lifeline services or to provide services needed to address problems of peripherality and/or economic disadvantage that would not normally be addressed without public intervention. Services must not distort the operation of the commercial market.

The losses made on these shipping lines may be reimbursed. The view is taken that these subsidies do not constitute State aid but a specific system based, inter alia, on the level of regional development. In the case of the PSOs, the level of development is of little importance, but there is an obligation to conform to the PSO system by issuing invitations to tender.

As regards the invitation to tender procedures:

- Schemes must be transparent and allow for the development of competition
- Schemes must give adequate publicity to the call for tender and set out all requirements concerning the level and frequency of the service, capacity, prices and standards required, etc. in a transparent manner to ensure that all Community carriers have had an equal chance to bid
- The Commission requires that the contract be awarded to the lowest compliant bidder. If it is proved that the contrary occurred, the Commission may require the suspension or reimbursement of the subsidies
- Only loss-making routes may be subsidised, and the subsidies must be calculated on the losses. In practice, however, routes are interlinked, and boats alternate and serve both profitable and non-profitable routes
- There should be no over-compensation or cross-subsidy and the system should not be used to support inefficient management and operating methods
- The duration of public service contracts should be limited to a reasonable and not overlong period (normally in the order of five years and this is despite the fact that the facilities may be depreciated over 10 or 15 years) since contracts for significantly longer periods could entail the danger of creating a (private) monopoly. After expiration of the contract period, such contracts should

\textsuperscript{14} Community Guidelines on State Aid to Maritime Transport (97/C205/05) – see Appendix 8
be subject to retendering in accordance with the procedure described above.

- Restrictions of access to the route to a single operator may only be granted if, when the public service contract is awarded according to the above mentioned procedure, there is no competitor providing, or having a demonstrated intention to provide scheduled services on the route. The terms of any restriction or exclusivity must in any case be compatible with the provisions of Article 90 of the EC Treaty.

5.16 A Simplification of the Maritime Public Transport Rules

The European Commission in late October 2003 adopted a communication on maritime cabotage with a view to simplifying the rules concerning maritime public transport to or from small islands. "It is important to remove the administrative constraints on the Member State authorities responsible for services to small islands. The Commission's decision makes it possible to guarantee transparency and non-discrimination without encumbering procedures" said Loyola de Palacio - Vice-President with special responsibility for transport and energy. Forty per cent of the islands will in future be granted exemptions.

The Communication on the interpretation of the Cabotage Regulation adopted by the Commission clarifies the rules applicable to maritime public services and provides for simplified arrangements for the small islands.

The existing legislation applies the public service rules indiscriminately to islands, irrespective of their size. However, the situation of the islands which attract a large number of operators is very different from that of the small islands for which nobody is interested in providing a service. The Commission considers that public service contracts for maritime services to small islands should be awarded simply on the basis of a call for expressions of interest, rather than by the administratively cumbersome procedure of a formal invitation to tender. The contract duration may be twelve years, i.e. twice the normal duration.

For the purposes of maritime public services, the Commission defines small islands as those for which the annual maritime traffic is less than 100,000 passengers. This threshold will enable 40% of Community islands to benefit from simplified rules.

This Communication does not address the compensation granted by the public authorities in return for the services in question; that issue will be dealt with by the Commission at a later date.

We understand that this Communication is to be addressed during Ireland's Presidency of the European Union in 2004.

5.17 Development of Island Airstrips and Associated Air Services

Study of Ferry Service Requirements to a Number of Islands

The Air Transport Group of the School of Engineering, Cranfield University, was commissioned by the former Department of Arts, Heritage, Gaeltacht and the Islands to examine the proposed development and day to day management of Island airstrips and associated air services. It reported in October 2001.

Based on detailed economic and socio-economic analysis, the study found that new airstrips should be built at Clifden and Inishbofin, Co Galway for a regular scheduled air service between these two locations, and on Tory Island, Co Donegal, for a fixed wing scheduled service between the island and Carrickfinn.

The Report estimated that the nett operational loss (ie subsidy required) for the Inishbofin/Clifden Air Service in 2002 would be €322,000 before depreciation on the assumption that 5,900 passengers would travel that year. When socio-economic benefits are taken into account, break-even would not occur until 2007.

In the situation where the service is provided between Inishbofin and Minna, the Operating Loss is less at €274,000 but break-even is not projected until 2015 when socio-economic benefits are taken into account.

In relation to the Tory Island/Carrickfinn service, the Report estimated that the nett operational loss (ie subsidy required) in 2002 would be €348,000 before depreciation on the assumption that 6,800 passengers would travel that year. When socio-economic benefits are taken into account, break-even would not occur until 2008.

The study added that the four existing airstrips serving the Aran Islands also needed improvements, and that a fortnightly winter helicopter service should be provided for the Mayo islands of Clare and Inishturk. The study put the estimated cost of the new airstrips at €8.13 million.

The Cranfield Report did not recommend that navigation aids and approach lighting be provided at the Aran Islands airstrips for night time operations. The Consultants noted that that it was extremely unlikely that the extra revenues generated by night flights would cover the costs of installing and operating the Air Traffic Control and navigation facilities that are required for such operations.

The new and upgraded air services would improve the "demographic viability" of the Irish-speaking island communities and maintenance of Irish as a community language, the University Group concluded in the 127-page study. It did not believe that additional passenger traffic generated by such transport would significantly affect the use of Irish by these communities.

The Report advised that the Government impose public service obligations (PSOs) on the proposed new air services, through three PSO tenders, and it estimated that the running costs for the existing and proposed new airstrips would be €647,566. This was based on an estimated cost of €88,000 for each of the island facilities, and €101,000 for mainland facilities.
As noted earlier, currently, the Aran Islands are the only offshore islands to enjoy a regular air link, while a State-subsidised helicopter service is provided for Tory Island, Co Donegal. On the grounds of “equity”, the Report said, a fortnightly helicopter service should be provided for Clare Island and Inishturk, Co Mayo, but there is no case for airstrips on these two islands.

Planning permission has been approved for an airstrip at Clifden, Co Galway, and at Inishbofin, and an Environmental Impact Statement has been carried out for one on Tory. The original plan for Clifden was abandoned in the face of local opposition over its proposed location on Roundstone Bog.

A revised plan for an alternative site six miles north of Clifden - drawn up by a group headed by a local hotelier - was approved by An Bord Pleanála in May 2001. However, while approving the construction of an airstrip in line with Government policy on improved air links, the Board rejected plans for a terminal building and associated car-parking.

The Cranfield Report said that it would be inappropriate to engage a private-sector management company to run seven island and mainland airstrips as this would involve higher subvention levels and would allow for less input by local and regional stakeholders in decisions. It said an island airports agency, accountable to the relevant minister, should be responsible for daily management, and ownership of the seven airstrips should eventually rest in government hands.

Most recently, approval has been given by the Minister for Community, Rural and Gaeltacht Affairs for the purchase of the land for the airstrip for Inishbofin. Planning permission has already been approved for the airstrip, and Galway County Council is expected to acquire the land by compulsory acquisition order. While the move clears the way for development of a matching airstrip on the mainland at Clifden, any proposed air service is likely to operate from Inverin in the first instance.

5.18 Skills Development

It has been suggested to us that, because they carry so many tourists to the islands, the various skippers would benefit from courses on tourism promotion and appreciation.

Departmental staff, because of their enhanced role in ferry operations analysis, would benefit from courses in financial analysis and project management.

5.19 Alternatives to Direct Subsidy

A number of interviewees suggested that alternative ways of subsidising ferry companies should be considered including the use of travel vouchers that the ferry companies could use to reclaim the cost of tickets or elements of it from the Department. The scheme was seen as particularly attractive for maintaining competition and quality of service where a number of operators are on a particular
route.

While the idea has some merit, we believe that it is impracticable because it would not provide any guaranteed sum to any particular ferry company whom, we believe, would be hesitant in providing a ferry service without such a guarantee.

### 5.20 Rathlin Island Contractual Arrangements

As noted earlier, the Rathlin Island ferry service is currently provided by CalMac under contract to the Department for Regional Development, Belfast (DRD). The contract was initially for five years from 1997 and has been renewed twice on an annual basis. The contract will be retendered this year. The current value of the contract is of the order of Stg£400,000 or £5,000 per islander.

The Central Procurement Directorate of the Department of Finance and Personnel has prepared detailed Tender Documents, numbering some 86 pages, for the Department for Regional Development. The documents comprise the Invitation to Tender and Service Specification as well three Annexes incorporating Conditions of Contract, details of Monthly Carryings 1997 – 2002 and Key Contact Details.

The document is very clear and explicit in relation to:

- Evaluation Criteria
- Requirement of Tenderer to provide
  - An Operational Management Plan
  - Organisational and Financial Structure
  - Outline Marketing Plan
  - A Quality Plan
  - Risk Assessment Details
  - Detailed Implementation Plan
  - Detailed Costs Breakdown
- Allocation of Responsibility and Allocation of Costs
  - The Service Requirement: a minimum of two daily return trips using a roll-on roll-off ferry, capable of carrying a minimum of 125 passengers and a commercial or heavy goods vehicle of 10 tonnes laden and a height of 10 feet, or 4 – 6 cars.

The service specification has some important clauses:

- The minimum contract term is five years and, with the written agreement of both parties, to extend the contract term for a further period of two years initially and thereafter for three further periods of one year, up to a maximum of 10 years
- A subsidy clawback is in place to allow operators to realise a share of any returns which exceed agreed levels set in calculating the subsidy while providing some measure of protection for the taxpayer
- Subsidy is offered to the tenderer whose tender is judged to be the most economically advantageous and which meets and complies with the service specification
- The Department looks to ferry operators to find innovative ways of meeting
the service delivery requirements, and if possible exceeding them, so that the opportunity is found to minimise the subsidy required.

- The operator is required to satisfy the Department that adequate systems are in place to ensure that no cross-subsidisation is in place. The Department is anxious, therefore, that the successful operator has good accounting systems in place.
- An explicit statement in relation to operational safety and that nothing should be compromised in furtherance of commercial interests or in an attempt to adhere to an advertised schedule.
- There is a need to consult all relevant stakeholders at least twice a year and particularly initially when drawing up their timetable proposals which form part of the tender document.
- A back-up vessel is required and arrangements are to be agreed in relation to emergency sailings.
- The vessel is expected to berth overnight at the island.
- The setting of the fare structure is the responsibility of the operator, and is expected to reflect discussions between the tenderer and the main users.
- The Department has an overall approval role for changes in the fare structure.
- Tenderers must consider and make suitable arrangements for disabled passengers.
- The operator should provide for and guarantee the carriage of freight. There is a requirement to carry livestock as well as hazardous goods.
- Tenderers are required to consult user groups prior to the submission of their tenders and the submission is expected to contain details of the groups consulted.
- The operator is responsible for marketing the service; CalMac has promoted the Rathlin service at Trade Shows, produced marketing material and included details of the service in its 2004 calendar.
- The Department expects a reliability of 90%.
- The operator is required to report monthly on performance, particularly reliability and punctuality; he is also required to provide Progress Reports.
- There are formal quarterly Review Meetings between the operator and the Department where performance is reviewed and operational issues are dealt with. The Finance Director of CalMac, the Operations Manager and some of the local staff attend. The Company is explicitly funded for these meetings.
- The Operator is required to put in place a ‘Compliments and Complaints’ process. Formal customer satisfaction surveys are required and copies of all complaints go to the DRD.
- The Operator is required to indemnify the Client to a limit of £10,000,000.

The focus of the Department for Regional Development’s dealings with tenderers and operators is to ensure protection of the ‘public purse’. The Department does this through adopting a very structured and transparent approach to tender evaluation and monitoring. Tenders go through a two phase evaluation: a pre-qualification stage where the tender is evaluated from a technical, financial, legal and quality perspective by a panel comprising members of the Northern Ireland Procurement Service, DRD Air & Sea Ports Division, and a specialist Marine Consultant. Each of
the elements has a particular weighting and is scored independently.

The short-listed tenders are then evaluated using the Tender Evaluation Matrix. Such a process ensures a formal transparent approach and an audit trail in the event of any query.

Of particular importance to the Department is evidence of a professional approach being adopted by the tenderer both in its proposal and subsequently.

In dealing with the successful tenderer, the Department’s policy is to ensure a good and working relationship based on trust, confidence, and on keeping lines of communication open.

The Department adopts some flexibility in relation to fare and cost escalation with the onus on the tenderer to identify and specify the latter in multi-annual contracts.

In relation to the development of the service, the profit generated from new and additional business over and above the revenue projections is shared equitably between the DRD and the operator in the form of a credit against the subsidy.

5.21 Passenger Ferry Services from Galway Harbour

Passengers landing at Rossaveal have to travel a further 35 miles before they reach Galway city. This journey, either way, can take up to an hour depending on time of day, road conditions and traffic levels.

Galway Harbour is a tidal port which has implications for gangway access, and there is no space available at this time for a regular ferry service. However, the port company, in its Development Plan, has a proposal to build an additional 300 metres of quay space which will provide non-tidal facilities for shallow draft vessels. The availability of this quay space could open up opportunities for the transfer of the Rossaveal/Aran Islands service to Galway. For the operator, there would be savings on bus and associated costs which would be offset by additional fuel and other costs. There is no timetable available for this development. In the meantime, the shortcomings of the existing infrastructure must be recognised and allowed for.

5.22 Ferry Design

5.22.1 General Principles

It is always possible to design a vessel that would fit all islands but as always such a design would be a compromise, the advantage being that design and building costs could be reduced. The biggest problems would be those of size and draught due to the varying harbours and facilities of the islands. The reality of the existing infrastructure would also have to be recognised and the fact that it will inevitably be improved over the next number of years as part of the already outlined development plans. This would suggest that any new cargo or passenger tender be based on a performance specification that would allow for the infrastructure as it pertains
Study of Ferry Service Requirements to a Number of Islands

at the time of tender and allow potential operations to cater for other unsubsidised activities as they see fit.

The carrying of passengers and Fast Moving Consumer Goods (FMCG) items such as mail/parcels/fresh bread/milk/groceries etc. on a passenger ferry while carrying building materials/cars/tractors/generator fuel etc. on a dedicated cargo vessel is a sensible option in certain cases.

5.22.2 Passenger Ferry Specification

While no - “one size fits all” - there are some requirements and specification items that are the common to any design and these are outlined below:

- All the islands have the problem of a lack of deep water within the island harbours and this will always be the case as the cost of deep dredging is prohibitive. This restricts the draught of any new design.
- In general, because of the physical dimensions of the harbours and quays, the overall length for most vessels falls in between the figure of 16 to 22 metres. Greater lengths are possible at Inis Mór in the Aran Islands.
- All designs will have to meet the latest DCMNR rules for passenger vessels, which include items like stability, lifesaving, etc.
- While for reasons given earlier there would be no Passenger/Cargo mix all the Passenger designs would need to allow for the carriage of Fast Moving Consumer Goods (FMCG) such as frozen/refrigerated items, and general groceries in bulk.
- All designs would need to be able to carry disabled passengers in wheelchairs with the necessary access of and on the vessel.
- New designs would find it best to keep all accommodation on or above the Main Deck to comply more easily with DCMNR requirements.
- Any new design should be fitted with its own fendering arrangements and not rely on fendering fitted to the quay wall.

To sum up, the outline particulars for any new vessels would be:

- Length Overall 16 – 30.00 metres
- Maximum Draught 1.50 – 2.00 metres All except Aran Islands
- Maximum Draught 2 – 3.00 metres Aran Islands
- Propulsion Twin engines driving conventional propellers

The budget cost of an 18 metre Passenger Vessel with FMCG is of the order of €1.5 million.

5.22.3 Recommended Cargo Ferry Specification

The feasibility of using a Ro Ro type service would depend to a great extent on the facilities at each island. For example, use of existing slipways on the Aran Islands are severely restricted by insufficient water depths at the slipway toe, and, in the case of Inishmaan and Inisheer, by adverse wave conditions. In some cases the harbour or quay may have a slipway to dock such a craft at, but at most islands dedicated Ro Ro facilities would require
to be put in place increasing the cost considerably. Where there are slips in water of sufficient depths, Ro Ro craft could be designed and operated and, where not, more general cargo vessels would be economically appropriate.

The idea of using a Ro Ro service for Inishmore is possible when the infrastructure is upgraded, the actual design would depend on the number and range of vehicles that would require to be transported.

The term Ro Ro needs to be considered here as a Ro Ro vessel means a roll on roll off craft. This in effect means a double ended vessel where you simply drive on one end and drive off the other. Such a vessel would be rather expensive to build and operate but would have comparable carrying capacity compared to the alternative, which is a landing craft type of vessel. With this landing craft the carrying capacity is reduced as cars and trucks need to reverse on and drive off or space is required for a turntable. It can however be small enough to go into shallow harbours and use a slipway as craft have been designed down to 16.00 metres carrying 4 cars and 60 passengers.

Either type could be operated at the maximum draught available of 3.00 metres and the important parameter is the number of cars and passengers and other vehicles plant and equipment likely to use the vessel.

The suggested ideal design recommended, given the necessary improvements to infrastructure, would be a simple landing craft with a bow ramp and shallow draught, so that it could use the existing island infrastructure when upgraded. It should also be designed with a deck crane for cargo handling and passenger accommodation.

Main Particulars:

- Length 24.50 metres
- Beam 8.50 metres
- Deck Cargo Capacity 50 tonnes
- Seven Cars or Two Trucks or One Bus
- Twin engines driving conventional propellers
- Designed and built to meet the relevant DCMNR requirements.

The budget costs for such a vessel would be:

- New Vessel 2.5/3 million euros
- Second-hand 500,000 – 750,000 euros

Annual operating costs would be in the region of €769,000 as follows:

- Salaries (11 persons) €270,000
- Vessel Insurance €75,000
- Fees (DCMNR) €12,000
Achievement of an ideal design specification suggest that ideal infrastructural facilities are also in place. The reality is that they are not. Improvements and upgrading projects are currently at various stages of completion, construction, detailed design and early planning. These upgrading projects have and are being developed following a detailed public consultation with the islanders and other users.

Priority requirements have and are being identified, i.e. more berthing length, better shelter, deeper water and in some cases, new slipways. Any new cargo tender should therefore be based on a performance specification that allows for the infrastructure as it pertains at the time of tender and also allows potential operators to cater for other unsubsidised activities as they see fit. This methodology also allows for preferred priorities for development to be maintained both on the islands and on the mainland.

5.22.4 The Future
The likely issues to be addressed in the future of operating passenger vessels revolve around new legislation under the 98/18 EU Directive.

The other issue that need to be addressed in our opinion is that of carrying disabled and in particular, wheelchair bound passengers.

All of the new vessels have space and toilet arrangements for disabled passengers in particular the vessels operating out to Inis Mór. Many if not all of the older vessels operating to the other islands do not have these on board facilities. However this is only part of the requirement. Very soon the requirements and facilities needed for getting passengers on and off the vessels will be the more difficult regulations to meet especially on the smaller islands.

Up until relatively recently the kind of tourist who wished to go to the islands, and in particular those other than the Aran Islands, was more adventurous and happy to get an exciting heave while sailing over on a fishing vessel or half decker. This is no longer the case and the new Aran ferries recently put into service prove this.

New ferries now need to be comfortable both in a seaway and internally with the following facilities:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Cost (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel</td>
<td>90,000</td>
</tr>
<tr>
<td>Berthing Fees</td>
<td>50,000</td>
</tr>
<tr>
<td>Repayments on Mortgage</td>
<td>272,000</td>
</tr>
</tbody>
</table>
Study of Ferry Service Requirements to a Number of Islands

- Bus or aircraft seats
- Carpeting in the saloon
- Space for bicycles and luggage
- Clean smart toilets
- Bar/craft shop/tea bar
- Space for the FMCG
- Arrangements for wheelchair passengers both on the vessel and at the embarkation points at both ends of the journey
- Designed and built to meet the latest DCMNR/IMO requirements for structure/propulsion/firefighting/stability/lifesaving etc.
- Greater length to carry more passengers
- More frequent services to suit the islanders

There is also the need for fast ferries of 20 knots but these might be rather expensive to run for the smaller island operators and also mean that visitors spend only a day and do not bring income to hotels/B&Bs

From a technical point of view, passenger vessels would have the following characteristics:

- Length 16 – 30 metres
- Maximum Draught 1.50 – 2.00 metres for all except Aran Islands
- Maximum Draught 2 – 3.00 metres for the Aran Islands
- Twin Engines

as well as compliance with DCMNR requirements.

At present, the only fast ferries are running to the Aran Islands at 20 knots maximum; greater speeds, apart from capital and fuel costs, require to meet more stringent rules. Therefore for the smaller islands displacement speeds of between 9 and 12 knots are all that is possible at economic levels until tourist numbers demand it.

When putting vessels out to tender the simple way to cover the requirements to be met is by means of a performance specification stating what is to be carried, how frequently, infrastructural constraints, etc. and by demanding compliance with all DCMNR criteria. No passenger or cargo vessel can operate in Ireland without DCMNR certificates which make the vessel comply with all national and international rules etc.

5.23 Maritime Security

A new comprehensive security regime for international shipping is set to enter into force on 1 July 2004 following the adoption at a Diplomatic Conference of the International Maritime Organisation (IMO) of a series of measures to strengthen maritime security and prevent and suppress acts of terrorism against shipping.
The Conference adopted a number of amendments to the 1974 Safety of Life at Sea Convention (SOLAS), the most far-reaching of which enshrines the new ISPS Code. The Code contains detailed security-related requirements for Governments, port authorities and shipping companies in a mandatory section (Part A), together with a series of guidelines about how to meet these requirements in a second, non-mandatory section (Part B).

The EU have now made regulations that all Class A domestic passenger ships and all cargo ships in excess of 500 tonnes will have to comply with the EU Maritime Security Regulations. The EU has also indicated that a Mandatory Risk Assessment will be required for all domestic passenger ships and associated harbours.

The implementation dates for Domestic Shipping are as follows:

- 1 July 2005 for Class A Passenger Ships and associated port facilities
- 1 July 2007 for all other domestic passenger ships and associated port facilities

### 5.24 Aer Àrann Service

The Aer Árann PSO service requires a total subsidy of €2.235 million over three years or €745,000 on average annually. The air subsidy is approximately a third of the total air and sea subsidy being provided for the eight islands.

The latest statistics show that the airline carried 36,648 passengers for the 12 month period ending September 2003. In 2002, Island Ferries carried 246,750 passengers for a subsidy of €240,900 to the same destinations, ie, for a third of Aer Árann’s subsidy, the sea ferry service carried almost seven times the number of passengers.

Examination of Aer Árann’s passenger statistics shows that one-third of all passengers, that is 6,142 return journeys, carried on the Aer Árann services in the 12 month period were islanders. These were evenly split across the three islands.

While it is not possible to predict the subsidy requirements when and if the next air service PSO contract is tendered, the cost is likely to continue to be a significant proportion of the total island ferry subvention. In line with the other ferry services that it funds, and in this context, the Department should continue to satisfy itself that the subsidy provided to Aer Árann reflects appropriately the airline’s contribution to the islands’ economic and socio-economic development.
6. Recommendations

In this section, we set out our recommendations. It should be noted that we do so within the framework of the overall existing levels of subsidy.

6.1 Government Policy on Purpose of Subsidy

We recommend that the Department of Community, Rural and Gaeltacht Affairs should adopt a more holistic approach to the implementation of its policies on ferry subsidies. This will then inform decision-making in relation to the level of subsidy, the sources of subsidy and the role of the ferry operator in relation to the development of the service.

This will require involving possibly other stakeholders such as Údaras na Gaeltachta, local authorities, tourism organisations. In addition, we believe that there could be a role for the ferry operators to develop traffic to the islands the benefits of which they would share.

6.2 Key Performance Indicators (KPIs)

To ensure that Value for Money is being achieved, we recommend that monitoring of the performance of each of the subsidised services should take place through the use of a number of Key Performance Indicators. The number of Indicators used should reflect the value of the contract.

These indicators shall be classified under the three headings of

- effectiveness
- efficiency and
- economy

We also believe that the operators’ accounts should be recorded and analysed.

We recommend that a computerised database be developed which would allow the required data be entered easily and which would enable comparative and time-sequence reports, including graphs, to be prepared.

This database of information will, over time, begin to provide data that will allow the Department of Community, Rural and Gaeltacht Affairs to compare revenues, costs and performance across services as well as to compare performance over time.

The database should also record the annual reporting of the operator’s accounts under a range of costs elements including fuel, insurance, survey, repairs, harbour dues, labour and profit.

Unless an escalation clause is incorporated in a contract, then revenues and costs will have to reflect the Consumer Price Index to allow proper comparisons to be made.
The inventory of information collected will be useful when evaluating proposals at
time of contract renewal or for new subsidised services.

The Department of Community, Rural and Gaeltacht Affairs should explore
opportunities for benchmarking ferry performance with other providers of services,
eg, Department for Regional Development, Northern Ireland and the Scottish
Executive.

6.2.1 Effectiveness

The KPIs in relation to Effectiveness should relate to Customer Satisfaction
and ferry utilisation.

The following KPIs are proposed:

- Customer Satisfaction Index
- Number of Customer Complaints
- Passengers (split between Islanders & Non-Islanders) Carried Each Way
  - On contracted services
  - On other services
- Number of Islanders Carried/Population of the Island
- Freight Carried

The collection of the first Indicator shall be through the establishment of a
formally constituted Monitoring Committee established on each of the
islands, comprising representatives of the islanders as well as the
Department's Regional Officer. This Committee should report every six
months, in the form of an Index on its views in relation to the service.

An approach to the determination of the Index is through the scoring of
satisfaction for a number of matters as follows. The aspects, scores and
weightings are for example only.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Score (1 – 5)</th>
<th>Weighting</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleanliness</td>
<td>3</td>
<td>0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Delays</td>
<td>4</td>
<td>0.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Adherence to Timetable</td>
<td>5</td>
<td>0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Service</td>
<td>3</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Comfort</td>
<td>2</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1.0</strong></td>
<td><strong>3.9</strong></td>
<td></td>
</tr>
</tbody>
</table>

One of the first duties of the Monitoring Committee is to agree the aspects to
be scored, the score range and the Weighting to be assigned to each
aspect. The number of matters to be scored and their Weightings do not
have to be the same for each service but the total of the Weightings should
equal one. The maximum score should be a multiple of five.
Each member of the Committee should produce an individual score from which an average score for the Committee is determined.

The actual Index is the Result divided by the maximum score (5), which in the example above is 0.78.

It is suggested that an index value of less than 0.65 be exceeded before any penalty is imposed.

6.2.2 Efficiency

The KPIs in relation to Efficiency should comprise the following:
- Number of Services Actually Provided/ Number of Services Scheduled
- Number of Services Delayed
- Passengers Carried/Vessel Capacity (Load Factor)
- Number of Occasions that Passenger Bookings Exceeded Capacity

6.2.3 Economy

The KPIs in relation to Economy should include
- Operating Cost/Passenger (for Islanders & for Total)
- Operating Cost/Journey-Mile*
- Subsidy/Passenger (for Islanders & Total)
- Subsidy/Journey-Mile*
- Fares Income as % of Operating Costs
- Profit after Interest & Tax/Subsidy
- Subsidy/(Operating Costs + Interest - Fares)
- Actual/Budget for Revenue and Cost Elements
- Revenue/Operating Costs
- Subsidy/Revenue

Those Indicators marked with an asterisk requires details of the number of journeys carried out.

6.2.4 Operator Financial Performance

The KPIs in relation to Operator Financial Performance should include
- Operating Profit (including and excluding Depreciation) as % of Turnover
- Profit After Interest & Tax as % of Turnover
- Liquidity (Current Assets/Current Liabilities)
- Return on Net Assets (Profit after Interest & Tax/(Capital + Reserves))
- Return on Net Assets (Operating Profit/(Capital + Reserves))

6.3 Other Performance Indicators

There is other data that should be collected that would allow additional Performance Indicators to be developed.
Study of Ferry Service Requirements to a Number of Islands

These Indicators relate to
  • Socio-economic performance
  • Socio-linguistic performance
6.3.1 **Socio-Economic Indicators**

We suggest that the Department of Community, Rural and Gaeltacht Affairs may wish to collect information in relation to the socio-economic development and quality of life of the islands. In this regard, we present the following as possible Indicators:

- Population Analysis (0-2 years, 3 – 17 years, 18 – 64 years, 65 years +)
- Dependency Ratio
- Economic Activity: Employment (Manufacturing, Services, Fishing/Agriculture)
- Numbers with Internet Access
- Household Income
- Deprivation Index
- Participation in Third Level Education
- Education Attainment by Levels of Qualification
- Number of Phones per 100 Population
- Household Infrastructure by Age and Size
- Crime Rates
- Power Interruptions
- Satisfaction with Council Services (e.g., litter/waste collection, water provision, sanitary services)
- Library Usage
- Mortality Rates
- Numbers waiting to see doctor/specialist/hospital care

This information will have to be collected through specially commissioned surveys.

6.3.2 **Socio-Linguistic Indicators**

The following are a number of Socio-Linguistic Indicators that should be considered (for Gaeltacht Islands):
### Signage on vessel:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Best Practice</th>
<th>Minimum desirable in a best practice context</th>
<th>Undesirable in a best practice context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of vessel</td>
<td>In Irish Only</td>
<td>In Irish only</td>
<td>Bilingual or in English only</td>
</tr>
<tr>
<td>Use of Gaeltacht place names</td>
<td>In Irish Only</td>
<td>In Irish only</td>
<td>Bilingual or in English only</td>
</tr>
<tr>
<td>Ticket sales information</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>English only</td>
</tr>
<tr>
<td>Information signage</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>English only</td>
</tr>
<tr>
<td>Safety information</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>English only</td>
</tr>
<tr>
<td>Tourist information</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>English only</td>
</tr>
<tr>
<td>Ephemeral material</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>English only</td>
</tr>
</tbody>
</table>

### Signage at interface points with passengers and potential customers, including:

- Ticket sale points on island
- Ticket sale points on mainland
- Ticket sale points at nearby population centres (where applicable)
- Customer service office on island
- Customer service office/offices on mainland
- Customer service office/offices at nearby population centres

### Ferry Service Advertising

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Best Practice</th>
<th>Minimum desirable in a best practice context</th>
<th>Undesirable in a best practice context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet site (Language)</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>In English only</td>
</tr>
<tr>
<td>Internet site (content)</td>
<td>Emphasis on linguistic tradition of Gaeltacht Islands and encourage visitors to explore the Irish language and culture while on Island.</td>
<td>Emphasis on linguistic tradition of Island and encourage visitors to explore the Irish language and culture while on Island.</td>
<td>Little or no emphasis on linguistic tradition of Gaeltacht Islands</td>
</tr>
<tr>
<td>Advertising in broadcast and print media</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>In English only</td>
</tr>
<tr>
<td>Billboard and other fixed sign advertising</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish given prominence</td>
<td>• Bilingual with Irish and English given equal prominence  • In English only</td>
</tr>
<tr>
<td>Ephemeral advertising material</td>
<td>Bilingual with Irish given prominence</td>
<td>Bilingual with Irish and English given equal prominence</td>
<td>English only</td>
</tr>
</tbody>
</table>
6.4 Contract Arrangements

6.4.1 Consider Public Service Obligation

In the context of the communication from the Commission, which may involve simplified procedures for services which carry less than 100,000 passengers per year, the Department should consider establishing and defining appropriate ferry services as a PSO.

The European Commission has set out clear guidelines in relation to the processes including wide publicity of the potential contract to afford equal opportunity for those who wish to bid.
6.4.2 **Tender Information**

In addition to much of the information currently sought, tenderers should be required to prepare detailed financial forecasts for the term of the contract to support the level of subsidy required. These financial forecasts should incorporate both revenue and cost elements, and include an accepted profit component where required.

Key revenue elements would be:

- Passenger numbers
- Cargo
- Other
- Fares

Key cost elements would be:

- Labour
- Fuel
- Insurance
- Repairs and maintenance
- Ship survey
- Port charges
- Depreciation
- Interest

It would be the responsibility of the Tenderer to ensure that the supplied cost forecasts take account of possible inflation in any of the cost items.

These forecasts should be the basis of the subsidy demand by the Tenderer and the subsidy should be the difference between the projected revenue, incorporating an agreed profit, and projected costs. Where a reduced difference occurs, the subsidy should be reduced accordingly. No increase in subsidy, though, should be permitted.

In preparing its projections, Tenderers should be required to estimate the number of non-subsidised services it plans to provide, if any.

The availability of the financial forecasts will therefore

- Support the decision-making process of the Department of Community, Rural and Gaeltacht Affairs from an informed perspective
- Allow for the testing of the reasonableness of the tender
- Allow for cost comparison, calculation and analysis
- Assist the evaluation and tender ranking processes

We believe that it is important that the approximate times of the services should be agreed with the islanders before the tender is issued. This can be
done either by the Department or the tenderers. This will provide tenderers with more information in relation to the scale and scope of the required service. Different starting times can affect potential revenues.

6.4.3 Contract

We see the contract as a Service Level Agreement between the Department of Community, Rural and Gaeltacht Affairs and the Operator.

The contract should be clear in terms of the services to be provided as well as the penalty and termination clauses for non-fulfilment of contract. This will assist the evaluation and monitoring process, and will help in ensuring Value for Money.

6.4.4 Tender Evaluation

We recommend that the tender process should be transparent and auditable, and that the Department of Community, Rural and Gaeltacht Affairs should use a Scoring Matrix along the lines of that used by the Department for Regional Development for the evaluation of tenders against pre-defined criteria. Each criterion should be afforded a weighting and scored. A template for the Scoring Matrix, based on the Department for Regional Development Matrix, is provided in Appendix 6.

The evaluation criteria should be set out in the Invitation to Tender.

This evaluation process is a method commonly used by other government departments and semi-state organisations, as well as the private sector, for the evaluation of capital and other projects.

The Department might also wish to use a pre-qualification process to eliminate applications which do not meet minimum standards, eg, tenderers proposing a vessel not having the capacity to carry the minimum number of passengers specified, cargo vessel without a loadline, or to whom the circumstances listed in paragraph 1 of Article 29 of Council Directive 92/50/EEC apply. These circumstances include

- is bankrupt or is being wound up, whose affairs are being administered by the court, who has entered into an arrangement with creditors, who has suspended business activities or who is in any analogous situation arising from a similar procedure under national laws and regulations;
- is the subject of proceedings for a declaration of bankruptcy, for an order for compulsory winding-up or administration by the court or for an arrangement with creditors or of any other similar proceedings under national laws or regulations;
- has been convicted of an offence concerning his professional conduct by a judgement which has the force of res judicata;
- has been guilty of grave professional misconduct proven by any means which the contracting authorities can justify;
- has not fulfilled obligations relating to the payment of social security.
contributions in accordance with the legal provisions of the country in
which he is established or with those of the country of the contracting
authority;
• has not fulfilled obligations relating to the payment of taxes in
accordance with the legal provisions of the country of the contracting
authority;
• is guilty of serious misrepresentation in supplying or failing to supply the
information that may be required

6.4.5 Monitoring Arrangements
We recommend that monitoring arrangements should be placed on a formal
basis with agreed agenda and agreed frequency of meeting. A properly
constituted committee, representative of key stakeholders, should be
established which should be responsible for monitoring and reporting on
performance.

6.4.6 Sample Audits
The Department of Community, Rural and Gaeltacht Affairs on a sample
basis should continue to audit the on-board performance of the operators in
relation to checking the numbers carried, the collection of the correct fares
and adherence to the conditions of the contract.

6.4.7 Contract Duration
We recommend that the duration of the contract should be of the order of
five years. Longer contracts could be considered where the financial or the
operational nature of the contract warrants it. The contract should not be
extended without going to tender again.

6.4.8 Service Schedule
We recommend that, where possible, there should be a return service early
in the morning and another service in the evening time to accommodate
those islanders wishing to return the same day from work, school etc.

Ideally, the vessel should be based on the island so that the first service in
the morning is from the island and the last service in the day from the
mainland.

6.4.9 Limited Companies
Applicants should ideally be limited companies.

6.4.10 Advance Notice of New Vessel Specification
Where a new service or a new vessel specification is to be introduced, there
should be sufficient advance notice given to ensure that possible bidders
have the opportunity to research the market for the availability of an
appropriate vessel to purchase, lease or build.

6.4.11 Publication of Contracts and Performance
Details of the ferry contracts should be published on the Department’s website as well as the performance of the various subsidised services in the form of the agreed Key Performance Indicators.
6.5 Contract Terms

The ferry contract should contain at least the following:

6.5.1 Reporting Requirements

Monthly, operators should be required to report:

- Passenger details by islander and non-islander for each sailing
- No of sailings scheduled and provided, subsidised and otherwise
- Numbers of sailings cancelled and reasons for same
- Number of sailings rescheduled
- Times of departure
- Number of sailings delayed

Bi-annually, operators should be required to report:

- Revenues achieved and budgeted
- Expenditure to-date under the same headings as the tender document
- Number of complaints and details of corrective actions taken
- Any other operational matters including safety, environmental, technical, health issues

Annually, the Department should get a copy of the audited accounts.

6.5.2 Enforcement Clause

The contract is clear that where scheduled services are not provided and not subsequently provided, then an element of the Subsidy is withheld. It is essential that the Department of Community, Rural and Gaeltacht Affairs continuous to actively monitor schedule performance and follows through with withholding Subsidy.

6.5.3 Penalty Clause

It is important that the Penalty Clause is very explicit, unambiguous and actionable.

6.5.4 Bye-Law Enforcement

Operators need to be clear that compliance with all byelaws is a condition of the Contract.

6.5.5 Transport of Animals

The Contract should be clear that all vessels transporting animals must comply with Department of Agriculture regulations on same.

6.5.6 Disability

We recommend that the contract should be explicit in terms of the vessel being capable of addressing the issue of disability and conforming to the requirements of the Disability Act.
6.5.7 Compliance with Department of Communications, Marine and Natural Resources Rules and Regulations
The Contract should be clear that all vessels must comply with all rules and regulations of the Department of Communications, Marine and Natural Resources.

6.5.8 Termination Clause
All contracts should have explicit termination clauses and the grounds for termination should be clear. The Department of Community, Rural and Gaeltacht Affairs should be prepared to progress to such a position should the situation warrant it.

The contract should also be clear what steps should be followed if either party terminates the contract.

6.5.9 Exceptional Escalation/Indexation Clause
The Department of Community, Rural and Gaeltacht Affairs might wish to give some thought to the inclusion of some form of an escalation or indexation clause within the contract to address extraordinary cost increases.

6.5.10 Growing the Traffic
Consideration should be given to including an Incentive Clause for the successful tenderer to grow the overall business. Any increases in profit should be shared between the Department of Community, Rural and Gaeltacht Affairs and the operator.

6.6 Ferry Services and Subsidies
The current subsidy allocation is governed by contract. Therefore, no change in subsidy level can occur until a contract comes to an end. We set out below our views on key changes.

6.6.1 General Policy
Our Terms of Reference are clear that our recommendations are to be made within the framework of the overall existing levels of subsidy. Currently, the total annual subsidy, including that for Aer Arann, is €2.5 million in 2004.

It is likely that some of our recommendations should result in a reduced overall subsidy amount allowing for a compensating increase for other services.

However, there will be times when the Department will have to decide on whether the subsidy to particular services should be reduced, withdrawn or fixed at a particular level to ensure the overall subsidy target is achieved.
Other than the changes recommended below, we are generally satisfied with the quality of and need for ferry services provided to the various islands under review.

Islanders have raised certain concerns in relation to the timing of and number of runs made; we suggest that a number of general principles apply to the determination of a ferry schedule (see 6.4.9 above):

- The vessel should preferably be based on the island overnight
- The Monday morning service from the island should be as early as possible
- The Friday return service should be as late as possible
- There should ideally be at least two return services at least once a week

6.6.3 Freight Service from Galway

We recommend that a freight-only service contract be provided in place of the existing freight/passenger service. Separate contracts, for the different islands, is not recommended since there are no perceptible cost, management, or competitive benefits in doing so.

Due to the space and other limitations at Galway, the freight service should operate from Rossaveal when the required infrastructure has been provided there. Warehousing space is unlikely to be a constraint.

It should be noted that port charges at Rossaveal are to be increased in 2004. Discussions by the Consultants with a number of suppliers in Galway have indicated that there would be additional delivery charges to make the 70 mile return service.

A timescale delay is inevitable in developing Rossaveal and in completing the development plans already in place on the Aran Islands. Until such time as the new infrastructure is complete, any new cargo ferry can only be based on a performance specification, using the criteria already outlined.

6.6.4 Interim Aran Islands Cargo Ferry Specification

Until such time that the infrastructure is updated on the three Aran Islands and Rossaveal, the key elements of the performance specification for the cargo service to be provided to the three Islands relate primarily to health and safety matters, and conformance to DCMNR requirements in relation to structure, propulsion, firefighting, stability and lifesaving.

The contracted vessel should have capacity to carry both refrigerated and frozen food-stuffs.

The vessel should be capable of carrying diesel and other fuels.

Based on historical carryings reviewed above, see 2.3.2, potential tenderers
should be advised that, on the basis of the returns to the Department for 2002, the average load carried was of the order of 36 tonnes with 88% of loads below 65 tonnes and 95% of loads under 100 tonnes.

Tenderers, though, should satisfy themselves and the Department that the cargo capacity and cargo space dimensions offered cater for and reflect the needs of the islanders now and over the life of the contract.

The vessel should have a deck crane for cargo handling.

6.6.5 Passenger Services between Rossaveal and the Islands
We recommend that there should be two passenger contracts; one for Inis Mór and one for Inis Meáin and Inis Oírr. This will ensure that no possible cross-subsidisation can take place.

In relation to the Inis Mór service, a reduced subsidy should be available, if required, to ensure an all-year round service.

For the Inis Meáin and Inis Oírr services contract, passenger data for Inis Oírr and Inis Meáin should be obtained for each island rather than both together.

6.6.6 New Freight Services
In the event that additional funding becomes available for ferry services to the islands, consideration should be given by the Department of Community, Rural and Gaeltacht Affairs to providing a subsidised monthly freight service to the remaining islands. The vessels contracted should be capable of using existing slipways or quays.

It is envisaged that such a monthly freight service could be provided for at a cost of the order of €250,000 annually overall.

6.7 Other Recommendations
We set out below a number of other recommendations that we believe should be addressed.

6.7.1 Health and Safety
Harbour and Pier Authorities have a responsibility for Health and Safety at their Piers. Harbour Authorities have responsibilities towards safe navigation in their waters. Each should ensure that there is adequate supervision backed by operable bye-laws to ensure the safety of passengers and safe navigation within the area of their piers.

Harbour Masters and pier supervisors should be qualified trained personnel with proper powers and legal backing to allow them carry out their duties.

6.7.2 Compound Ownership and Plant
Storage compounds and plant should, ideally, be in the ownership of the
local co-operative rather than the ferry operators.

6.7.3 Training
A training programme should be prepared for ferry operators and skippers to facilitate them act as ambassadors for their islands.

Relevant maritime awareness programmes and financial training should be provided to appropriate Department staff to enable them carry out their monitoring duties.

6.7.4 Department of Communications, Marine and Natural Resources/Local Authority Liaison
While the Department of Communications, Marine and Natural Resources has responsibility for the issuing of a vessel’s Passenger Licence which also covers the harbours to which she sails, the relevant local authority is responsible for the facilities and management at a number of the harbours covered by this Report. This can give rise to planning and co-ordination difficulties. We would recommend that more formal contact would take place between the various bodies to ensure that any potential difficulties or issues are addressed before they become a difficulty.

6.7.5 Ferry Service Logs
Carriers should be required to provide summaries at a monthly level of their daily logs. Also, each log should show the total number of passengers carried that day as a control total.

Logs should be returned even if there is no sailing that day.

An interesting approach adopted by the Clare Island Ferry Service is that the logs are numbered and printed in sequence which ensures that all returns are accounted for.
7. **Conclusions**

Value for Money can be difficult to ensure in any market where there is little or no competition. It can be equally difficult to obtain in a situation where only a single tender is received following an Invitation to Tender or where the tendering process is not properly structured.

The development of an information database with operational and financial data will begin to address this issue. Such data should be obtained during the tender process as well as being part of the monitoring process through the development of Key Performance Indicators. In this regard, we have made a number of recommendations in respect of KPIs under each of the headings of **efficiency**, **effectiveness** and **economy**. We also have proposed a number of Indicators that measure the financial return to the operators from the services that they provide. The Department of Community, Rural and Gaeltacht Affairs should investigate the feasibility of exchanging data with similar bodies in other jurisdictions.

Tender evaluation should be formal, structured and transparent. We recommend the use of a Scoring Matrix. Contracts should be more rigorous in terms of information requirements. Enforcement and penalty clauses should be explicit, and regular reporting should be the norm. This is already the case for the subsidised air service to the Aran Islands. The contracts should be for a period of five years and retendered thereafter. The Public Service Obligation (PSO) contract has much to offer and should be considered, in the context of the communication from the Commission.

Our examination of the ferry services has confirmed the need for a subsidy. However, in times of inflation, subsidy levels cannot be expected to remain static if services are to remain the same, particularly if there is no change in passenger and freight rates.

Our Terms of Reference are clear that our **recommendations should be made within the framework of the overall existing levels of subsidy**. While it is likely that some of our proposals should result in a reduced overall subsidy amount allowing for a compensating increase for other services, there will be times when the Department will have to decide on whether the subsidy for particular services should be reduced, withdrawn or fixed at a particular level to ensure the overall subsidy target is achieved.

Ferry services play an important economic, socio-economic and socio-linguistic role in the life of an island; they are the lifeline to and the lifeblood of the islands in that they bind the community together, maintain their identity and culture, as well as ensuring their economic wellbeing from the spend of the many thousands of visitors who travel to the islands each year. In this regard, we believe that the Department should take a holistic approach to the development of the islands and involve the relevant state agencies and local authorities.

Any desired improvement in the level of service is likely to be expensive; higher-specified vessels cost more and harbour infrastructure may require upgrading. The transfer of the Aran Islands freight service from Galway Docks to Rosslaveal, for instance, will have major
implications for the development of that harbour.

The implementation of our recommendations will require a partnership approach between the islanders, the Department of Community, Rural and Gaeltacht Affairs and the ferry operators. We are confident that, through this partnership approach and with improved data and information collection, enhanced Value for Money can be secured.
Department of Community, Rural and Gaeltacht Affairs

Review of Certain Subsidised Ferry Services to the islands

Volume 2: Appendices

Prepared by

Malachy Walsh and Partners

In association with

Posford Haskoning
Donnacha

Raymond Burke Consulting

McCaig Watson

Seosamh Mac

9th March 2004
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APPENDIX 1 – CALL FOR SUBMISSIONS
STUDY OF ISLAND FERRY SERVICES

DEPARTMENT OF COMMUNITY, RURAL & GAELTACHT AFFAIRS

The Department of Community, Rural & Gaeltacht Affairs has appointed a Specialist Study Team to report on the Island Ferry Services for Tory Island, Inishturk, Clare Island, Inis Mór, Inis Meáin, Inis Oírr, Inisboffin and Cape Clear.

The Terms of Reference of the study include:

To advise on:

1. Appropriate indicators by which effectiveness and value for money may be assessed in respect of the provision by the Department of subsidies towards island transport services generally.

2. The optimal duration and terms and conditions of contract, having regard to the investment required to provide quality customer ferry services.

3. The socio economic and socio-linguistic impact subsidised services have had on the development of the islands since 1997.

The multi-disciplinary Study Team comprises:

- Malachy Walsh & Partners - Consulting & Civil & Structural Engineers
- Raymond Burke Consulting - Transport Economist
- Posford Haskoning - Specialist Maritime Engineers
- McCaig Watson - Naval Architects

The Study Team is embarking on a process of public consultation. This will include visits to each of the islands and consultation with all interested parties. Written and electronic submissions are also invited from interested parties. Matters of particular interest to the Study Team are:

- The adequacy of and need for each of the existing subsidised ferry services to the islands, specifically with regard to (i) the functional specification of vessels and (ii) in terms of service provision, to frequency, reliability, cargo handling, comfort, fare and, where relevant, impact on the Irish language.

- The case, if any, for upgrading existing or providing additional subsidised ferry services from within existing overall allocations

- The quality and adequacy of the existing infrastructure and the need for any improvements to it. It is recognised that public consultation on this issue has been previously carried out and significant work is already underway.

The date for public consultation on the various islands will be advised locally. In the meantime, interested parties are invited to submit their views, on or before 29th August, 2003 to

Mr. Jack O’Leary,
Malachy Walsh & Partners,
Consulting Engineers,
Park House,
21 Denny Street,
Tralee.

e-mail address: jackoleary@mwp.ie

Appendices
Appendix 2: Inputs and Submissions
Inputs and Submissions

During the course of the Review, we were in contact with or received Submissions from the following organisations:

- Aer Árann
- Arranmore Ferries
- Baltimore Harbour Commissioners
- Bord Failte
- Cape Clear Island Co-op
- Chuck Kruger, Cape Clear Island
- Ciaran O’Driscoll
- Clare Island Development Company
- Clare Island Ferry Company
- Cleggan & Inisbofin Ferries
- Coiste Seirbhís Lasta Trí Oileán Árann
- Comhdháil Oileáin na hÉireann
- Cork County Council
- Department for Regional Development (Northern Ireland)
- Department of Communications, Marine & Natural Resources
- Department of Community Rural & Gaeltacht Affairs
- Department of Transport
- Donegal County Council
- Doolin Community Harbour Co-op
- Ed Harper, Cape Clear Island
- Galway County Council
- Harbour Master Rossaveal
- Harbour Master, Inishmore Island
- Inisbofin Development Company
- Inisheer Co-op
- Inishmaan Co-op.
- Inishmore Co-op
- Inishmore Ferries
- Inishturk Community Council
- Inishturk Ferries
- Island Ferries Teo
- King Ferries Ltd
- Kirk McClure Morton
- Marine Survey Office
- Mayo County Council
- Mr Rory Beatty
Study of Ferry Service Requirements to a Number of Islands

- North Western Health Board
- O’Brien Shipping
- O’Halloran Shipping Ltd
- O’Malley Ferries
- Pat Concannon, Inishbofin
- Sherkin Island Ferry Service
- Shetland Island Council
- Tarlach De Blacam
- The Lough Foyle Ferry Company Ltd
- Tory Island Co-op
- Turasmara
- Udaras na Gaeltachta
- Western Health Board
- Western Regional Tourism Authority
APPENDIX 3: HISTORY OF CALEDONIAN MACBRAYNE (CALMAC)

Caledonian MacBrayne started life on the 10 February 1851 as a steamer company. The company at this time was called David Hutcheson & Co and had three partners – David Hutcheson, Alexander Hutcheson and David MacBrayne. Caledonian MacBrayne started life on the 10 February 1851 as a steamer company.

The fleet, which David Hutcheson & Co inherited, comprised eight paddle steamers and two track boats on the Crinan Canal Ardrishaig on the Clyde and the West Coast. The main sphere of operation, called the Royal Route because Queen Victoria had traversed part of it only four years earlier, was from Glasgow through the Crinan Canal to Oban and Fort William and then on through the Caledonian Canal to Inverness.

An excursion steamer was based at Oban for Mull, Staffa and Iona and a further vessel sailed all the way round the Mull of Kintyre to Skye.

The company, however, extended it's operation in 1855 by building new tonnage for the demanding all year round service to Mull, Skye and Lewis and so by extending sailings to Stornoway inaugurated it's first service to the Outer Isles.

In the late seventies the Hutcheson brothers retired leaving the firm in the hands of David MacBrayne who was by this time 65 years old. It was from this point the firm was renamed David MacBrayne.

Throughout the late 1870's and 80's the MacBrayne empire continued to expand with a mail to Islay, Harris and North Uist from Skye. In the final months of the decade MacBrayne took over the Outer Isles run from Oban to Barra and South Uist.

In fairly quick succession new railways began to reach the West Coast – at Fort William, Kyle of Lochalsh and Mallaig and the fleet rosters were altered to meet the new situation. The new century, however, brought further changes, not least the coming of the fast, smooth and economical turbine steamer.

David MacBrayne retired in 1905 leaving his two sons who were partners by this time to run the company.

There followed a period of new building, largely utilitarian ships for the mail routes to the islands and remote mainland communities. Although hardly noticed at the time three of these craft were motor vessels which would eventually take over from steamers.

Following the Great War of 1914 – 1918 David MacBrayne was operating a much-reduced fleet and this eventually resulted in the company's withdrawal from the tender for the mail contract. Thanks to a rescue operation jointly with LMS Railway and Coast Lines Ltd a new company was formed – David MacBrayne (1928). To keep the mail contract the new company had to commission four new vessels one of which was the M.V Lochfyne – Britains first “diesel electric” ship.

The six dark years of the Second World War saw the temporary abandonment of excursion sailings but an increase in other traffic thanks to military movements. The company in 1943 lost its last paddle steamer, the Pioneer, when she was requisitioned.

Appendices
1948 saw the nationalisation of the LMS shares in the company and the acquisition of the ships and goodwill of McCallum, Orme & Co which for many years had worked cargo sailing’s to the Isles from Glasgow. The sailings of the two companies gradually integrated and the services were pruned, partly by the increased use of improved roads by lorries and causeways.

The main revolution, however, came in 1964 when the Government provided finance to commission three car ferries to link Skye to the Outer Isles, Skye with the Mallaig and Mull with Oban and Morvern.

Five years later the state-owned Scottish Transport Group was formed to operate not only MacBrayne’s but also the Caledonian Steam Packet Company on the Clyde together with the dominant Scottish Bus Company.

Soon after, the shipping companies were amalgamated and renamed Caledonian MacBrayne Ltd, Lorry services were operated by MacBrayne Haulage while David MacBrayne was retained for certain minor services.

The CalMac vessels soon sported the red CSP lion in the yellow disc in the centre of the red funnel. The Head Office was established in Gourock.

The pressing need for the new management was for the provision of modern roll-on roll-off facilities to cater for the increasing need for fast turnarounds and the transport of heavy vehicles.

From the sixties to the mid-eighties many improvements and refinements took place in order to complete the ro-ro revolution and ensure that all vessels were operated to the maximum levels of safety.

Finally in 1990 Caledonian MacBrayne threw off the umbrella of STG and became wholly owned by the Secretary of State for Scotland (now the Scottish Executive).

On the 10 February 2001 Caledonian MacBrayne celebrated their 150th Anniversary and are very much looking forward to continuing to serve island communities for the next 150 years.
1. This consultation paper seeks the views of interested parties in considering the way forward in relation to future delivery of ferry services in the Highlands and Islands. The consultation seeks views on a number of complex issues including how routes should be grouped, arrangements for ownership of vessels, consultation arrangements and, in the longer term, the content of possible domestic legislation including the role of a future Highlands and Islands authority.

2. In order to help inform debate on the issues covered by the consultation paper, the Department's normal practice is to make available to the public, on request, copies of responses to the paper. The Department will assume therefore that responses can be made publicly available in this way. If respondents indicate that they wish all, or part, of their reply excluded from this arrangement, its confidentiality will be strictly respected.

Background

3. The European Commission has a duty under Article 88(1) of the Treaty to keep under review aids existing in Member States and to propose to the Member States appropriate measures required by the progressive development, or the functioning, of the Common Market. Following the introduction of Community guidelines on State aids to maritime transport, the Commission wrote to Ministers seeking information about the compatibility with Community law of our current arrangements whereby CalMac receives public subsidy to provide Western Isles and Clyde ferry services.

4. To comply with the guidelines, an open public tender will be necessary in all cases where financial compensation is being offered to a ferry operator for Public Service Obligations (PSOs). Other EU Member States are either already well down the road of tendering their subsidised ferry services or are currently bringing forward arrangements to do so. Failure to comply with Community rules could ultimately lead to 'infraction proceedings' by the Commission, which could involve, for example, the cessation of aid to these lifeline services. Non-compliance with the rules is not, therefore, an option.

5. Commission guidelines note that "subsidisation can, in principle, be accepted for Public Service Obligations (PSOs)". The definition of a PSO is set out as:

"any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it were solely considering its economic interest."

6. The guidelines prescribe detailed rules for PSOs relating to tendering requirements and terms of contract. In particular:

- Schemes must be transparent and allow for the development of competition.
- Schemes must give adequate publicity to the call for tender and set out all requirements in a transparent manner to ensure that all Community carriers have had an equal chance to bid.
- Subsidy can then be given but must be directly related to the calculated deficit made by the
operator for the service. There should be no over-compensation or cross-subsidy and the system should not be used to support inefficient management and operating methods.

- The duration of the PSO contracts should be limited to a reasonable period (in practice 5 years or less).

7. The Executive concludes that the ferry operations provided by Caledonian MacBrayne to meet the Undertaking of Approved Services between the company and Scottish Ministers are in the nature of PSOs. They must therefore be brought into line with the above principles.

8. The final package of proposals will have to be agreed with the European Commission. However, the paragraphs below set out the policy objectives which the Executive will follow in coming into line with the European law and the options which appear to be available. Views on these options are sought.

**Policy Objectives**

9. The Executive's policy objectives are to ensure the maintenance of affordable sea links to Scotland's island communities. More specifically, in subsidising CalMac, the Executive aims:

- to ensure the provision of a suitable standard of transport connection, in terms of quality, frequency and capacity, to island (or, in some cases, remote peninsula) communities which would otherwise suffer social and economic disadvantage;
- to ensure ferry fares and freight charges are not excessive;
- to ensure that ferry services are delivered efficiently; and
- to ensure that the necessary level of service is provided for the minimal amount of public subsidy.

10. The Scottish Executive is committed to these policy objectives and in considering the future of ferry services to the Highlands and Islands attaches high priority to maintaining and, where possible, improving the level, quality and cost-effectiveness of services to remote island and rural communities.

11. Possible models for tendering services should aim to deliver and be tested against these objectives. Key options for tendering the network appear to include:

- network options, and
- delivery options.

12. These are explored below.

**Network Options**

13. There are 3 main options in relation to tendering the network which are as follows:

- Tender the whole network;
- Tender the individual routes; and

Appendices
14. Ministers would welcome views on these options. Given the emphasis in the guidelines, as quoted in paragraph 6, on developing competition and ensuring that all Community carriers have an equal chance to bid, it is most unlikely that tendering the whole network as one would meet the requirements of those guidelines. There are several ways in which the network might be split up for tendering purposes. One course would be to group routes into a small number of route packages. This might strike an appropriate balance between the need to generate competition and the benefits to be derived from economies of scale. Routes might be grouped by vessel size or by geographical area. In terms of geographical area one possibility might be to tender the Clyde services separately from the remaining west coast services. Alternatively, if 3 bundles were involved, routes serving the Western Isles might be separated from the Inner Hebrides routes. Grouping by vessel size might be appropriate if tenders were to be restricted to 2 bundles. In such a case it would be possible to tender major, large vessels which require different crewing arrangements, catering arrangements and so on, separately from small vessels which would be crewed by seafarers essentially during the hours of daily operation only. Ministers would welcome views on which groups sit well together.

15. At the other end of the scale, it would be possible to tender individual routes. Disadvantages of this approach would include the loss of economies of scale, the reduction of flexibility in terms of utilisation of vessels (in a larger grouping it is easier to make relief vessels available and to cope with overhauls); and unattractiveness to established ferry operators. However, Ministers are interested to know if local communities would wish to bid to operate their own ferry services and this might be one factor in considering the argument for tendering individual routes separately. Communities would also have to be able to demonstrate that they had the financial and seafaring competence to deliver a sound and safe ferry service.

16. The Commission’s guidelines outlined at paragraph 6 refer to the need to avoid over-compensation. This implies that profitable routes could not be the subject of PSOs and they would be ruled out of receiving subsidy. The Department are not currently aware of any routes which might be described as being profitable when capital investment requirements for ongoing vessel needs and vessel replacement costs are taken into account. The Department and Caledonian MacBrayne are however carrying out further work to confirm whether this is the case. If any profitable routes were to be identified then their treatment would need to be separately considered. Options will be discussed with those affected if profitable routes are identified.

17. The Executive will be consulting in due course on service specifications on a route by route basis and this will cover such matters as fares, routes and levels of service. Ministers have also invited CalMac to carry out a review of fares which will involve wide consultation and this will help inform service specifications.

**Delivery Options**

18. The present system of funding Caledonian MacBrayne’s ferries involves a 75% capital grant with the remainder being delivered through Treasury Loans. Under European law, the payment of capital grants in respect of vessel replacement favouring particular undertakings with anti-competitive
effects, together with loans giving preferential rates, is ruled out. The implication of this is that investment in vessels will require to be fully costed and paid for by the operators of ferry services. The subsidy in respect of PSOs will be made available to operating deficits only and will have to take into account full (i.e. replacement cost) vessel leasing costs. Essentially, there are two main options for future ownership of vessels, namely:

- a separate vessel-owning company - where the vessels are owned by a separate company and leased at full cost to the operators; or
- the operators of services both own and operate the vessels.

19. Issues which are relevant to the decisions on these options are how best to ensure security of provision, efficient and cost-effective services, implications for public expenditure, identification of future vessel requirements and the transfer of assets at the end of each contract period.

20. Ministers support the principle of a separate vessel company which would be owned by the Executive. This would have the disadvantage of being constrained by public expenditure rules. However, the position would be no worse than the status quo in that regard. Caledonian MacBrayne is also subject to public expenditure control and there are likely to be considerable advantages in terms of ensuring that the vessels necessary to operate ongoing services are secure.

21. In terms of route operations, the Executive will allow Caledonian MacBrayne to bid to operate the routes on a basis which ensures that its bid is prepared on a fair and full cost basis, and evaluated transparently and equally with bids from other potential operators.

22. The Executive's recently published proposals for an Integrated Transport policy for Scotland include the joint commission of a consultancy to examine the issues involved in establishing a transport authority for the Highlands and Islands with executive powers over CalMac. This review will consider mechanisms by which responsibility for future service provision can be transferred to any such new Transport Authority. The review will of course keep in mind, amongst other things, state aids issues.

23. Views are sought on potential structures for delivery options.

**Mainland to Mainland Routes**

24. Article 4 of Council Regulation 3577/92 (on maritime cabotage) at paragraph 1 says "A Member State may conclude public service contracts with or impose public service obligations as a condition for the provision of cabotage services on shipping companies participating in regular services to, from and between islands." This would affect Tarbert-Portavadie and Gourock-Dunoon in the case of Caledonian MacBrayne services. The Executive is considering its detailed response to this proposition, including how to respond in relation to the Gourock-Dunoon route. Such issues may arise in relation to certain services provided by local authorities (for example Gourock-Kilcreggan and the Corran Ferry). The Executive will be seeking discussions with the local authorities concerned in relation to the way forward with their respective routes. For Caledonian MacBrayne services, Ministers believe that there are convincing arguments to be made based on the social, economic and
cultural importance of these routes for passengers and freight and they will make a strong case to the EU to be able to include them in the tendering process.
Gourock-Dunoon

25. The Commission guidelines quoted at paragraph 6 above point to the need to avoid overcompensation. Given this, we expect that we will find it very difficult to persuade the Commission that there is a case for a subsidised vehicle/passenger service in the case of a mainland-to-mainland route where there is a competing private sector provider operating without subsidy close by. However, the Scottish Executive is committed to pursuing an integrated transport policy and is keenly aware of the importance of the CalMac route between the railhead at Gourock and the town centre in Dunoon, especially for foot passengers. Therefore, the Scottish Executive will make strong representations to the Commission in favour of making subsidy available, if necessary, towards a PSO service carrying foot passengers between the railhead at Gourock and Dunoon. This would be designed to complement the Western Ferries service (which mainly caters for cars) between McInroy's Point and Hunter's Quay. If the Commission agrees, the CalMac route would be tendered. The Executive undertook to make publicly available the Deloitte and Touche report commissioned by the previous government on this issue and an Addendum, and these are attached for those who have expressed an interest. This earlier work has to an extent been overtaken by the issues set out in this consultation document but the Executive is keen to receive the views of the local community on the best option for Gourock-Dunoon in the context of the issues raised in this consultation document.

Domestic Legislation

26. The existing legislation under which subsidies are provided to Caledonian MacBrayne (The Highlands and Islands Shipping Services Act 1960) predates the UK’s accession to the European Union and may require some amendment. Ministers take the view that any new legislation can be prepared to a longer timescale as domestic legislation does not preclude the Executive complying with the State aids rules. Nevertheless, Ministers believe there could be advantage in reviewing the legislation in the longer term. Whilst it would not, in any case, be possible to have new provisions in place for the first tender exercise, for subsequent exercises new legislation might be introduced to set the framework for:

- the requirement to tender services in respect of PSOs;
- powers to grant exclusive rights to routes in certain circumstances (to rule out "cherry-picking" in the peak tourist season in a way which might undermine the overall viability of a route); and
- setting out appropriate roles in respect of a possible Highlands and Islands authority, local authorities and others.

27. Views would be welcomed.

Timescale

28. As noted in paragraph 4 above, failure to comply with the rules could lead to action by the Commission which could, amongst other things, involve the cessation of aid for lifeline services. It is therefore important that the tendering exercise should proceed as quickly as possible. This would also help to remove any uncertainty about the future of the services involved. The Executive are
aiming to have the first tender in place by Spring 2001 with implementation to follow. It is the Executive's view that this is an extremely tight timescale to meet if there is to be meaningful consultation with communities, Caledonian MacBrayne, trade unions, local authorities and other interested parties. Nonetheless, the Executive is aware of the need to make the proposed changes as swiftly as possible and is seeking initial views over the consultation period. This is a demanding timescale but it is important that we secure agreement from the Commission for our lifeline services as there are considerable implications for Caledonian MacBrayne, local communities, local authorities and the Department. Ministers are also committed to consulting communities in respect of their involvement on the level of service they would wish to see through local authorities, Shipping Services Advisory Committees and the Caledonian MacBrayne Users Committee.

Summary

29. Responses on the issues raised in this Paper should be sent, by 30 June 2000, to Miss Jessica Smith, The Scottish Executive Development Department, Transport Division 4, Area 2-D, Victoria Quay, Edinburgh EH6 6QQ, (e-mail jessica.smith@scotland.gov.uk).

30. Consultees are invited to give views on:

- route grouping options;
- delivery options, particularly in relation to the establishment of a separate vessel-owning company;
- mainland-to-mainland routes and in particular the proposals for Gourock-Dunoon;
- local authority ferry services; and
- the possible content of domestic legislation including the possibility of tendering in respect of exclusive rights and the role of a possible Highlands and Islands Authority in future.
Scottish Transport Minister Sarah Boyack today announced details of the proposals for the future of Caledonian MacBrayne’s ferry service network that she is to present to the European Commission tomorrow.

Under EC law the Executive has to put future ferry services out to tender. The Minister made it clear however, that the Executive will continue to subsidise the current ferry network and will ensure fares and levels of service are protected.

Caledonian MacBrayne will remain in public ownership.

The key elements are:

- All Caledonian MacBrayne ferry services which serve islands as being consistent with public service obligations (PSOs) and plan to tender these services in line with the requirements for these as set out in the European Community cabotage regulations and guidelines;

- On the packages of routes to be tendered, the Executive's strong preference, based on the results of consultation, is to tender the network as a whole. Overwhelming support was expressed for this option in response to consultation and we believe this would maximise service reliability for the communities served, simplify the process for management of vessels and provide economies of scale in company management, safety and quality systems. It also avoids cherry picking of routes and facilitates integrated transport through co-ordinated timetabling of services;

- On arrangements for future ownership of vessels, I propose to establish a publicly owned vessel owning company in line with proposals set out in "Delivering Lifeline Ferry Services". I believe this strikes the right balance between the need to ensure the efficient utilisation of the unique existing fleet and service reliability through this period of great change. Vessels will be leased to operators on a commercial basis and without subsidy in line with European Community rules that prohibit grants in respect of vessel replacement;

- I propose operators would be bound to the vessel owning company's existing vessels. However, I propose to allow scope for operators to bring their own vessel solutions where we have identified a need for new vessels to replace older ships or expand the range of services during a 5 year contract period. This will be decided on a case by case basis at the outset of each PSO contract period. In line with the Commission's guidance, the vessel owning company's functions would focus on bare boat leasing to operators as well as ownership and maintenance of CalMac's piers and harbours. I am considering the possibility of the vessel owning company, offering, on an optional basis, a management of maintenance package which might be attractive to some operators. We also propose the vessel owning company should act as an operator of last resort which will provide an important safeguard through this period of change;

- "Delivering Lifeline Ferry Services" made clear that the Executive would allow Caledonian MacBrayne to bid to operate the routes on a basis which ensured that the bid was prepared on a fair and full cost basis and evaluated transparently and equally with bids from other potential operators. We will honour this commitment. It will be for the company to decide how best to proceed and I will ask it to draw up proposals setting out details of its plans and to put these to me;

- The consultation paper invited views on the possible need for a new legislative framework. There was little comment on this aspect and I intend to consider this in the longer term drawing on the lessons learned through the first contract period and taking account of the possible future role of a Highlands and Islands Integrated Transport Authority;

- I wish to promote good consultative arrangements within the new framework. The Highlands and Islands Integrated Transport Forum was invited in Autumn 1998 to review the way
Study of Ferry Service Requirements to a Number of Islands

in which passenger ferry companies consult the public and local communities over services and timetables. I propose to invite the forum to expand their review to look at the arrangements needed under the new framework;

I gave a commitment when I announced "Delivering Lifeline Ferry Services" that levels of service and fares would be protected. We will be developing a detailed specification of services and will be consulting on this in due course;

Caledonian MacBrayne currently operates several services which are outwith the Undertaking of approved services. I plan to take the opportunity presented by the tendering exercise to consider whether any of these Out of Undertaking Services should be brought within the Undertaking and hence safeguarded and made eligible for subsidy. I will also be considering whether any new routes ought to be added. We will require to take into account the affordability of proposals and we will consult on the service specification in due course when we have taken decisions on these matters;

BACKGROUND
1. A Public Service Obligation (PSO) in any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it was solely considering economic interest.

2. Calmac currently operates a fleet of 29 ferry vessels providing passenger, vehicle and shipping services to the islands of the West Coast of Scotland and in the Clyde Estuary. Nearly all their services are deemed to be of a lifeline nature and require Government support to keep them in operation. Under the terms of the current formal Undertaking between the Scottish Ministers and Calmac, approved by the UK Parliament in 1995, the Executive undertakes to advance monies to Calmac by way of revenue and/or capital grants. This is done to support approved services that, in the opinion of Scottish Ministers, are necessary to maintain or improve the economic or social conditions in the Highlands and Islands.
1. GENERAL

1.1 Introduction
1.1.1 This document invites service operators to tender for a subsidy that is available for the provision of passenger ferry services between Gourock and Dunoon.
1.1.2 This document is a draft of the specification required and at this stage should not be relied upon by potential tenderers for bidding purposes as it will be the subject of review and amendment prior to the Invitation to Tender being issued.
1.1.3 Once finalised, it should be read in conjunction with the Scottish Executive's detailed terms and conditions of contract.
1.1.4 The document is in four sections:

- General - this section sets out the background to this public tender and describes the policy objectives of the Scottish Executive;

- Notices and Instructions - this section sets out the purpose and scope of the tender and gives the basis for the subsidy available. It also outlines some key principles which will be included in the detailed terms and conditions of the contract/grant agreement that will be awarded to the successful operator;

- Service Specification - this section sets out the Executive's detailed requirements. Our overarching concern here has been to protect existing fares and levels of service. Section 3 therefore is based on an approach which sets out the minimum levels of service and standards together with the maximum fares that will be required throughout the contract period while at the same time providing an opportunity for all tenderers to offer a service which meets the needs of both the Executive and Gourock-Dunoon ferry users; and

- Bidding Process and Evaluation of Bids - this section outlines the timetable for the tendering exercise and the documentation that the Executive expects in response to this service specification. It also sets out the process that the Scottish Executive Development Department will follow in evaluating bids.

1.2 Background
1.2.1 Caledonian MacBrayne Ltd (CalMac) currently provides the majority of Clyde and Hebrides ferry services. CalMac is a nationalised company providing passenger, vehicle and freight shipping services to the islands off the west coast of Scotland and in the Clyde estuary.
1.2.2 Under the terms of the formal Undertaking between the Scottish Ministers and CalMac, Scottish Ministers provide grant to the company by way of an annual subsidy for the support of approved services. The revenue deficit subsidy paid by Scottish Ministers to the company meets the operating loss incurred in operating a current network of 26 routes.
1.2.3 With the exception of the Gourock-Dunoon route, and that between Ballycastle and Rathlin Island, all of the other services operated by Caledonian MacBrayne in the Clyde and Hebrides are being tendered together and are the subject of a separate Invitation to Tender (and in due course contract). This draft Invitation to Tender relates to services currently operated by Caledonian MacBrayne between Gourock and Dunoon piers. Scottish Ministers are the sole shareholder of Caledonian MacBrayne Limited.
1.2.4 The passenger service currently operated by CalMac between Gourock-Dunoon is an approved service and is eligible for the Scottish Executive’s support to keep it in operation. The company chooses to provide some of these passenger services in conjunction with vehicle and freight services. However, tenderers should note that these are not approved by the Executive as eligible for subsidy (see Section 2.3). The decision to provide these extra services is a commercial matter for the company.
1.2.5 The European Commission has a duty under Article 88(1) of the Treaty to keep under review aids existing in Member States and to ensure that Member States apply the appropriate measures
required by the progressive development, or the functioning, of the common market.

1.2.6 Scottish Ministers have concluded that to comply with EC guidelines on State aids to maritime transport, an open public tender is necessary in respect of ferry services currently operated by CalMac. Commission guidelines note that "subsidisation" can, in principle, be accepted for public service obligations (PSOs). The definition of a PSO is set out as:-
"Any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it were solely considering its economic interest."

1.2.7 The guidelines prescribe detailed rules for PSOs relating to tendering requirements and terms of contract. In particular, tenderers will wish to note:

- subsidy given for PSOs must be directly related to the calculated deficit made by the operator for the service;
- the duration of the PSO contract should be limited to a reasonable period, in practice five years or less; and
- that the Executive must accept the bid which requires the lowest financial compensation.

1.2.8 The Executive has concluded that all Caledonian MacBrayne’s approved services, including the passenger service provided between Gourock and Dunoon, are in the nature of PSOs and the service will be tendered in line with the relevant EC regulations and guidelines.

1.2.9 In April 2000 the Executive published consultation paper "Delivering Lifeline Ferry Services" on options for a new framework to deliver the Clyde and Hebrides lifeline ferry services. Provisional proposals were announced in January 2001 and submitted to the Commission. Following the Commission’s response in November 2001 the Scottish Executive published a draft Invitation to Tender and consultation document in June 2002. This included provisional proposals for tendering passenger ferry services, using passenger-only ferries, between Gourock to Dunoon as part of a single network. It also set out the framework for the tendering process of Clyde and Hebrides ferry services. In particular, tenderers will wish to note:

- the remainder of Caledonian MacBrayne’s routes (with the exception of Gourock-Dunoon) will be tendered as a single bundle;
- CalMac is being restructured to form two companies. The first of these, VesCo, will be a publicly-owned company which will be responsible for ownership of CalMac’s existing vessels, piers and harbours and offices, etc.;
- vessels will be provided to the operator via charter/finance lease arrangements. Offices and shore facilities (such as waiting rooms, etc.) currently owned by Caledonian MacBrayne will be available for lease to the operating company on a commercial basis and without subsidy in line with European Community rules;
- the operator will be required to provide certain harbour management functions for VesCo’s harbours through a management agreement;
- operators will be bound to use VesCo’s existing vessels although there will be scope for operators to bring their own vessels where they propose to provide services over and above the minimum approved services set out in this document;
- VesCo will also be responsible for providing an operator of last resort function (in the event of termination of contract, breakdown of contract, or similar event) which will provide an important safeguard through this period of change. This could be done in two ways, either at VesCo’s own hand or through an arrangement with a shipping provider by way of a retainer. VesCo will be responsible for considering these options and putting arrangements in place before the new contract begins. It should be noted that these arrangements are intended to be triggered in the event of an irretrievable breakdown in the contract and not in relation to normal operating difficulties e.g. due to breakdowns, etc. These will be squarely for the operator to resolve;
- the second company will be a publicly-owned operating company (OpsCo). It will operate the routes up until the new contract begins and will be allowed to bid, subject to meeting the required criteria for tenderers, to operate the route on a competitive basis. The bid will be prepared and evaluated transparently and equally with those from other potential operators;
• there will be a robust performance regime to safeguard reliability and punctuality of services;

• there is a framework for consultation with users. The operator will be required to consult with ferry users in line with these arrangements on a regular basis; and

• levels of service and fares will be protected.

1.2.10 Consultation on the draft ITT closed at the end of September 2002. The broad approach of the draft ITT received a positive response. However, there was significant concern from local communities about the proposal to restrict the current Gourock-Dunoon service to a passenger-only service using passenger-only vessels to prevent subsidy leakage from the passenger to the vehicle service given the existence of an unsubsidised operator on the route close by.

1.2.11 The Scottish Executive has had further discussions with the European Commission to determine whether there might be a way to keep open the possibility of a vehicle service. We conclude that by tendering the Gourock to Dunoon service separately it would be possible for tenderers to meet the service specification for a passenger service through providing a combined vehicle/passenger service if this provided the cheapest option (i.e. cheaper than a passenger-only service using passenger-only vessels). The contract will be awarded on the basis of the lowest bid for subsidy. Therefore the decision about whether to offer a vehicle service will depend on whether tenderers think this would be commercially worthwhile. In conjunction with this, the references to binding operators to the vessel owning company's vessels above would not apply for the Gourock-Dunoon route and operators will be responsible for providing vessels to meet the Gourock-Dunoon service specification at Section 3.1

1.3 Objectives

1.3.1 The Scottish Executive's key objective, set out in "Working Together for Scotland", is to ensure the maintenance of affordable air and sea links to Scotland's island communities. More specifically, in safeguarding ferry services, the Executive's policy objectives for these ferry services were set out in "Delivering Lifeline Ferry Services" as follows:

• the provision of a suitable standard of transport connection, in terms of quality, frequency and capacity, to island and remote peninsular communities;

• that ferry fares and freight charges are not excessive;

• that ferry services are delivered efficiently; and

• that the necessary level of service is provided for the minimum amount of public subsidy.

1.3.2 The Executive aims to meet these policy objectives by providing subsidy for sea transport where, in the opinion of the Scottish Ministers, this is necessary for the social and economic wellbeing of the islands concerned and all of the ferry services being tendered are consistent with this.

1.3.3. The aim of this tendering exercise is to meet the Executive's policy and strategic objectives, and to meet communities' needs by ensuring that the service provides a continuing, safe, stable and affordable regime for users in line with the rules.

1.3.4 The Executive encourages tenderers, where possible, to provide innovative solutions and responses when submitting their proposals for meeting the service level requirements for ferry services between Gourock and Dunoon

2. NOTICES AND INSTRUCTIONS

2.1 Introduction

2.1.1 Tenders are invited in accordance with the following Notices and Instructions for the provision of services detailed in the accompanying documents. The issue of this Invitation to Tender should not be construed as a commitment by the Scottish Executive to place an order as a result of the tendering exercise. Any expenditure, work or effort undertaken prior to contract award is accordingly a matter solely for the commercial judgement of the tenderer.

2.2 Purpose

2.2.1 As previously outlined, the purpose of the tendering exercise is to meet the Executive's policy objectives to bring lifeline ferry services in the Clyde and Hebrides, including Gourock-Dunoon, into compliance with EC maritime state aids rules.

2.2.2 The service requirements are set out in Section 3. In preparing the service specification we
have also had particular regard to the following key principles:

- **Safety Standards** - Safety of passengers and crews is a fundamental issue which under no circumstances can be compromised or diluted.

- **Standards and Quality** - Emphasis has been placed not only in accurately defining the existing level of services supplied but also on quality. Tenderers will be required to submit quality plans and set out minimum standards.

- **Reliability** - Emphasis is placed on the ability to consistently deliver the required levels of service, hence reliability is a fundamental principle.

- **Performance** - Continued high standards of punctuality and availability of ship and shore facilities.

- **Objectivity** - As many aspects of the service specification as possible must be capable of specific measurement.

- **Impartiality** - In the evaluation of bids and treatment of tenderers.

2.2.3 The project is designed to identify, by competitive tender, the operator requiring the lowest financial compensation to meet the defined service requirements and outputs. This is in line with EC rules.

### 2.3 Scope

2.3.1 The tender covers the passenger service (including carriage of bicycles) between Gourock-Dunoon piers. The remainder of the routes currently provided by Caledonian MacBrayne in the Clyde and Hebrides are the subject of a separate tender. The tender includes the provision of efficient and safe services, fully compliant with all the current safety requirements and supported by appropriate on board and shore facilities adequate for handling passengers. The services are described in Section 3 and attached Annexes.

2.3.2 Subsidy will be made available to provide the passenger service (including carriage of bicycles between Gourock-Dunoon).

2.3.3 Tenderers will wish to note that there are other ferry providers, local authorities, and Caledonian MacBrayne services operating within the Clyde and Hebrides area and competitors are free to enter the market. In particular, tenderers will wish to note that Western Ferries provides a vehicle/passenger service between Hunters’ Quay and McInroy’s Point.

2.3.4 Tenderers are encouraged to investigate alternative revenue streams over and above the minimum service requirements which add value beyond the publicly supported part of the project (i.e. the passenger element). As mentioned, local communities strongly support continuation of vehicle/freight services if tenderers believe this is worthwhile. EC rules specify that the winning bid in respect of maritime PSOs will be that which requires the lowest financial compensation.

2.3.5 Tenderers will wish to note that additions to the passenger service which require extra subsidy will jeopardise tenderers’ competitiveness. Tenderers should consider proposals for generating extra revenue which reduce the level of subsidy thereby improving the competitiveness of the bid.

2.3.6 Tenderers will particularly wish to note that in considering ways to generate extra revenue, there are restrictions in place in relation to any vehicle service in terms of the number and times of sailings. These must not be exceeded under any circumstances (see Section 3). However, it would be possible for tenderers to enhance the passenger element of the service. If using passenger/vehicle ferries this might mean running these in passenger-only mode.

### 2.4 Submission of Tenders

2.4.1 XX (number) copies of the complete technical proposal (excluding any price information) are to be submitted in a sealed envelope bearing the attached label to the address shown thereon, for receipt before 3.00pm on the due date. No undertaking can be given to consider tenders not received in time.

### 2.5 Communication During Tender Period

2.5.1 Correspondence connected with the tender which requires attention before the tender return date or communication stating that no tender will be submitted should be sent in a separate envelope bearing no external reference to the tender number or return date and addressed to:
Scottish Executive
Procurement & Commercial Services Division
3rd Floor
Meridian Court
5 Cadogan Street
Glasgow G2 6AT

2.5.2 This procedure is designed to preserve equity between tenderers by ensuring no premature disclosure of tender details can take place.

2.6 Definitions, Interpretations and Abbreviations

Approved services — Services approved by the Scottish Ministers as eligible for subsidy.

CHFS — Clyde and Hebrides ferry services

CMUCC — CalMac Users’ Consultative Committee

EC — European Community

EU — European Union

Executive — Scottish Executive

ITT — Invitation to Tender

Material change — Something which has the potential to distort the competition and which does not ensure equality of information to all tenderers at ITT stage or something which has the potential to alter the scope of the contract after award

OpsCo — The publicly-owned operating company

SSAC — Shipping Services Advisory Committee

Undertaking — Delivery of the required service level in accordance with the terms and conditions of contract.

VesCo — The publicly-owned company which will own CalMac’s vessels and piers and harbours.

2.7 Information Disclaimer

2.7.1 Information regarding the type and pattern of carryings on Gourock-Dunoon, as provided by the current operator, is included in the attached Annexes.

2.7.2 The above, together with any historical data, statistics or other information regarding passenger, vehicle and freight traffic, is for tenderers to fully satisfy themselves as to the accuracy and relevance.

2.7.3 Additional detailed information will be made available to tenderers. This information will be made available through a secure Information Room and as much relevant information as is available and practically obtainable will be provided via electronic means.

2.7.4 While every effort has been and will be made to provide accurate information, tenderers will wish to note that the Executive does not guarantee the accuracy of the information provided and it is provided for guidance only. It is the responsibility of the tenderer to verify and interpret the information provided. Tenders will be accepted by the Executive on the understanding that the tenderer is deemed to have satisfied himself on the scope of the requirement from the information provided.

2.7.5 No useful purpose is served by enquiring after the result of the tender exercise - tenderers will be notified as early as possible.

2.8 Compliance Statement

2.8.1 Tenderers shall state that the offer is made in accordance with the Invitation to Tender. Offers made subject to additional or alternative conditions may not be considered and may result in the tender being rejected on the grounds of such conditions alone.
2.9 Deeds of Indemnity/Guarantee

2.9.1 The Scottish Executive may require a Deed of Indemnity or Guarantee, either from the Parent Company of the tenderer or from the tenderer's bank or insurance company. Tenderers are therefore required to state that a Deed of Indemnity or Guarantee will be provided to the Scottish Executive, if required.
2.10 Subsidy
2.10.1 The Executive will award a subsidy to the successful tenderer to supplement revenues earned for running Gourock-Dunoon.
2.10.2 Tenderers should confirm as part of their Tender Submission that they will comply and provide all information which may be required in order to allow Scottish Ministers to comply with the provisions of Directive 80/723 (as amended) "The Transparency Directive" in so far as it applies to the operator of the Clyde and Hebrides ferry service.
2.10.3 The subsidy will be for five years and will be offered to the tenderer whose bid requires the lowest financial compensation to meet and comply with the service specification as set out in Section 3 of this document. Section 4 provides some information about what will be required of tenderers at the costed bid stage. More details on the requirements for costed bids will be given when such bids are invited.
2.10.4 The subsidy must be in accordance with relevant EC, UK and Scottish legislation.

2.11 Variations
2.11.1 Tenderers should note that the terms and conditions of contract will allow for variations to the contract to cater for unforeseen and changing needs throughout the contract period.

2.12 Vessels
2.12.1 The subsidy is also to be sufficient to enable the successful tenderer to provide vessels as appropriate for Gourock-Dunoon for the contract period. The tenderer is responsible for identifying vessels capable of delivering the service set out at Section 3 for the duration of the contract.
2.12.2 Tenderers are required to provide sufficient vessels to deliver all of the requirements of this tender including the services detailed and relief vessel requirements. The tenderer must ensure that alternative vessels are available to cover periods of planned maintenance and unplanned breakdowns etc. to deliver the minimum standards.
2.12.3 Tenderers are encouraged to be innovative in their provision of vessels to secure the most efficient and quality service for ferry users. Tenderers will wish to note the VesCo described at Section 1 is responsible for provision of vessels to the successful tenderer for the main Clyde and Hebrides network (i.e. excluding Gourock-Dunoon). For Gourock-Dunoon, as mentioned above, it is the responsibility of the contractor to provide suitable vessels to meet the minimum standard at all times.
2.12.4 Nevertheless, operators are free to contact VesCo to discuss the possible availability of vessels if they wish to do so. Tenderers should note that the VesCo fleet is enrolled under the British register. There can be no guarantee that VesCo will be able to make vessels available to the tenderer for Gourock-Dunoon since this depends on whether VesCo vessels are fully deployed in relation to the main CHFS tender. However, if the fleet is not fully deployed there may be a possibility of ships being made available to the successful tenderer for Gourock-Dunoon either for the main service or for fleet relief requirements.

2.13 Ports, Quayside and Terminal Facilities
2.13.1 Piers, quays and harbour facilities currently owned by Caledonian MacBrayne will become the property of VesCo and will be utilised by the operator on a commercial port/harbour fee basis which will be agreed directly with VesCo (harbour/berthing dues etc.). In addition, the overall responsibility for fixed assets, ports and terminal facilities for the ports owned by VesCo, will be the responsibility of VesCo. However, the operator, through a management agreement with VesCo, may be required to carry out certain harbour management functions in return for an agreed fee. (See also sections 2.14, 2.32 and 3.15) Tenderers will also wish to note that Gourock Pier is owned by VesCo.
2.13.2 Tenderers will wish to note that, they may wish to lease waiting rooms or other facilities at Gourock from VesCo and tenderers should contact VesCo directly. All tenderers dealing with VesCo will be treated equitably.
2.13.3 Responsibility for all mooring, unmooring, marshalling, loading and unloading of passengers (and vehicle if applicable) will be the responsibility of the successful tenderer as will be the manning of ticketing, reservations and other shore based facilities.
2.13.4 Dunoon pier is owned by Argyll & Bute Council. It will be for tenderers to negotiate their own harbour dues, etc. with the Council. Tenderers will need to assess what is necessary in terms of staffing to provide shore services (see below) and to make appropriate arrangements to provide this (as part of this tender), if necessary, in relation to the Gourock-Dunoon services. The operator will also be responsible for the operation of shore facilities at Gourock harbours (not included in the management agreement above) as part of this tender and, in due course, contract

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(e.g. operation of linkspans, marshalling, waiting rooms, etc.) and must bid accordingly. More details are at Section 3.

2.14 Maintenance
2.14.1 Detailed arrangements for maintenance will be set out under the terms of the leases agreed with VesCo. The delineation between capital expenditure and revenue requirements for shore side facilities and vessels will be clearly defined and agreed between VesCo and the operator.
2.14.2 Tenderers will wish to note that expenditure for maintenance and improvements of piers and harbours will be the responsibility of VesCo. All or some of this work may be carried out by the operator and regulated by VesCo through the terms of the management agreement for piers and harbours mentioned above.
2.14.3 Operators should note that in making decisions about vessels they must ensure they are capable of using the existing infrastructure or that if shore infrastructure development is required (to enable berthing of ships throughout the life of the contract,) to provide a signed contract between the harbour authority and operator that arrangements have been made to provide suitable infrastructure timeously. Where shore infrastructure development is proposed the tenderer will be required to have in place contingency plans to maintain the service in the event of delays and unforeseen difficulties.

2.15 Contracts with VesCo
2.15.1 The successful tenderer may be required to enter into contract with VesCo in relation to the harbour management function and leasing of other VesCo facilities where appropriate, before the contract for grant agreement between the Executive and the operator can be finalised. The diagram below shows the key relationships with VesCo in relation to the Gourock Dunoon route. This is provided as an indication only, as the arrangements will be finalised in the contract between VesCo and the operator.

2.16 Consultation between VesCo and the Contractor
2.16.1 A system of consultation will be established between VesCo and the contractor which will detail a schedule of meetings to discuss relevant issues including harbour management matters and capital expenditure requirements. VesCo’s programme of capital expenditure will be subject to the approval of Scottish Ministers.

2.17 Constraints, Risks and other key points to note

Appendices
2.17.1 The main legal and financial constraints on the key elements of service provision are outlined in this document.

2.17.2 There are legal requirements and constraints on the way in which the Executive can provide shipping subsidies. These include European legislation about assistance to shipping operators, referred to in Section 2.18 below. These guidelines and legislation affect, among other areas, the duration of the contract (five years) and the criteria for selection of an operator. EC state aids guidelines state that the successful tenderer will be the one which requires the lowest financial compensation to provide the services required to meet Public Service Obligations. The Executive is also subject to financial constraints due to the resources available for subsidising these services.

2.17.3 Tenderers must be acutely aware of the high importance the Executive attaches to the safety of lifeline ferry services and to the requirement for tenderers to meet all applicable safety requirements for vessels, passengers and crew in operating the services. While specific safety requirements are explicitly referred to in Section 3, it is for the operator to ensure that it complies with all relevant national and international legislation, Conventions, Directives, as well as Industry Codes and Standards.

2.17.4 The Executive has analysed a number of the main risks associated with the tender exercise and has allocated the way in which these would be expected to fall between the operator and the Executive and VesCo. Table 1 below lists some of the risks and the Executive's indicative analysis of their allocation. However, this table does not represent a commitment by the Executive to accept certain risks. It will be the final agreement of the terms and conditions that will establish the details of the commitments of the Executive and the successful tenderer.

### Table 1 ALLOCATION OF SOME KEY RISKS

<table>
<thead>
<tr>
<th>Risk</th>
<th>Operator</th>
<th>Executive/VesCo</th>
<th>Shared/Negotiable</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessel design</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vessel construction/leasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissioning risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational risk(vessels)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy risk</td>
<td></td>
<td></td>
<td>✔️</td>
<td>Policy risk not involving legislation</td>
</tr>
<tr>
<td>Demand for volume risks</td>
<td>✔️</td>
<td></td>
<td></td>
<td>Risk that demand for service does not match the levels planned</td>
</tr>
<tr>
<td>Maintenance risk for harbours</td>
<td></td>
<td>✔️</td>
<td></td>
<td>Primarily for VesCo</td>
</tr>
<tr>
<td>Maintenance risk for vessels</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation risk</td>
<td></td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Legislative risks</td>
<td></td>
<td></td>
<td></td>
<td>Depends on circumstances. Corporation tax, etc. would fall to operator. Scottish Executive legislation would be public sector. MCA Regs may be either depending on the circumstances</td>
</tr>
<tr>
<td>Change in requirements of transport policy</td>
<td>✔️</td>
<td></td>
<td></td>
<td>For example, a change in EC or Govt policy in relation to subsidisation of shipping operators</td>
</tr>
<tr>
<td>Incorrect cost or time estimates for providing services</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Failure to meet specified service levels</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Force majeure</td>
<td></td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Study of Ferry Service Requirements to a Number of Islands</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Industrial action</th>
<th>✔</th>
<th>For contractor’s staff in relation to CHFS contract. See section on relief events in relation to industrial action outwith the contractor's control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to meet performance standards</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure - Vessels</td>
<td>✔</td>
<td>The operator responsible for provision of vessels.</td>
</tr>
<tr>
<td>Capital expenditure - ports</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>TUPE costs at start of contract</td>
<td>✔</td>
<td>Tenderers are asked to bid as if TUPE applies and therefore subsidy will reflect this. However, any errors in the bid will fall to operators</td>
</tr>
</tbody>
</table>

Fares

2.17.5 Scottish Ministers have made a commitment that fares and levels of service will be protected in the CHFS tender. Section 3 provides details on the maximum fares that will be allowed by the Executive. The Executive must agree the proposed pricing plan and the maximum tariffs must be published at the outset.

2.17.6 Annual fares increases must be notified to Ministers and published in timetables on the operator's website and on ships, in port offices and in waiting rooms (see also Section 3). Proposals for annual increases will require the approval of Scottish Ministers. In the event Ministers wish to vary the operator's proposals this would constitute a material change (provided the operator's proposals did not amount to more than RPI on any route).

TUPE

2.17.7 Tenderers' attention is drawn to the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended) (TUPE). The application of the TUPE Regulations is a matter of law based on the individual circumstances of the particular transfer.

2.17.8 The Executive attaches importance to the future of staff of CalMac OpsCo should another operator be successful in its bid. Tenderers' attention is drawn to the Cabinet Office Statement of Practice, Staff Transfers in the Public Sector. As the Executive would be neither transferor nor transferee of the employees in respect of the contract awarded as a result of this Invitation to Tender, it is the responsibility of the tenderer to consider whether or not TUPE applies in the particular circumstances of this tender exercise and act accordingly. Notwithstanding their particular responsibilities, tenderers will wish to note that it is the Executive's view that TUPE may be applicable. Ministers have therefore decided that tenderers will be required, as a condition of contract, to cost their bids as if TUPE applies and to implement TUPE as if it applies in the event they are successful in their bid. Tenderers should also be aware that if it is subsequently found that the Regulations do not (as a matter of law) apply, there will be a reduction in subsidy throughout the contract, equivalent to any reductions in the operator's costs as a consequence of that decision.

Pensions

2.17.9 The TUPE Regulations do not apply so as to transfer contract terms in relation to membership of an occupational pension scheme. However, tenderers should note that the Executive intends to adopt a policy similar to that set out in the Cabinet Office Statement of Practice, "Staff Transfers in the Public Sector", and so also requires tenderers to cost their bid so as to ensure actuarial equivalent pension schemes and entitlements for transferring staff. This will be set out in detail in the contractual terms and conditions between the Executive and the successful tenderer.

Consultation with Users

2.17.10 The Executive will require that the successful tenderer should meet twice per year with users and that minutes of the meetings be provided to Scottish Ministers. The Executive will set out in an operational letter to the successful tenderer the names of the bodies to be consulted and the way in which the operator will enter into the consultative process.

Performance Regime

2.17.11 There will be a performance regime that focuses on reliability and punctuality of services on
the route. This is summarised at Annex 9. There will be a reduction in the subsidy in the event that targets are not met. The terms and conditions of contract will set out the scheme in detail.

2.17.12 The Executive will implement a system of monitoring and audit with which the successful tenderer will be expected to fully comply in order to ensure that the requirements of the Performance Regime are being met.

**Financial Guarantee**

2.17.13 The Executive will require a Financial Guarantee which indemnifies the Executive and offsets the cost of re-tendering in the event the operator becomes incapable of fulfilling the contract.

**Clawback**

2.17.14 The operator will be expected to make a reasonable financial return. However, in line with the EU rules in respect of maritime PSOs (that subsidy should be no greater than required), a graduated clawback provision will apply if the financial return over the whole contract period is higher than that forecast in the original bid.

2.17.15 The formulation of the clawback provision will take into account and specify certain accounting treatments that are to be used in the calculation of the financial return criteria used for clawback purposes.

2.17.16 There will be no clawback in respect of services the operator provides which are over and above the minimum approved services.

2.17.17 In respect of TUPE considerations, an additional clawback mechanism will apply in the event that TUPE is found not to apply and savings arise.

**Payments**

2.17.18 The subsidy for the Gourock-Dunoon contract tender for each year will be calculated at the beginning of the year (taking account of expected inflation) and will then be divided into 12 equal monthly instalments. Any difference in actual inflation rates will be swept up at the end of each year. Additional payments or deductions triggered by a material change will be made as and when necessary.

2.17.19 Based on current estimated timetables, the subsidy contract is likely to be awarded in late 2004 and for the contact to begin in 2005 i.e. the first payments of subsidy under the proposals outlined above will be made in the financial year 2005/06. When completing contracts with the successful tenderer a firm start date will be finalised.²

2.17.20 In accordance with EC rules and terms and conditions of contract, the operator will be required to provide detailed monitoring and accounting information for the route.

**2.18 Contract and Compliance**

**Legal Jurisdiction**

2.18.1 The basis of the formal grant agreement with the successful operator will be the Transport (Scotland) Act 2001.

**Compliance with EC and Domestic Law**

2.18.2 The terms of the contract will be designed to comply with the Public Service Obligation (PSO) requirements of the relevant EC regulations and guidelines. EC Council Regulation 3577/92 requires that PSOs be concluded on a non-discriminatory basis in respect of all Community ship-owners. The EC state aids guidelines 97/205/05 set out in more detail the procedures expected in a competitive process for the award of a PSO by Member States. The contract proposed by the Scottish Executive falls under these regulations and guidelines. The EC regulations and guidelines suggest that PSO contract periods for maritime services should not be longer than five years.

2.18.3 Tenderers will wish to note that a PSO may only be concluded with a community

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shipowner/operator as determined in the EC Regulations.

2.18.4 The statutory framework for regulating the safety standards of ferries in UK waters is administered by the Maritime and Coastguard Agency (MCA). It is a condition of contract award that tenderers comply with applicable Merchant Shipping legislation, codes and guidance as advised by the Maritime and Coastguard Agency.

2.18.5 The successful tenderer will be responsible for the day-to-day activities and operations covering port activities and therefore will be required to comply with all relevant rules and regulations including Health & Safety at Work Regulations enforced by the Health and Safety Executive and the Port Marine Safety Code as applicable. Tenderers shall provide the following information: the name of the company's Health and Safety Officer, the name of the Director responsible for Health and Safety, and a copy of the company’s Health and Safety Manual.

2.18.6 Tenderers are required to meet the terms of the Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001) in relation to the collation and distribution of information on the carriage of passengers, cars and freight.

2.18.7 Tenderers should confirm as part of their Tender Submission that they will provide all information which may be required in order to allow Scottish Ministers to comply with the provisions of Directive 80/723 (as amended) “The Transparency Directive” in so far as it applies to the operator of the Gourock-Dunoon ferry service.

2.19 Monitoring and Audit
2.19.1 Compliance testing and arrangements for monitoring performance in line with the service specification will be included as part of the contract terms between the Executive and the successful tenderer. The terms will ensure that the level of service sought is provided and that other key elements of the quality of service and financial monitoring are in place. In addition, Annex 10 describes the information that the successful tenderer must provide for the purposes of monitoring performance.

2.20 Quality Assurance
2.20.1 Tenderers shall provide the following information: the name of the company’s Quality Assurance Manager and the name of the Director responsible for Quality Assurance, confirmation that the company is registered to series ISO 9000, a copy of the company registration certificate and the scope of registration applicable to the type of work to be undertaken and a copy of their Document of Compliance if applicable. See also Section 4, The Quality Plan.

2.20.2 The Executive requires tenderers to demonstrate how they can meet all relevant safety requirements for vessel specification and vessel operations and in relation to crew and passenger safety on board. Tenderers must confirm that all mandatory requirements and policies in relation to safety will be met. Tenderers must supply the name and CV of the Designated Person under the ISM Code.

2.20.3 In the event that the contract is terminated or there is a breakdown in the contract, all documentation relating to on board ship safety management systems, along with Company documentation relating to the operation of that vessel, must be made available to VesCo in order that the operator of last resort function can be triggered without, as far as possible, disruption to the vessels’ safe operating procedures.

2.21 Contract Duration
2.21.1 The Contract will be for five years, from [XXXX until XXXX ], subject to the Scottish Executive’s right of earlier termination under the Contract Terms and Conditions. An option to extend the Contract, for a further period, may be exercised at the sole discretion of the Scottish Executive.

2.21.2 Such an option will only be considered in exceptional circumstances where the tendering process may be delayed and will be exercised by the Scottish Executive on or before xxxx.
2.21.3 Where the Scottish Executive exercise the option to extend the Contract for a further period of six months or one year in the circumstances described above, the rate of subsidy payable to the Contractor will be calculated by applying the percentage change in the RPI to the appropriate portion (i.e. first six months or whole year) of the year 5 subsidy rate.

2.22 Default Arrangements
2.22.1 These will be set out in detailed terms and conditions.
2.23 Material Change

2.23.1 A material change provision will feature in the terms and conditions of contract between the Executive and the operator, allowing for certain events that significantly affect the cost or provision of the service to be taken into account and, if necessary, for the subsidy to be revised.

2.23.2 For the purposes of this agreement, the term "Material Change" is defined as:

- An event which materially and directly affects the operator's capability to fulfil the requirement of the Service Specification and contract terms. Such material events being tangible and beyond the control of the operator and which directly affects:
  - The ability to generate the projected revenue from the approved services; or
  - The projected cost of providing the approved services (it should be noted that fuel and lubrication oil costs will be subject to an agreed escalation clause).

2.23.3 Such material change must not have been approved or foreseen prior to the date of contract commencement and will be limited to the following:

(a) Changes that were not on the statute book, proposed or foreseen in the following:
  - Changes in Scottish law
  - Changes in UK law
  - Changes to shipping regulations
  - Changes in European Community regulations

(b) Change in Government, economic or other policy (including but not limited to grant support payments to producers and transport operators) which affects the economics of and the market for the movement of passengers, accompanied cars, freight or livestock between the Clyde and Hebrides and the Scottish mainland;
(c) In the event Ministers vary the contractor's fares proposals, this would amount to a material change (provided the contractor's proposals did not amount to more than RPI on any route);
(d) A significant change in the courses to be sailed which is imposed on the operator through circumstances outwith their control, other than obligations under the contract or those circumstances set out as relief events, and which requires the operator to increase voyage length/fuel consumption and therefore operating costs;
(e) VesCo changing the terms for the leasing of its facilities or (if applicable) chartering of vessels during the contract period (other than those set out at the outset in relation to the procurement of new vessels);
(f) Passenger traffic being directly affected by any UK Government, Executive or local authority sponsored actions; and
(g) Any other event, which the tenderer wishes to bring to the attention of the Executive prior to the date of contract award, which the Executive agrees to.

2.24 Relief Events

2.24.1 A relief event is one which allows one or other of the parties to a contract relief from the usual consequences of not fulfilling their part of the agreement. The occurrence of a relief event will not result in additional subsidy and the Executive will not be liable to the operator for any loss of earnings. This aspect of the contract is particularly relevant to the performance regime and dispute mechanism. The Executive proposes to classify the following as relief events:

- Terrorism;
- Force majeure;
- Weather and/or tidal conditions (at the discretion of the vessel's Master);
- Safety (at the discretion of the vessel's Master);
- Events outwith the operator's control such as unavailability of harbours or unrelated strike action;
Where a delayed or diverted sailing has a knock-on effect on subsequent sailings (e.g. connecting sailings or a shuttle service) the delay should be taken into account when assessing whether the subsequent sailings are late;

- Cancellation or late arrival/departure of a sailing for safety reasons or exceptional social needs i.e.:
  - any decision made by the Master in the interests of protecting the safety of life at sea;
  - decisions made by the Master or Shore Management regarding social needs and safety-related concerns over which the operator has no control. (Before such an event is accepted as a Relief Event, the full circumstances of the delayed/cancelled sailing must be detailed in writing by the Operator and submitted to the Executive for consideration. The Executive’s decision will be final as to whether such an occurrence warrants relief event status); or
  - a sailing which is delayed due to the pre-notified late arrival of passengers, vehicles, freight and livestock and where such a delay is of direct benefit to the service users. (Before such an event is accepted as a Relief Event, the full circumstances of the delayed/cancelled sailing must be detailed in writing by the operator and submitted to the Executive for consideration. The Executive’s decision will be final as to whether such an occurrence warrants Relief Event status.)

### 2.25 Termination

2.25.1 Scottish Ministers may terminate the contract for breach. The detailed terms and conditions of contract will set out those items that the Executive considers are repudiatory breaches. There will be links to the performance-monitoring regime and to the dispute resolution procedure.

### 2.26 Transfer or Assignation

2.26.1 The contractor shall not transfer or assign the Contract or any part thereof without the approval, in writing, of the Scottish Ministers (see terms and conditions of contract).

### 2.27 Insurance

2.27.1 The operator will ensure that all chartered, leased and rented assets or assets provided by any other arrangement, are fully insured at the appropriate commercial value.
2.27.2 Additionally, the operator will carry the necessary insurances, sufficient to cover for all and any third party claims which may occur as a result of providing the Gourock-Dunoon service.
2.27.3 In the case of ship assets, this will involve the provision of Hull and Machinery, War Risk and P & I Insurances, whereas for port assets and business operations a variety of other insurance cover will be necessary dependent on operating/financial arrangements.
2.27.4 The operator will be responsible for providing demonstrable evidence that all the necessary insurances are in place prior to the award of the contract and thereafter copies of policy renewals on the specified date shall be submitted to the Executive.
2.27.5 Under no circumstances shall the operator be allowed to provide the services without appropriate insurance being in place. All associated premiums, calls and deductibles will be for the operator's account.

### 2.28 Disputes

2.28.1 The contract will make provision for a dispute resolution mechanism.

### 2.29 Financial Structure

2.29.1 Tenderers must satisfy the Executive as to their financial viability and also make full disclosure of any relationships with other companies. Tenderers will be required to account for subsidy in a transparent and audible fashion such as they are able to demonstrate that there is no cross-subsidisation with other business activities.

### 2.30 Allocation of Costs

2.30.1 The contractor will be responsible for all costs arising out of the introduction of the service, the operation loading discharging, mooring and unmooring and upkeep of any vessel and the provision of any replacement vessel when required. Tenderers will bear their own tender cost.
2.30.2 The vessels tenderers propose using will have to be suitable for berthing at the existing harbour facilities at Gourock and Dunoon. If shore infrastructure development is required (to enable berthing of ships throughout the life of the contract,) the tenderer will be required to provide a signed
contract between the harbour authority and operator that arrangements have been made to provide suitable infrastructure timeously. Where shore infrastructure development is proposed the tenderer will be required to have in place contingency plans to maintain the service in the event of delays and unforeseen difficulties (see also 2.14.3).

2.30.3 The costs of managing and maintaining the harbour facilities falls to the harbour authorities at Dunoon and Gourock.

2.30.4 It will be for the harbour authorities at Dunoon and Gourock to charge harbour dues as appropriate. It will be for tenderers to establish detailed arrangements for the operation of any particular vessel at the harbours involved. Annex 7 contains summary information and contact details for both harbour authorities. Each tenderer will be given the same information from the harbour authorities but it is recognised that there may be differences about specific aspects for handling in relation to any particular vessels. The Executive has emphasised to both authorities that the harbour operator should treat all tenderers equally and fairly. As part of their technical submission, tenderers must set out detailed terms of any proposed agreements with harbour authorities concerned. In particular they should address the issue of responsibility for mooring and marshalling of loading and unloading of passengers, vehicles, freight and livestock, and the manning of ticketing, reservations and other shore based facilities.

2.30.5 At the costed submission stage, tenderers will be required to confirm their details of the financial arrangements proposed with harbour authorities.

2.31 Transparency

2.31.1 Tenderers will be invited to confirm as part of the tender submission that they will comply and provide all information which may be required in order to allow Scottish Ministers to comply with the provisions of Directive 80/723 (as amended). "The Transparency Directive" in so far as it applies to the contractors' operation of the Gourock-Dunoon ferry service.

2.31.2 Any tenderer meeting the service requirement, but sharing the cost of assets involved in relation to the provision of other services, will be required to satisfy the Executive that adequate systems would be put in place — and if a contract is placed the contractor will have to satisfy the Executive that such adequate systems have been put in place — to ensure no cross-subsidisation between the Gourock/Dunoon route and any other ferry route or any other activities.

2.32 Allocation of Responsibility

2.32.1 The Executive will be responsible for the legislative authority for the payment subsidy to be made as explained elsewhere in the document. The Executive is managing the tendering process for the subsidy award and Scottish Ministers will be the contracting party with its successful tenderer. The Executive will be responsible for providing the resources for meeting subsidy bids and the Executive will make the arrangements for payment of the subsidy. Once the contract is in place and the service is in operation, the Executive will be responsible for its obligations in the contract and for compliance and monitoring, which will be set out in the contract (although this is likely to be commissioned) and in the detailed terms and conditions of the final contract.

2.32.2 The contractor will be responsible for all aspects of the ferry operation, including the upkeep, manning, operation, loading and discharge of any vessel, the mooring and unmooring, the ticketing, embarkation, carriage and disembarkation of passengers and freight (if carried). It is the responsibility of tenderers to satisfy themselves that any vessel proposed is compatible with existing berths and harbour facilities. The harbour authorities at Dunoon and Gourock (i.e. Argyll & Bute Council and VesCo respectively) will be responsible for providing a harbour, means of access to and from any vessel in suitable berth and link spans from which to operate. Responsibility for maintenance of the harbour facilities will rest with the harbour authorities (although in the case of VesCo as detailed elsewhere, the operator will be responsible for certain harbour functions through a harbour management agreement).

2.33 Clawback

2.33.1 The operator will be expected to make a reasonable financial return. However, in line with the EC rules in respect of maritime PSOs (that subsidy should be no greater than required), a graduated clawback provision will apply if the financial return over the whole contract period is higher than that forecast in the original bid.

2.33.2 The formulation of the clawback provision will take into account and specify certain accounting treatments that are to be used in the calculation of the financial return criteria used for clawback purposes.

2.33.3 There will be no clawback in respect of services the operator provides which are over and above the minimum approved services.

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2.33.4 In respect of TUPE considerations, an additional clawback mechanism will apply in the event that TUPE is found not to apply and savings arise.

3. Service Specification

3.1 Introduction
This section provides a draft specification of the output and core requirements for the Gourock-Dunoon ferry service. The requirements outlined in this section deal with the minimum service levels and standards together with the maximum fares for the service. The contractor is responsible for ensuring that the service specification requirements are achieved in full.

3.2 Minimum Service Level
3.2.1 The geographical area of operation and the route: (map)

3.2.2 This service operates between Gourock, situated on the Upper Firth of Clyde, and Dunoon on the Cowal Peninsula. The distance between the two ports is 3.85 nautical miles and the crossing is timetabled to take 20 minutes. The route is served by one of three vessels, MV Juno, MV Jupiter or MV Saturn and is backed up at peak times by a charter vessel, currently MV Ali Cat which provides a passenger-only service. At times of breakdown or annual overhaul of one of the three vehicular ferries the route will be served solely by Ali Cat with all sailings designated passenger-only. (Currently, MV Pioneer is available to provide cover for the vehicular/passenger service, however, the intention is to dispose of this vessel during 2003).

3.2.3 There are up to 18 scheduled weekday return sailings (varies slightly at weekends and holidays) with the first service departing Gourock at 6.20 and the last service departing Dunoon at 20.45. Carrying statistics for the Gourock-Dunoon route from 1998-2002 are shown at Annex 1, and Annexes 2 and 3 provide timetables and current fares.

3.2.4 The minimum standard service relates to a passenger service. Provision should also be made for carriage of a reasonable number of bicycles (to be specified by the contractor in their technical bid).

3.2.5 Carriage of freight is not a requirement of the minimum standard since the subsidy relates to the carriage of passengers only. However, if bidders thought it was commercially worthwhile, the Executive would encourage tenderers to consider providing facilities for carriage of small loose freight parcels as part of any passenger service.

3.2.6 Carriage of vehicles is not part of the minimum standard. Also, there is no requirement for carrying livestock or hazardous goods within the minimum standard. However, as mentioned elsewhere, tenderers may also wish to consider if these services would be worthwhile and would lower their subsidy bid. As mentioned above, Caledonian MacBrayne currently provides a parcel and loose freight service on the route. This is not part of the minimum standard as it is only the passenger-only service which is approved. However, tenderers may wish to consider whether to continue a loose freight service in any vehicle service provided.

3.2.7 In the event operators decide to provide a vehicle service they also are encouraged to consider the potential for providing services for heavy commercial vehicles in line with the Executive’s policy to encourage modal shift and reduce road haulage where possible.

3.3 Relief Vessels
3.3.1 The contractor will be required to provide for relief capacity to cover scheduled maintenance, dry dockings, unforeseen breakdowns and to ensure continuity of service to meet the minimum standard. It is the contractor’s responsibility to provide all service and relief vessels for the duration of the contract.

3.3.2 The tenderer must specify the arrangements made and response times for fleet relief. These arrangements should cover both periods of planned overhauls and periods during which the vessel is unable to provide the service in unforeseen circumstances such as breakdowns or damage.

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3.3.3 Passenger services must be provided as now to meet the current carrying patterns and to meet the contractor’s forecast trends throughout the contract period.
3.4 Timetables
3.4.1 The frequency and timing of timetables for the route have evolved gradually and been shaped by historical operational conditions, annually agreed subsidy levels and ferry users’ preferences.

3.4.2 The Executive recognises that specific timetable elements may require adjustment from time to time to meet the changing needs of users. In addition, service delivery may be improved, or level of subsidy reduced, by the introduction of some modifications to the existing timetables. However, Scottish Ministers consider that it is essential, for this contract in particular, to ensure that current timetables should not be unduly modified in order that services are protected for users and that all stakeholders may gain experience of the new pattern of service delivery.

3.4.3 For this reason, the summer and winter timetables for the specified routes are to be delivered as the minimum level of service and will not be varied without the approval of the Executive. In the case of Gourock-Dunoon, the scheduled services in winter and summer are the same. However, the fares vary, with winter fares for some categories being lower than summer fares (see Annexes 2 and 3 for details). The current period for summer timetables is to be observed throughout the contract, i.e. summer timetables will operate from the start of the Easter school holidays or Good Friday of the Easter weekend, whichever is earlier, until the end of the schools’ half-term break in October (usually the third Saturday in October each year). The winter timetable will operate the remainder of the year, i.e. from the third Sunday in October until the last Thursday before Easter or the last day before the start of the Easter school holidays, whichever is earlier.

Approved Service Revisions
3.4.4 It should be noted that after the initial period of six months and having fulfilled the necessary consultation requirements, the contractor may propose to the Executive alterations to the existing timetables, providing consultation has been carried out with users in accordance with the arrangements below. If considered appropriate, the Executive may approve these timetable changes by way of an "Approved Service Revision". The contractor may make proposals for an "Approved Service Revision" after the first six months of the contract and thereafter at six-month intervals.

Unscheduled Special Events
3.4.5 In addition to the sailings specified in the relevant timetables, the contractor is required to respond to certain unscheduled special events, which temporarily create higher levels of demand on parts of the network. Examples of events which the contractor must continue to cater for, as a prescribed minimum, are:-

- The Cowal Games;
- Royal International Mod week, if relevant.

The dates for these are known well in advance.

Emergency Services
3.4.6 The contractor should co-operate with local Health, Fire and Police services and co-operate to provide emergency call outs if required. It will be for the operator to agree any terms and conditions with the relevant contracting party for any services.

Provision Above the Minimum Level of Service
3.4.7 Tenderers are encouraged to develop the timetables in terms of additional sailings for passenger only mode. Any vehicle carrying service is restricted to the scheduled sailings detailed at Annexes 2 and 3.

Fares Structure
3.4.8 The maximum passenger fare level for the Gourock-Dunoon service will be set at the level of the most recent timetables and fares adjusted by up to a maximum of RPI (Retail Price Index) on an annual basis (see escalation arrangements below). Fares for the route are detailed in the timetables (Annexes 2 and 3) and details from CalMac’s Table of Rates Fares and Charges and concessionary arrangements are set out in Annexes 4 and 5. The contractor shall offer the range of fares options for passengers as currently set out in the timetables in relation to the following:-

- Single;
- Saver — 5 day return;
Study of Ferry Service Requirements to a Number of Islands

- 10 journey.

3.4.9 The contractor shall honour annual and quarterly season tickets sold by the current operator during the transition period.

3.4.10 Bicycles should be carried free as now.

Escalation Arrangements

3.4.11 The prescribed maximum fares may be adjusted annually on the first day of the summer timetable during the contract period to reflect movements in the RPI during the preceding 12 months. This will be the maximum increase allowed. Fares must be set out in timetables and published annually in line with the arrangements set out below.

3.4.12 Fares proposals must be notified to Ministers two months before operators' copy date for Ministers' approval in all circumstances. In the event that Ministers wish to vary fares proposals then this would constitute a material change (provided the contractor's proposals did not amount to more than RPI on any route).

Concessionary Fares

3.4.13 Annex 5 also sets out details of concessionary fares arrangements which the contractor is required to offer. There are concessionary arrangements for:-

- Children;
- Former British Rail and Scottish Transport Group Employees;
- CalMac staff;
- Disabled people;
- Blind people;
- Island residents.

3.4.14 The contractor will be required to continue the existing preferential tariffs for the specified users.

3.4.15 There are also local authority-funded concessionary schemes (for the disabled, senior citizens and the blind where the contractor is reimbursed the discount by the local authorities concerned and the contractor will require to continue these arrangements). The contractor should note, too, that the Executive is taking action to equalise eligibility for concessionary fares at age 60 for both men and women.

3.5 Brand and Marketing

3.5.1 The contractor in respect of the main Clyde and Hebrides ferry service contract will be required to operate the brand name Caledonian MacBrayne. They will be bound to VesCo vessels which will carry CalMac livery etc.

3.5.2 For the Gourock-Dunoon service, the contractor is free to bring their own vessels and as such will not be required to use the CalMac trademark, logo, livery or name.

3.5.3 In the event that the operator leases VesCo vessels then these would continue to carry the CalMac livery.

3.6 Service Vessels and Safety

3.6.1 The contractor will be fully responsible for the safe and efficient operation of the vessels to be used on the route. The Executive will not be part of, or bear any risks, relating to any charter arrangements which the operator may have in place with the owners of vessels, which they may lease for use on the route. Any vessel provided must be suitable for service on the route and must be certificated in accordance with applicable regulations.

3.6.2 Any vessel provided must be capable of entering and leaving the existing facilities or planned facilities at the harbours of Gourock and Dunoon, manoeuvring on and off and working at the berths without assistance in normal operating conditions. In the event that shore infrastructure development is required (to enable berthing of ships throughout the life of the contract) the contractor is responsible for ensuring that arrangements have been made to provide suitable infrastructure timeously. Where shore infrastructure development is involved, it is proposed the tenderer will be required to have in place contingency plans to maintain the service in the event of delays and unforeseen difficulties.

3.6.3 In proposing particular vessels, tenderers should satisfy themselves as to local conditions in respect of such issues as depth of water, tidal range, windspeed, waveheight and other

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meteorological conditions which prevail on the route.

3.6.4 Tenderers should also investigate and satisfy themselves as to the compatibility of any vessels proposed with existing piers, linkspans (if provided) and arrangements for passenger boarding and disembarkation. In this respect the sea and tidal conditions which can prevail at the berth in Dunoon and Gourock should be taken into account when considering the suitability of any vessel proposed for the route.

3.6.5 The invitation to tender document does not, therefore, specify the detailed requirement for the vessel concerned. It is for tenderers to demonstrate in their technical submission that any vessel they propose to use would meet the requirements of the service specification, including passenger and bicycle facilities, throughout the year and any additional provision of carriage identified in an operational plan. Vessels should be capable of delivering the timetable and should not take longer than the current crossing time of 20 minutes. Vessels must be capable of berthing, unloading and loading within the turnaround time to achieve the specified timetable. Tenderers should note however, the key constraint, that any vessel would have to be capable of use in all reasonable conditions at the existing Gourock and Dunoon harbours without the need for any significant additional investment, and in time for service commencement. Or in the event that infrastructure development is planned that this is delivered as planned to accommodate the contractors' vessels and that contingency arrangements are in place in the light of unforeseen difficulties and delays. The contractor is responsible for ensuring the minimum service is provided.

3.6.6 The Executive does not specify the number of vessels to be used, or that the same vessel has to be used throughout the period of the contract. Provided that any vessel to be used meets the service requirements of the contract, then the contractor has flexibility in deciding on the vessel to be used. Similarly, the Executive does not specify either where the vessel should be based overnight or what its "home port" should be, since that is the matter for the contractor.

3.6.7 Tenderers, however, will have to demonstrate how the vessel provision they are suggesting will meet the existing carryings for passengers, bicycles and forecasts in their operational plans. Full details of any vessel(s) proposed, therefore, should be provided in their technical submission. This should include particulars of where and when the vessel(s) were built, the port of registry, the previous names, service speed and consumption and carrying capacity. A copy of the current passenger certificate and loadline certificate together with the general arrangement drawing must be provided for each vessel proposed. In addition each vessel's Flag/port state inspection record covering the last two years of operation should be provided, along with a copy of her Safety Management Certificate.

3.6.8 The Executive may wish to inspect any vessels as part of the tender evaluation process. Details of where this can be done should be provided by tenderers in their technical submission.

3.6.9 The contractor must consider and make suitable arrangements for disabled access to and from any vessel. In doing so, the guidelines issued by the international maritime organisation MSC Circular 735 of 1996 in respect of the carriage of elderly and disabled passengers, should be taken into account and complied with where possible. Where constraints of design with an existing vessel prevent full compliance the closest possible alternative should be achieved. Such constraints and alternatives must be detailed in the tenderer's technical submission. Tenderers should pay particular attention to the conditions which can arise on the berths at Gourock and Dunoon when considering the suitability of any vessel for the embarkation and disembarkation of elderly or disabled passengers.

3.6.10 In the event vessels are to be built, contractors should also consider DPTAC guidance in relation to design of larger ferries and are encouraged to include as many of the features as possible in relation to ferries serving the route.

3.6.11 The size of any vessels proposed is a matter for the contractor. The vessels should ensure reasonably comfortable crossing for passengers, taking into account the likely weather conditions. This has to take into account the all year round sea conditions on the route.

3.6.12 It is for the contractor to decide where to procure vessels.

3.6.13 Tenderers must confirm that any vessel to be used in providing the designated service will be registered under the flag of the United Kingdom or other Member State within the European Economic Area.

3.6.14 It is emphasised that it is the contractor's responsibility to ensure that any vessel to be used, and all matters concerning the operation of any such vessel, comply with all relevant UK Regulations and International Convention. The contractor must also ensure that any vessel to be used in providing the designated service, and all matters concerning the operation of any such vessel, comply with all United Kingdom merchant shipping legislation for Class V passenger ships as enforced by the Maritime and Coastguard Agency (MCA). The Executive requires written confirmation from tenderers that these requirements will be met, and will require written confirmation.
from the successful tenderer, before commencement of the service, that they have been, and will continue to be met

3.7 Integrated Transport, Ticketing and Information
3.7.1 The contractor is responsible for the arrangements in respect of passenger booking and for the issue of tickets.
3.7.2 The contractor will be required to provide facilities so that reservations, sales and credit card payments can be made locally. The contractor will be required to provide ticketing facilities from at least the same locations as are available now although this need not necessarily involve the use of existing premises.
3.7.3 Following consultation with users, the contractor will be required to publish summer and winter timetables annually. These should be published no later than November (in respect of summer timetables) and July (in respect of winter timetables). If changes are being proposed i.e. if the contractor is seeking an "approved service revision" then plans must be submitted (along with details of the consultation on these) to the Executive no later than 2 months before the contractor's copy date.
3.7.4 However, information need not be confined to Gourock and Dunoon.
3.7.5 As a minimum, for the convenience of users, the published timetables should include information on other ferry services provided by local authorities and other operators in the Clyde to enable planning of onward travel. Competing services do not have to be advertised.
3.7.6 The contractor is encouraged to work closely with the operator of the main Clyde and Hebrides ferry service network (currently operated by Caledonian MacBrayne) to facilitate integrated services and to participate in marketing initiatives in respect of Clyde and Hebrides.

3.8 Traveline
3.8.1 In line with the Scottish Executive commitment to meet integrated transport objectives, the contractor is required, when publishing or advertising their Gourock-Dunoon timetable, to supply additional timetable information for connecting public transport services (for example, bus and rail services). Traveline is a UK National, impartial and multi-modal public transport information system. It provides a telephone and internet enquiry service providing timetable and journey planning information. It aims to allow the traveller to make informed choices and encourages public transport. Traveline provides the information about journey itineraries, routes, service numbers, timetables and pre-planned alterations to most public transport modes.
3.8.2 The contractor shall include the Traveline contact details on all timetable literature and advertising. The design and use of its marketing material is provided free to participating transport operators.
3.8.3 In the longer term, it is intended that Transport Direct will build on the Traveline service provision. Transport Direct aims to provide the traveller with all the information they need before and during a journey anywhere in the UK and with the ability to buy the associated ticket. It will ultimately cover travel by all modes; air, car, train, taxi, tram, tube, bus, coach, ferry, bicycle, foot and most importantly mixtures of these modes.
3.8.4 The contractor will be required to join Traveline Scotland and collaborate fully in the Traveline initiative, and will wish to exploit the opportunities which Transport Direct will present as it is developed. The Contractor will be required to provide real time information to passengers and to road and public transport information systems for travellers to and from the Gourock-Dunoon service.

3.9 Ship Boarding Practices
3.9.1 The operator must ensure that, as a minimum, current procedure surrounding the boarding of passengers and the provision of on-shore facilities are maintained and that on-board facilities (e.g. refreshments) remain available to passengers.

3.10 Network Services and Products
3.10.1 Gourock-Dunoon currently forms part of a wider network. As already mentioned, the routes throughout Clyde and Hebrides are the subject of a separate tender. It is a requirement of the main Clyde and Hebrides tender that the contractor considers marketing initiatives to facilitate tourism throughout the Clyde and Hebrides area and brings forward innovative ideas to make available comparable products to Caledonian MacBrayne’s current initiatives in relation to:-
- Island Hopscotch (tickets);
- Rover (tickets).

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3.10.2 As Gourock-Dunoon has been separated out this will not form part of the minimum standard. However, the Executive wishes to encourage the contractor to participate in marketing initiatives jointly with other ferry providers in the area in order to provide integrated provision.

3.10.3 The contractor shall maintain, for the duration of the contract, a detailed Internet website covering the operations on the Gourock-Dunoon service. The page must provide links to on-line information reservation services, seasonal timetables, a help-desk facility and an early warning notice board flagging disruptions and changes to services caused by bad weather etc.

3.10.4 The passenger facilities provided currently at Dunoon and Gourock piers are set out at Annex 7. It is the contractor’s responsibility to ensure that, as a minimum, all shore facilities, waiting rooms, reservation offices, cafeterias etc. are available to users at times currently provided and that the extent of such facilities is maintained to at least the existing levels. The contractor is not required to lease VesCo owned ticket offices at Gourock. Where these are not leased, equivalent facilities must be provided.

3.10.5 The contractor is responsible for negotiating separately with Argyll & Bute Council in respect of Dunoon pier.

3.11 On Board Facilities

3.11.1 The contractor shall ensure that, as a minimum, facilities are available at the times currently provided and that the extent and scope of such services is at least maintained to the current level.

3.11.2 At present, there are catering facilities on board the Streakers which provide light refreshments. These have been sub-contracted by Caledonian MacBrayne Ltd. As a minimum, the contractor shall provide light refreshments, although, the contractor has freedom to decide how best to provide this. Contractors are encouraged to be innovative in this and other areas.

3.12 Language

3.12.1 The contractor shall ensure that crew are able to communicate with passengers and each other in English (the principal language of the passengers carried) to meet the requirements of the ISM code and of STCW 95

3.12.2 The contractor shall particularly ensure that crew and shore staff who deal directly with users of the services are proficient in English.

3.12.3 In addition, if applicable (if the contractor enters into an arrangement to lease VesCo ships), as mentioned elsewhere, VesCo vessels are UK flagged and it follows that the working language of the ships is English. Bidders are also reminded that they require to implement TUPE if successful and it is confirmed that the present crew fulfil this requirement.

3.13 Consultation with Users

3.13.1 The contractor shall consult with ferry users at half-yearly intervals on seasonal timetables and other issues which have a direct impact on ferry services. The contractor shall engage in this process through formal consultation channels.

3.14 Clyde Shipping Services Advisory Committee

3.14.1 There are currently 3 Shipping Service Advisory Committees (SSACs) covering Clyde and Hebrides ferry services. The relevant Committee in respect of the Gourock-Dunoon route is the Clyde Shipping Services Advisory Committee and the contractors shall be required to meet with the Committee bi-annually. This might be carried out in association with the contractor for the main Clyde and Hebrides network.

3.14.2 The agenda for these items must cover local issues and report specific matters. Examples are timetabling for winter/summer services, on-board services and facilities at terminals. The contractor is required to:-

- take the Clyde SSAC’s comments into account;

- to act reasonably in reaching decisions in relation to the right balance of provision; and

- to provide adequate explanation for the contractor’s action to the SSAC where comment or clarification has been requested.

3.14.3 The contractor shall meet these consultative arrangements as a minimum but is invited to consider ways and means of improving ongoing consultation with ferry users throughout the period of the contract.

3.15 Utilisation of Port Assets

Appendices
3.15.1 Annex 7 describes the ownership of ports and terminal facilities. The contractor shall negotiate terms of use for port assets owned by Argyll & Bute Council at Dunoon and owned by VesCo at Gourock. The contractor will wish to note that he/she is responsible for determining the delineation of provision of harbour services. Where harbour services are not provided by the harbour authority these must be included and detailed in tenderers’ bids.

3.15.2 We understand that Argyll & Bute provide harbour staff in respect of linkspans and other facilities. However, the contractor is responsible for providing any services in respect of mooring and unmooring vessels and provision of passenger facilities not provided by Argyll & Bute in its harbour authority role. The contractor shall be responsible for ensuring appropriate staff are employed for the purpose if necessary.

3.15.3 VesCo will not provide these services and the contractor should ensure their bid covers all mooring, unmooring, marshalling, loading, unloading, waiting facilities etc. in respect of Gourock.

3.15.4 VesCo will only be responsible for core harbour functions such as maintenance and other statutory harbour authority duties. However, the contractor should note that certain of these functions may be required to be carried out by the contractor, as VesCo’s agent, under a harbour management agreement in return for a set management fee.

3.16 Performance Regime and Users’ Charter

3.16.1 The performance regime will monitor the reliability and punctuality of the service. Monitoring will normally be on a rolling four-week basis to enable any problems to be picked up and dealt with quickly (although cancellations must be notified immediately). The regime uses a mix of reduction in subsidy and, for more serious defaults, the dispute resolution procedure, which may result in termination of contract. It should be noted that the regime provides for cancellations and delays due to relief events such as poor weather conditions. This ensures that safety should never be compromised to avoid penalties. The contractor shall devise and publish a Users Charter which will be subject to the approval of the Executive and will cover issues such as on-board facilities, cleanliness, staff conduct and the way in which complaints are to be dealt with. Annex 9 sets out the detail of the regime.

3.16.2 Performance figures must be made publicly available by the operator and displayed in port offices, on-board vessels and on the website. The contractor shall also be subject to spot checks and audit by the Executive (or the Executive’s appointed auditors) from time to time.

3.17 Monitoring of Operations

3.17.1 The Executive will monitor the contractor’s performance against the requirements of the specification and the Contractor’s other obligations under the contract. The Executive will conduct whatever audits it feels are required. The contractor shall co-operate in these arrangements and provide accurate auditable information to the Executive. This will enable such audit to be carried out to the Executive’s required standards.

3.18 Safety

3.18.1 The safety of passengers and crew must not be compromised or diluted. Accordingly, it is a requirement that vessels utilised on the Gourock-Dunoon route are managed and operated in a manner that consistently provides the highest standards of safety, effective pollution prevention and quality of service. The contractor shall, therefore, ensure compliance with all applicable International Conventions, EC Council Directives and Regulations, and National Regulations and ensure that relevant industry codes, guidance and standards are fully taken into account.

3.18.2 The contractor shall comply with all applicable Merchant Shipping Legislation enforced by the MCA. The contractor shall ensure that the vessels to be used on the Gourock-Dunoon service, and all matters concerning their operation, comply with the relevant UK and EC legislation for passenger, or passenger ro-ro ships of Class V. Both, ships and operator must comply with the requirements of the Domestic Small Passenger Ship Code or the ISM Code.

3.19 Ports and Safety

3.19.1 As mentioned elsewhere, the contractor shall be responsible (as part of this contract) for the activities associated with the day-to-day vessel/port interface operations. This will include mooring, ship securement, unmooring, marshalling, loading and unloading of passengers, (and vehicles, freight, and livestock where carried) along with the manning of ticketing, reservations and other shore-based facilities. The contractor shall comply with all relevant legislation, rules and regulations, to include Health and Safety Regulations, Maritime and Aviation Security Act and the Port Marine Safety Code as
applicable.

3.20 Information Required from Contractors over the Course of the Five Year Contract
The contractor will be required to provide regular detailed information about the operation of the services. This information is required for internal audit purposes; to comply with EC rules relating to the Transparency Directive, Cabotage Regulations, etc.; to inform Parliament; and to inform the Executive and other tenderers in the next competition. This information is set out at Annex 10.

4 BIDDING PROCESS AND EVALUATION OF BIDS
4.1 Timetable for Tendering
4.1.1 The project timetable envisages the contract commencing on XXXX although this may be subject to change. Key dates for the tendering process are as follows:

Submission of technical and commercial proposals in response to this ITT xxxxxxxx

Request for costed bids xxxxxxxx

Submission of costed bids xxxxxxxx

Decision and announcement xxxxxxxx

NB - To be decided once service specification is finalised.

4.2 Guidelines for Submitting a Compliant Bid
4.2.1 As a direct response to this document, tenderers must provide their proposal for the operation of the services as set out at Section 3. This will be known as the "technical proposal" and must include a business plan covering the information set out below and at Annex 11.

4.2.2 In addition, at Costed Bids stage, a financial plan will be required. Further guidance will be provided about the format about this.

4.2.3 The Executive will consider the information provided in the Technical Proposal in response to this document and will reach an objective decision as to whether or not, in its view, this will be capable of meeting the requirements set out in this service specification. This process may involve a period of clarification with tenderers.

4.2.4 Subsequent to this, those tenderers whose Technical Proposals are deemed compliant will be invited to submit costed bids for subsidy. It will be on the basis of this bid for subsidy that a contract will be awarded. As indicated in Section 2 the successful tenderer will be the one who requires the lowest financial compensation.

4.2.5 Tenderers should be aware that failure to supply the details requested in this service specification would seriously affect the competitiveness of their bid. Prior to the date for submission of technical bids, tenderers will be issued with a checklist. This will be a Microsoft Excel spreadsheet listing each area of the service specification where a response is expected from tenderers. Tenderers will be required to make a cross-reference to where, in their technical proposals documentation, their response to each of the Executive's requirements can be located. The completed disk should then be returned to the Executive along with the technical bid. This process serves two purposes. First, it acts as a checklist for tenderers, ensuring that each area of the specification that requires a response receives one. Secondly, it allow the Executive's evaluation team to confirm that all relevant aspects of the tenderer's proposal for each of the requirements have been taken into account during the evaluation process.

4.3 Communication During Tender Period
4.3.1 At technical bid stage, tenderers must provide the following information:-

- A detailed description of Tenderers understanding of the service requirement as set out in Section 3;

- A comprehensive description on how Tenderers propose to provide the service in line with the specification at Section 3. This should include the following:

- Crewing proposals, including source of crew. Manning levels, certification standards, daily...
working hours in relation to the timetable, and proposed work leave rotation for sea staff;

- Tenderers should allow a reasonable margin when relating crew working hours to the requirements of the timetable.

4.4 Price Structure and Tariffs
4.4.1 Tenderers must provide details of the structure of fares they will put in place if successful in winning the Contract including those proposed for services outwith the minimum standard.
4.4.2 Tenderers must provide details of projections of passenger numbers for the 5 year period.

Proposed Schedule
4.4.3 Tenderers must provide details of their proposed schedule for the service, including any variations between the winter and peak season service and services above the minimum standard.
Operational Management Plan

4.4.4 Tenderers must provide a clear operational management plan for the service. This should include details of the management structure, which would be put in place by the Tenderer if successful in winning the Contract, identifying individual members of the management team and listing key responsibilities.

4.5 Tender Documentation

4.5.1 The technical submission must include the tenderer’s proposals to meet the requirements set out in Section 3. Tenderers must address each paragraph in Section 3 in the order in which they appear.

4.5.2 Bidders should include an operational plan which should also cover staffing details comprising:-

- Names and CVs of key personnel, including details for the person responsible in the event of accidents, etc. Where the company intend to recruit new senior staff to fill key roles if successful, this should be made clear;

- Confirmation of implementation of TUPE and deployment of staff;

- Crew configurations and numbers per sailing, noting seasonal variations;

- Crew/passenger ratios and passenger certificate numbers throughout the year;

- Details of other staffing, noting seasonal variations;

- Shift patterns to be adopted;

- Details of numbers, type, etc. of staff that the tenderer proposes would transfer under TUPE from CalMac OpsCo;

- Details of approach to crewing, to include employment arrangements, whether or not offshore payroll arrangements will be put in place and whether tenderers use or intend to use manning companies;

- Training policies for development of sea-going and shore staff;

- Policies to ensure that suitably qualified staff are available in the long term; and

- Industrial relations and other policies - for example knowledge of Fairness at Work.

4.5.3 Other operational aspects to be covered are:-

Details of vessels to be provided;

- Fleet relief arrangements;

- Timetables of sailings, particularly detailing any additional sailing and services and any changes proposed to, for example, the model timetables;

- Shore management proposals, including those for marshalling, loading and discharging freight (if applicable);

- Details of passenger, and, if applicable, vehicle and freight booking systems. The positions of management staff and manpower plans for each port. Where the tenderer intends to subcontract any part of the operation, full details of the arrangements to be made should be provided;

- Arrangements for maintaining the required level of service during scheduled refits and repairs. In addition, any changes to the published schedule and/or capacity should be detailed;

- Contingency plans if vessels prove to be unserviceable for a period of two days or more (fleet relief arrangements are the responsibility of the contractor);

- Contingency plans in the event of harbours being closed to the service vessels due to adverse weather conditions;
Study of Ferry Service Requirements to a Number of Islands

- Plans for emergency cover and other unscheduled events and/or unforeseen needs;
- Principles in relation to terms and conditions of carriage, etc.; and
- Tenderers must carry out a risk assessment for the operation. Details of this must be included as part of the technical submission.

Vessel Specification
4.5.4 Full details of any vessel proposed for use on the route should be provided. These should include particulars of where and when built, port of registry, previous names, service speed and consumption, carrying capacity and class. Details of the vessels port state inspection record over the last two years should be provided.
4.5.5 A copy of the current passenger certificate and loadline certificate for any vessel to be used must be provided, along with a general arrangement drawing.

Quality Plan
4.5.6 Outline details of key service standards, including quantifiable targets, should be given. In no circumstances, however, should these targets be viewed as a reason to take action that in any way jeopardises the safety of the vessel, its crew or passengers.
4.5.7 The Department will need to be satisfied that quality accreditation measures will be in place and tenderers should provide full details of their current quality accreditation. In the case of joint ventures where partners have differing quality accreditation, an explanation should be provided as to how the quality management system will be administered and where the specific areas of responsibility will lie. To assist our evaluation, it would be helpful if tenderers supplied the following:-
- Details of operational accreditation (e.g. ISO 9002, ISO 14001) and a copy of each certificate.
- Details of ISM accreditation for vessel operations (or, if appropriate, the parent company's accreditation) and a copy of the relevant certificate/document.
- Details of any accreditation towards which tenderers are currently working with target compliance dates.

Key minimum standards - see performance regime at Annex 9.
4.5.8 In addition, standards for the following should be itemised:-
- Conduct of staff.
- Cleanliness of public areas on vessels.
- Customer satisfaction with on-board facilities/entertainment.
- Customer satisfaction with on-shore facilities.
- Customer satisfaction with freight and livestock service (if applicable).
4.5.9 The following proposals must also be submitted:-
- Proposals for monitoring key service standards and reporting performance to the Department on a four-weekly basis.
- Proposals for assessing customer satisfaction with services for Users' charter and for handling complaints.
- Proposals for establishing a regular consultation process with ferry users to meet the requirements set out in Section 3.
- Proposals for how the company would make key service standards and information on performance against targets publicly available.

Environmental Considerations
4.5.10 The Gourock-Dunoon route is in an area of outstanding natural beauty. Accordingly, the contractor's Safety and Environmental Protection policy must recognise and take into account this environmental sensitivity.
4.5.11 In order to protect the environment, the contractor shall develop the objectives of their Safety Management Systems, as required by the ISM Code, in consideration of the unique and special environmental factors that exist in and adjacent to the vessels' trading areas.

4.5.12 Tenderers must provide full details of their policy in relation to environmental protection and should describe any particular steps they will take in order to help preserve the route environment.

Security

4.5.13 Operators will be required to maintain the appropriate level of security on board the vessels and at terminals as required by U.K. legislation.

Implementation Plan

4.5.14 Tenderers must demonstrate that they have fully considered all the operational, safety, commercial, managerial and industrial relations issues involved with the transition from the present arrangements to a competitively-awarded contract.

4.5.15 The Executive places great importance on the implementation phase of this contract. The possibility of a change of operator as a consequence of this tender exercise could increase the potential for disruption to services and for operational incidents and accidents. Tenderers should, therefore, demonstrate that they have fully considered these issues and their technical submissions must include a detailed implementation plan. This plan must address all the key issues and include a detailed timetable for their achievement within the period from contract award to contract commencement, for agreement with the Executive.

4.5.16 In addition, the implementation plan should, as a minimum, address the following issues, with dates where possible:

- Achieving relevant safety certification.
- Specifying details of service timetable during the transition.
- Handling any crewing implications/changes.
- Negotiating with sea-going and shore-based staff/unions where changes in terms and conditions are envisaged.
- Establishing transitional arrangements for bookings.
- Setting up a shore management structure.
- Identifying the training needs of sea-going and shore-based staff and producing a training plan to ensure appropriate training is offered timely.

4.5.17 The Executive will have the right to monitor the successful bidder's progress on service implementation against the agreed implementation plan and the contractor will provide monthly reports to the Executive on implementation progress during the period between contract award and service commencement. Where progress on implementation falls behind the requirements of the plan the contractor will be required to produce proposals for rectifying this and to immediately take such action as may be required to address the problem.

4.6 Financial Arrangements and Subsidy Terms

4.6.1 Subsidy will be paid as outlined in Section 1.4. That is, the subsidy for the Gourock-Dunoon tender for each year will be calculated at the beginning of the year (taking account of expected inflation) and will then be divided into 12 equal monthly installments. Any difference in actual inflation rates will be swept up at the end of each year. Additional payments or deductions triggered by a material change will be made as and when necessary.

4.7 Handover Procedure

4.7.1 This will be set out for tenderers in due course.

4.8 Costed Bid Stage

4.8.1 Following the announcement of the outcome of the technical bid stage, compliant tenderers only will be invited to submit costed bids. Any technical submission not complying with the requirements set out in the service specification will be rejected at that stage and a costed bid will not be invited. Further details will be supplied at that stage.

Appendices
4.9 Additional Notices and Instructions

4.9.1 All information supplied by Scottish Ministers in connection with the invitation to tender shall be treated as confidential by tenderers except that such information may be disclosed for the purpose of obtaining sureties and quotations necessary for the preparation and submission of the tender.

4.9.2 In accordance with the Executive policy on disclosure of information (as set out in the "Code of Practice on Access to Scottish Executive Information") it may be necessary to make public, on request, information related to this contract. Information may, however, be withheld if its publication would harm bidders’ (or any other person’s) legitimate commercial interest. Bidders are, therefore, requested to identify clearly in their tender document any information whose disclosure they believe would harm their commercial interest, or those of a third party. A brief explanation should also be provided. Tenderers should note that the Invitation to Tender is published.

4.9.3 The Scottish Executive intend utilising the services of an external consultant to assist in the tender evaluation process.

4.9.4 Tenderers may submit a tender using their own text creation facilities, however, the content layout must be identical to the Scottish Executive’s version of the relevant sections of the tender, and it must be in the same order. Tenderers should supply 1 original document and 7 further copies.

4.9.5 Please note that the responses to any questions raised during the tender period will be circulated to all tenderers in the form of a Circular Advice Note. The closing date for raising questions is XXXX and the Scottish Executive will circulate answers to tenderers not later than XXXX.

4.9.6 The evaluation criteria will include emphasis on quality as well as price. Each tender will be the subject of a technical, commercial and financial analysis. The aim of the evaluation is to select the tender which represents the lowest financial compensation. The technical analysis will ensure that the tenderers have met the minimum criteria set down in the specification and tender schedules. Commercial and financial analysis will be used at the costed bid stage to establish the full price of tenders. To achieve all of this a tender assessment system will be used and this will cover, but will not be limited to the following aspects:-

- general understanding of the requirements, i.e. provision of a ferry service between Gourock and Dunoon:-
- status of the tender, including analysis of financial viability and technical ability;
- operation of proposals with particular emphasis on quality and performance measurements;
- staffing proposals;
- Operators safety record;
- Depth of experience of key staff;
- Suitability of vessels proposed;
- Assessment of proposals against the minimum standard;

4.9.7 Please provide the following background information:-

- name of contact for this tender;
- position;
- address;
- telephone; and
- fax.

4.9.8 Any tender that does not accord with all the requirements herein and in the covering letter may not be considered.

Appendices
ANNEX 9 SUMMARY OF PERFORMANCE STANDARDS REQUIRED
The Gourock-Dunoon route will require to be operated in accordance with following performance regime. The contractor will wish to note that a similar regime operates more generally in respect of Clyde and Hebrides services, where bandings are adjusted to reflect the length of the route.

<table>
<thead>
<tr>
<th>Reliability</th>
<th>Punctuality</th>
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| **Definition** | Sailing cancelled or so late becomes *de facto* cancelled.  
A sailing will be considered *de facto* cancelled if it arrives (or would have arrived) at the same time as the next scheduled sailing. This excludes sailings which are the last of the day OR routes where there is only one sailing (or less) per day where there are likely to be benefits in continuing the service regardless of how late it is. |
| Consistently late services (see below) will however trigger grievance procedures (see thresholds). | Sailings 45 minutes and under must arrive within 5 minutes of scheduled arrival time. |

**Relief Events**  
A relief event is one which allows one or other of the parties to a contract 'relief' from the usual consequences of not fulfilling their part of the agreement. There are a number of standard events — e.g. terrorism; force majeure; certain changes in the law. It is also proposed the following events are classed as relief events. The list is to be finalised but will include:

- weather and tidal conditions where the Master considers that sailing would compromise operational safety;
- events outwith the operator's control such as unavailability of harbours or unrelated strike action;
- where a delayed or diverted sailing (under a relief event) has a knock-on effect on subsequent sailings (e.g. connecting sailings or a shuttle service) the delay should be taken into account when assessing whether the subsequent sailings are late;

- any decision made by the Master in the interests of protecting the safety of life at sea;
- decisions made by the Master or Shore Management regarding exceptional social needs and safety related concerns over which the operator has no control. (Before such an event is accepted as a Relief Event, the full circumstances of the delayed/cancelled sailing must be detailed in writing by the operator and submitted to the Executive for consideration. The Executive's decision will be final as to whether such an occurrence warrants relief event status.); and
- a sailing which is delayed due to the pre-notified late arrival of passengers, and where such a delay is of direct benefit to the service.
Study of Ferry Service Requirements to a Number of Islands

| **Thresholds** | If, in any 4-week period, reliability on any route falls below 90% grievance procedures (which may result in a termination event) will be triggered. If, over a 12-week period, reliability on any route is below 95% grievance procedures (which may result in a termination event) will be triggered. If there is no service for four consecutive days the Executive may act to ensure the provision of the services. The action must be reasonable in the circumstances and the Executive may seek reimbursement from the operator for any costs involved. |
| **Penalty** | We propose that where a sailing is cancelled or de facto cancelled the average cost of the sailing (based on subsidy costs for that route) will be deducted - this ensures that the Executive is not paying for a service it does not receive. |
| **Additional Sailings** | Additional sailings such as those put on for the Mod, the Dunoon Games, livestock fairs, etc. should be scheduled in advance by the operator. It should therefore be possible to calculate the relevant subsidy per sailing. |
| **Monitoring** | On a rolling 4-weekly and 12-weekly basis. i.e. weekly reports. |
| **Passenger Charter** | The operator will be required to devise, publish and adhere to a Users Charter which will be subject to the approval of the Scottish Executive. The Charter will cover issues such as:  
  - On-board and on-shore facilities (where they are provided by the operator)  
  - Cleanliness  
  - Staff conduct  
  - How complaints are dealt with |

**Users**. (Before such an event is accepted as a Relief Event, the full circumstances of the delayed/cancelled sailing must be detailed in writing by the operator and submitted to the Executive for consideration. The Executive's decision will be final as to whether such an occurrence warrants Relief Event status.)

**Thresholds**

In any 4-week period the operator is allowed up to 2% of sailings (as a proportion sailings that take place not as a proportion of total scheduled sailings) to be late without penalty. Where more than 2% of sailings are late those that are least late should be the ones assumed to be covered by the 2% allowance. If there is regular "significant lateness" on any route grievance procedures will be triggered. "Significant lateness" should not be allowed within the 2% described above. "Significant lateness" is defined as:

- 15 minutes or more after scheduled arrival time.

**Penalty**

"Lateness" is relative and the regime should penalise more heavily for significant lateness than it should for lesser lateness. In order to retain an incentive for the operator to provide a late service rather than no service at all the penalty for each late sailing should be a maximum of 25% of the subsidy for that sailing, i.e. every five minutes over allowable lateness (i.e. 5 minutes) up to significant lateness (15 minutes) deduct 12.5% of subsidy up to a maximum of 25% of subsidy.
ANNEX 10 INFORMATION WHICH THE OPERATOR WILL BE REQUIRED TO PROVIDE:

Financial Information
(a) A copy of the operator's Annual Report.
(b) A copy of the company's audited accounts; a copy of the audited accounts for the subsidised services; and audit certificates for both.
(c) Other financial information required for monitoring purposes.

Other Information
(a) Monthly and quarterly information about volume of route carryings by sector (i.e. foot passengers, cars, lorries, freight, livestock).
(b) Delayed and cancelled sailings by route (weekly report) in a format to be agreed with the Executive. This will be used to monitor performance in relation to the performance regime. The operator will also be required to notify the Executive about all cancelled sailings and significant delays as soon as possible.
(c) For publication in (e.g.) Scottish Transport Statistics, the following annual figures (all of which should be for calendar years - e.g. 2004 - unless otherwise specified):

- for each route and for the network as a whole, the number of:-
  o passengers carried;
  o cars carried;
  o commercial vehicles and buses carried; and

- for the operation as a whole, the total
  o tonnage of loose freight;
  o revenue from users (including charter and contract carryings);
  o subsidy (for the financial year).

(d) Annual safety reports including detailed information about any reportable accidents, including any major injuries and serious injuries, and any hazardous events.
(e) The operator is required to notify the Scottish Executive of any incidents/accidents reported to the Marine Accident Investigation Branch (MAIB).
(f) The MCA may undertake surveys and inspections on board vessels and the operator is required to provide a copy of the Certificate of completion of the survey to the Scottish Executive.
(g) Annual environmental report including detailed information about any reportable pollution incidents. All pollution incident reports to the MCA should also be copied to the Scottish Executive. The operator should also be aware of requirements under the UNECE Convention on Access to Information, Public Participation in Decision Making and Access to Justice in Environmental Matters (the Aarhus Convention). The UK Government hopes to ratify the Convention shortly.
(h) Details of employee numbers, ages, positions, length of service, salaries/wages, terms and conditions, pension arrangements, trade union obligations and agreements. There are issues around confidentiality of employee information. This information would therefore only be required to inform the Executive and in preparation for the next competition (to provide prospective operators with a realistic picture of the staffing situation) and will not be made public.
(i) Information relating to the Users Charter e.g. number of complaints, what they were about and how they were dealt with.
(j) Such information as the Executive may reasonably require from time to time.
ANNEX 11 TENDER DOCUMENTATION: SUPPORTING MATERIAL REQUIRED

Full Description of Tenderers’ Current Business Activities
Tenderers should provide a full outline of their business activities with particular reference to passenger vessel operations. Where the tenderer has no current involvement in operation of passenger ferries, or where a joint venture is proposed, full details of the allocation of responsibilities within the joint venture should be provided along with a clear outline of the proposed structure.

Details of the Tenderers’ Safety Record
Details of the operator’s safety record over the past three years of operation should be provided.

Vessel Specification
Full details of any vessels proposed for use in the route should be provided. These should include particulars of where and when built, port of registry, previous names, service speed and consumption, carrying capacity and class. A copy of the current passenger certificate and load line certificate for any vessel to be used must be provided, along with a general arrangement drawing and a note of her Port State inspection record covering the previous two years of operation. The Executive may wish to inspect the vessel as part of the tender evaluation process. Details of where this can be done should be provided. Where the vessel proposed for the route is not currently in the ownership of the bidder, clear evidence of the vessel’s availability must be provided. Where the vessel is to be purchased, a copy of the memorandum of agreement between the bidder and the vessel’s present owner should be provided. Where the vessel is to be chartered, a copy of the charter party to be used should be provided along with a written statement from the vessel’s owner or current operator, to the effect that the vessel will be available to the bidder for use on the route for the duration of the contract. Where a vessel is to be built, full design details, and an outline build programme should be provided as part of the technical submission. Where a vessel is being built, the building process will form part of the implementation plan and the Executive will have the right to monitor the newbuilding process through meetings with the incoming operator and visits to the shipyard.

Marketing Plan
Tenderers must provide an outline marketing plan dealing with the development of the route and outlining projected traffic levels for the duration of the contract. It is expected that tenderers will consult with local interests when considering the marketing issues associated with the development of the service.

Insurance
Tenderers must provide details of the arrangement to be put in place for third party liability insurance in respect of their performance of the Contract including the operation of any vessels. Tenderers must supply full details of the insurance arrangements in place for the vessel they propose and for their own operation. These will consist of:-

- the name of the P&I association with which the vessel is entered along with a copy of the certificate of entry;
- a certificate of hull and machinery insurance for the vessel;
- identity of the underwriters with whom third party risk is placed along with details of the extent of cover.

Quality Plan
A quality plan must be provided, containing:-

- details of the tenderer’s current operational accreditation, such as ISO 9002 or ISO 14001 with the copy of the certificate;
- details of the operator’s current Accreditation, under ISM or the Management Code for Domestic Passenger Ships along with copies of the relevant certificates;
- details of any accreditation towards which tenderers currently walking with planned compliance
issues to be covered will include:

- outline routine formal audit programme for the route;
- proposals for monitoring the service standards on a day-to-day basis;
- the contractor will be required to display the performance statistics in terms of missed-sailings and performance against timetable in the public areas of each terminal, and to make figures available to the Executive (or to the Executive’s contractors) as and when required;
- proposals for monitoring customer satisfaction including regular consultation with local user groups;
- the contractor must be prepared to respond to unscheduled requests for consultation should the issues raised warrant it;
- details of the complaints procedure with which the contractor will implement, with target timescales for the resolution of issues.

**Environmental considerations**

The Gourock-Dunoon route is in an area of outstanding natural beauty. Accordingly the contractor's Safety and Environmental Protection policy must recognise and take into account this environmental sensitivity.

In order to protect the environment, the contractor shall develop the objectives of their Safety Management Systems, as required by the ISM Code, in consideration of the unique and special environmental factors that exist in and adjacent to the vessels' trading areas.

Tenderers must provide full details of their policy in relation to environmental protection and should describe any particular steps they will take to preserve the route environment.

Details of any Quality accreditation dealing specifically with environmental issues should be provided.

**Implementation Plan**

The introduction of new vessels and new operational routines may increase the potential for accidents, or operational incidents with the attendant likelihood of injury to personnel and/or service disruption. Tenderers must produce a detailed implementation plan demonstrating that they have considered all of the operational factors surrounding the introduction of the service and setting out the means they intend to adopt to manage risks and minimise the effects. The implementation plan should include reference to:

- any HR and IR issues with which the tenderer feels may arise surrounding the implementation of TUPE;
- arrangements for staff training in relation to any new vessels. Identification of any particular training requirements in relation to the needs of disabled travellers;
- identification of any training requirements in the arrangements and timetable for achieving them;
- vessel trials, including trial berthing, where necessary;
- achievement of required safety certification;
- arrangements for setting up and operating the booking system;
- transitional arrangements for advance bookings;
- the implementation plan must include a timetable for the activities detailed above covering the period between contract award and service implementation.

**Risk assessment**

Tenderers should provide details of the risk assessment they have carried out in relation to the
operation of their proposed vessels on the route.

The Executive will have the right to monitor the successful bidder’s progress on service implementation against the agreed implementation plan and the contractor will provide monthly reports to the Executive on implementation progress during the period between contract award and service commencement. Where progress on implementation falls behind the requirements of the plan the contractor will be required to produce proposals for rectifying this and to immediately take such action as may be required to address the problem.
APPENDIX 6 – Template for Tender Evaluation Scoring Matrix
## THE DEPARTMENT OF COMMUNITY, RURAL AND GAELTACHT AFFAIRS
### XXXX FERRY SERVICE
#### TENDER EVALUATION SCORING MATRIX

<table>
<thead>
<tr>
<th>COMPANY NAME:</th>
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<tbody>
<tr>
<td>CRITERION</td>
</tr>
<tr>
<td>COMPLIANCE</td>
</tr>
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</table>

**COMMENTS**

### Compliance with all relevant legislation, viz:
- Irish and International legislation
- DCMNR Shipping Regulations
- EC Directives
- Industry Codes and Standards
- Health & Safety

### Compliance with requirements of the Specification, eg:
- Provision of a roll-on roll-off passenger and vehicle ferry service
- Crane available
- Proposal provides for and guarantees carriage of passengers, vehicles, freight, and livestock
- Precise passenger facilities are specified
- Consideration given to and arrangements made in accordance with appropriate legislation for the carriage of disabled passengers
- Provision for the carriage of livestock is in accordance with appropriate regulations and regard to welfare
- Service can be provided 12 months of each year on each and every day of year
- Ability to commence service on xx/xx/04
- Agreement to undertake a minimum of xx daily return trips
- Details of how the requirements of relevant legislation in respect of carriage of hazardous goods will be met
- Contingency plan provided
- Statement provided in respect of Deed of Indemnity or Guarantee

### All relevant certified documentation provided as requested: viz
- Vessel(s)'s current passenger and loadline certificate
- General arrangement drawing and note of date of next special survey
- Copy of Conditions of Carriage for operation of ferry service
- Tax Clearance Certificate

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Appendices
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<tr>
<th>Declaration Signed</th>
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</table>
# The Department of Community, Rural and Gaeltacht Affairs
## XXXX Ferry Service
### Tender Evaluation Scoring Matrix

**COMPANY NAME:**

<table>
<thead>
<tr>
<th>TECHNICAL CAPACITY AND CAPABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity and suitability of proposed vessel(s) to meet requirements of specification in terms of passenger and freight facilities, viz:</td>
</tr>
<tr>
<td>• Carriage of minimum of xx passengers</td>
</tr>
<tr>
<td>• Carriage of commercial or heavy goods vehicles of xx tonnes laden and a height of xx ft, or xx cars</td>
</tr>
<tr>
<td>Proposal for provision of Back-up vessel</td>
</tr>
<tr>
<td>Details provided on proposed vessel(s), viz:</td>
</tr>
<tr>
<td>• Where and when built</td>
</tr>
<tr>
<td>• Port of registry</td>
</tr>
<tr>
<td>• Any previous names</td>
</tr>
<tr>
<td>• Service speed and consumption</td>
</tr>
<tr>
<td>• Carrying capacity and class</td>
</tr>
<tr>
<td>Arrangements for vessel inspection</td>
</tr>
<tr>
<td>Vessel(s) registered under the flag of Ireland or other EC Member State</td>
</tr>
<tr>
<td>Technical and Operational feasibility of proposal provided in respect of:</td>
</tr>
<tr>
<td>• Vessel’s capability for entering/exiting existing facilities at harbours</td>
</tr>
<tr>
<td>• Vessel(s)’s ability to manoeuvre on/off and working at berths without assistance in all operational conditions</td>
</tr>
<tr>
<td>Details of arrangements and/or agreements with Harbour Authorities in respect of:</td>
</tr>
<tr>
<td>• Mooring and unmooring</td>
</tr>
<tr>
<td>• Marshalling</td>
</tr>
<tr>
<td>• Loading and unloading of passengers, vehicles, freight and livestock</td>
</tr>
<tr>
<td>Arrangements for manning of harbour facilities, viz:</td>
</tr>
<tr>
<td>• Ticketing</td>
</tr>
<tr>
<td>• Reservations</td>
</tr>
<tr>
<td>• Passenger accommodation</td>
</tr>
<tr>
<td>Full implications for use of Port facilities to include practical and financial implications in respect of security arrangements</td>
</tr>
</tbody>
</table>

## Appendices
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**THE DEPARTMENT OF COMMUNITY, RURAL AND GAELTACHT AFFAIRS**

**XXXX FERRY SERVICE**

**TENDER EVALUATION SCORING MATRIX**
<table>
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<tr>
<th>COMPANY NAME:</th>
</tr>
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### QUALITY AND STANDARD OF PROPOSED SERVICE

- Proposed Timetable
- Proposed Operations Schedule (including booking and ticketing)
- Quality and Standard of:
  - Operational Management Plan
  - Implementation Plan
  - Marketing Plan
  - Quality Plan
  - Performance Measurement
- Proposals for Risk Assessment and Risk Management
- Details of Groups consulted
- Environmental Protection policy

### FINANCIALS

- Financial standing to include profitability, liquidity and gearing.
- Review of audited financial statements and other financial information provided.
- Arrangements for third party liability insurance in accordance with Section 13 of the Merchant Marine Act, 1992

### PROPOSED PERSONNEL

- Relevancy of expertise and experience of proposed personnel
- Key personnel identified
- Proof of Qualification
- Provision of clearly defined roles and responsibilities for proposed personnel

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Appendices
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<th>COMPANY NAME:</th>
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### ADDED VALUE

- Proposals for Innovative use of vessel
- Provision of additional services
- Proposed activities that may generate extra revenue
- Quality Systems in place
- Environmental benefits

### FARES TO BE CHARGED

- Proposed Fare/Cargo Structure
- Cost implications for use of port facilities

### COST TO THE CONTRACTING AUTHORITY

- Subsidy required
- Subsidy compared with other tenders
- Benchmarked with other services
- Value for Money
- Escalation Clauses

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| TOTAL SCORE |

Signed: ___________________________  Date: ___________________________

Appendices
APPENDIX 7 – Key Points raised at Public Fora Meetings on the Islands
Key Points of Public Forum at Cape Clear

- All of the locals are aware of the development plans by the Department of Communications, the Marine and Natural Resources. However, there would be some pessimism with regard to when they are going ahead.
- The islanders were concerned about the steps at Baltimore and that vessels were required to berth alongside each other.
- The carparking at Baltimore was noted to be very congested. The islanders noted that the ferry service is dictated by time and tides. It is important for the islanders to have easy access to carparking space. There was a view that spaces should be reserved at the Baltimore carpark for the islanders.
- The need for a proper hydraulic crane on the inner dock was noted. The cost implications of this appear to be of the order of €70,000.
- There was agreement that the existing schedule, both summer and winter was generally acceptable. In that regard and broadening out the view, there was also a strong consensus that the existing service was functioning very well and should not be tampered with. However, they requested a Saturday pm service in the winter and a later service on Wednesday afternoon. All of the islanders noted that the ferry was essential to the life-blood of the island, effectively, it is their road, and without a proper service, the island would die.
- The islanders are very happy with the service as is, with the ferry and with the crew. Any improvements would be minor and would be tinkering at the edges.
- The islanders are absolutely adamant that year round ferry service is essential to the survival of the island and should be maintained at all stages. They are very concerned that provision of additional independent summer services might diminish the quality of the winter service.
- The islanders pointed out that it is important that the ferry service is provided by an islander. This has obvious benefits in as much as an islander has a vested interest in maintaining the service and in ensuring its reliability and schedule. They were very adamant that some form of questionnaire should be distributed, at the time of any contract renewal so that the views of the islanders could be taken on board. In that regard, they pointed out that if such a survey was undertaken, there would be a unanimous view with regard to the reliability of the existing service.
- The islanders noted that ferry operators could not get a capital grant for their boats.

Key Points of Public Forum at Tory Island

The key comments made at the public consultation were:

- The Islanders recognise that the current service represents a considerable improvement on previous conditions. They commended the crew and skipper on their ability and level of professionalism.
- The provision of the current service has given a new lease of life to the Island – with an increased level of hope and confidence for the future; a number of younger families making the Island their home and a number of families returning to the Island from the mainland.
- The level of service during June-September is satisfactory, but from October to May the level of service means (a) people leaving the Island in the morning must stay on the mainland overnight and wait for the following morning’s service to return. (b) Sailings originate/finish in Bun Beag which is not appropriate to the Islanders requirements and adds 45 minutes to the journey at a time of the year when sea conditions can be expected to be at their worst. There is an acceptance that it is not always possible to sail to Machaire Rabhartagh, however, when possible the Islanders feel that this should be the first option. (For example, during the fine weather experienced in March/April of this year the service was from/to Bun Beag when it could have easily been to Machaire...
Rabhartaigh). There is a feeling that this level of service is unsatisfactory, particularly when compared to the level of service available to other Islands.

- There are groups depending on the service: Local businesses i.e. hotel, shops, B&B; teachers returning to the mainland for the weekend; staff of essential services- ESB, Telephone etc. An improved ferry service would also lead to an increase in tourist numbers visiting the island.

- As the helicopter service originates in Dublin, it can be hampered by both national and local weather conditions. If the helicopter misses a scheduled run due to weather conditions it is not rescheduled, i.e. it does not return to the island until the next scheduled visit. Therefore, the islanders can be left up to one month without any access to the helicopter service.

- In emergency situations in the winter the army is called in to facilitate the islanders. This is perceived by some as bringing an undue level of negative attention on the island in the national media.

- Islanders have been looking for an airstrip for approximately 27 years. In recent years Údarás/the Department have backed this call and there is a commitment to the provision of an airstrip in the Programme for Government. Planning permission for the airstrip has been delayed while environmental concerns are being dealt with.

- Back up air service (helicopter or fixed wing) is seen as essential given that weather conditions will not always permit daily sailings in winter.

- Heavy cargo service is expensive for the islanders, most of whom depend on a social welfare and/or seasonal income. (eg €1,000 per trip or €60 to bring in a bag of coal).

- Travel from Machaire Rabhartaigh to Fál Carrach (distance 5 miles is usually done by prearranged taxis). However, most clinics and professional services are in Letterkenny, a distance of approx. 30-35 miles. This needs to be allowed for also in deciding on a daily schedule.

- Irish language is strong on the island and is seen as important in relation to tourism. There is a need to develop more regular contacts with other Gaeltacht Islands in particular.

- There is a need to market the island in a more effective way. In particular there is a need for a marketing brochure giving information about the island to potential visitors.

Main requirements are:

- Need for additional services to ensure a minimum of one return service to and from the island each day (weather permitting) – so that (a) Islanders can leave the island in the morning and return in the evening and (b) that people who need to visit the island for work/official reasons can come in in the morning and return to the mainland in the evening.

- For all sailings to originate/return to Machaire Rabhartaigh rather than Bun Beag (when weather conditions permit).

- Need for a later service (circa 6.30pm-7pm) particularly on Friday evenings to facilitate students and workers returning to the island from the mainland for the weekend.

- Need for later services during the summer to encourage overnight tourist visits.

- There is a need for a faster boat.

- Need to upgrade helicopter service to a weekly service and to reschedule flights lost through inclement weather.

- Need to set up a structure through which the islanders can have an input as stakeholders into the arrangements made in relation to the ferry service and the helicopter service. Suggestion that a management committee be set up with four representatives each from the island, the Department, the Health Board and the
service providers.

- Need to develop airstrip to bring the level of services available to the islanders on a level comparable to that available on other islands.
- Need to subsidise and provide a heavy cargo service for coal, building materials etc. on a regular basis i.e. monthly or bimonthly.

**Key Points of Public Forum at Inis Mór**

**General**
- Context i.e. size of indigenous population and tourist trade means that Inis Mór has quite different requirements to those of Inis Meáin and Inis Oírr.
- Islanders have no say in the process of awarding the subsidy contract.

**Competition**
- Opportunity for competitors to emerge limited by having to tender for service provision to all three islands. For example, Inis Mór Ferries are currently in a position to tender for Inis Mór service only.
- Competition is important in maintaining quality of service. Subsidy should be awarded in a way that is designed to ensure that competition is retained/encouraged.
- Pier extension and breakwater required
- Need to look at other ways of paying out the subsidy other than as an annual lump sum, eg, credit notes, vouchers

**Cargo**
- The current boat is not satisfying the regulations of Department of Health in relation to carrying/mixing certain types of cargo i.e. food & cattle. Previous boat i.e. Naomh Éanna was more suitable than the current boat.
- Acceptability of boat specifications to the Departments of Health and Agriculture should be confirmed before any contract is awarded.
- Any proposed vessel should be able to take heavy cargo
- Storage space at Galway Docks is unacceptable
- Islanders would prefer cargo service to emanate from Rossaveal:
  - Benefits would include possibility of a more frequent service.
  - Given the difficulties being experienced at Galway docks, the view of the islanders is that suppliers in Galway would be just as willing to deliver to Ros a Mhíl without any extra cost
- Private operators are providing cargo service at a cheaper rate than the subsidised service. There is an unsubsidised cargo service to other islands at cheaper rates than that available to the Aran Islands.
- Appears that contract was awarded without sufficiently tight/enforceable conditions. Need for some way of regulating company after contract is awarded.
- Need to improve vessels/infrastructure to lift on/off and provide ro/ro level of service.

**Facilities on Pier etc**
- No drop off point for buses in Ros a Mhíl. No facilities i.e. toilets/ Café/shelter/ for passengers on pier at Cill Rónán & Ros a Mhíl.
- Facilities at Cill Rónán pier are unacceptable given that Cill Rónán is 3rd busiest port in country in terms of passenger numbers and busiest port in terms of ferry arrivals and departures.
- A ro-ro vessel could use the slipway at Cill Rónán & Ros a Mhíl
- Need for a minibus service that will bring people to the ferry at Cill Rónán.
Study of Ferry Service Requirements to a Number of Islands

Tourism
- Need to provide a rambler ticket that will allow tourists to travel all the way from Ros a Mhíl through to Doolin.

Air Services
- Only a small percentage of Islanders use air service other than elderly people – who have free travel – and people travelling with young children/with urgent business on mainland. Aer Arann provides a good shuttle bus service on the island.
- Inter-Island service no longer available. If people need to travel to one of the other islands they have to fly via Inis Oírr and are charged for both flights.
- Subsidy per passenger should be compared to that available from Kerry or Donegal to Dublin.

Language
- Ferry service important in enabling young people/students to return to the islands on weekends – young people crucial to future of Irish on the island.
- Company names are in English only. Signage on ferry boats is completely in English. Feeling that signage/signs are put up to facilitate tourists only and that needs of islanders in this regard are ignored. Signage should, at a minimum, be bilingual.
- Important that ferry operators are able to provide a service in Irish.
- Condition of contract should be that service provider employs Irish speaking staff. This would increase the amount of Irish language employment for Irish speakers on the Islands.
- Important that office in Galway (of the cargo service) should have Irish speakers for dealing with Islanders who wish to use Irish in their dealings with them.
- Tourists want/expect to hear Irish spoken when they visit the Island.

Key Points of Public Forum at Inis Meáin
Passenger Service: Quality of Service
- Highly commend the service and its crew.
- Occasionally when the boat could land at Inis Meáin but not at Inis Oírr, she won’t sail – while in the reverse situation she will sail (this does not happen very often).

Passenger Service: Improvements
- Midday service
  - Would facilitate connections to evening bus and train schedules in Galway.
  - Would facilitate more tourists.
  - More convenient for islanders not wishing or needing to spend a full day on the mainland.
- Inter-island service allowing people to travel to Inis Mór in the morning and back in the evening.
- An early morning (7am) and late evening (7pm) service would allow people to work on the mainland and live on the island.
- Captain should announce on intercom when boat is arriving at Inis Meáin (occasionally passengers don’t realise boat has arrived at Inis Meáin and end up going to one of the other islands unintentionally).
- When public announcements are made on boat i.e. safety/lifejackets etc. they should be made in Irish and in English.
- There is a need to provide passenger facilities i.e. seating, toilets, shelter etc. at piers and particularly at the ferry service office in Galway.

Passenger Service: Safety

Appendices
Study of Ferry Service Requirements to a Number of Islands

- Boat should slow down when pulling into vicinity of pier as waves created can be dangerous to smaller boats and people swimming in the area.
- On a regular basis the boat can’t berth next to the pier at Rosamhíl and passengers have to cross one or more boats to land. This can be awkward and dangerous.

**Cargo Service: Quality of service**

- Unacceptable.
- Boat doesn’t meet health/safety requirements for transfer of foodstuffs. Food can be exposed on deck while boat travels to Inis Meáin via Kilronan i.e. 6/7 hours.
- Islanders have no recourse in relation to broken items and damaged goods (particularly small items i.e. crates of milk, soft drinks etc.). The number of small item damages when accumulated represent a considerable loss to business people on the island.
- Service doesn’t appear to adhere to any schedule.
- Suppliers in Galway report problems delivering to the boat i.e. they are asked to deliver at certain times, however, when they arrive the company won’t accept the goods because the boat and/or the store is full.
- Uncollected deliveries are just left on the pier (service used to have person from the island employed to look after the unloading of island supplies, but this has discontinued).
- Pier is left in untidy condition after delivery – empty pallets etc. are left strewn around – and can be unsafe.
- Payment for cargo must be made on boat prior to loading – this is awkward and unsafe (when loading cattle and other items). Need for payment facility on the island.
- No clear price schedule and prices charged varies from person to person. There is a feeling that outsiders not familiar with the service may be taken advantage of.
- Prices charged to high. Examples: Empty container – 400 Euro/ Tractor 120 Euro/ Minibus 460 Euro return.
- There is currently no longer means of importing petrol onto Inis Meáin. Petrol is usually brought from Inis Mór in plastic jars by small boats. This is considered dangerous and a retrograde step by the islanders.
- Kerosene also has to come via Inis Mór (business man on Inis Mór imports it in bulk by container and then transfers requirements to Inis Meáin).
- Island was 10 consecutive days without cargo service last year. On days when boat can berth at Inis Mór and Inis Oírr but not at Inis Meáin no effort is made to compensate Inis Meáin for the lost sailings. In this situation Inis Meáin is very dependent on the passenger service from Rosamhíl to bring in light cargo.
- Cargo service are ‘difficult to speak’ to when customers have complaints.

**Cargo Service: Improvements wanted**

- RO/RO: allowing islanders to leave island in the morning, drive to Galway and return in the evening.
- Service that will allow islanders to bring cattle to market (7am sailing). Islanders are at a disadvantage under the current system for selling cattle i.e. cattle dealers come to the island from time to time and buy whatever cattle are available. Farmers wanting to sell at this time feel they have no option but to accept the price being offered.
- Cargo service would probably be more efficient coming from Rosamhíl, but for Rosamhíl to be effective: Adequate facilities must be put in place i.e. loading facilities, storage facilities including cold storage and a cattle pin.
- Must include daily sailings and more frequent sailing when required by the level of demand.

**Tendering/Contracting Process**

- Views of islanders should be sought at draft contract stage and/or before.
Study of Ferry Service Requirements to a Number of Islands

Monitoring Process
- No monitoring process at the moment as far as the islanders can see.
- Complaints are made to Department but Department seems to take little heed of them.
- Islanders feel that Departmental representatives are more inclined to side with service provider than with islanders position.

Performance Indicators/Conditions of Contract
- Responsibility for freight should rest with service provider as soon as they accept delivery of same.
- Boat should satisfy various legal, health and safety requirements.
- Service provider should have an identifiable/nominated customer service representative.
- Clear parameters in relation to schedule/timekeeping/prices.
- Service provider to provide payment facility on the island.
- At least one person from the island to be employed on each service.
- Ability to do business through the medium of Irish.

Socio-economic Issues
- Ferry service allows people to have a more normal social life – travel to Galway to cinema, theatre, discos etc.
- Ferry service allows access to the mainland for business reasons.
- Number of tourists who visit the island is approx. 5,000. However, tourists to Inis Meáin are more likely to stay overnight than tourists going to Inis Mór.
- Doctor and priest do not live on the island, therefore dependent on Ferry Service for these services.
- Children from the secondary school travel to a school on the mainland for classes every Friday, and teachers from the mainland travel to the island secondary school during the week. This travel is usually by air, however, when fog etc. restricts air service they travel by ferry service.
- Things have improved on the island in the last 5 years. The number of car owners on the island has increased from about 5 to about 15 (although many of these are left on the mainland).

Sociolinguistic Issues
- People feel more comfortable doing their business through the medium of Irish.
- Ability to do business through the medium of Irish should be a condition of contract.

General Issues
- Need for pier management service to supervise unloading of freight and clear up afterwards.
- Islanders feel that they are being taxed on the double because they have to pay VAT on freight charges in relation to goods on which they have already paid VAT.

Key Points of Public Forum at Inis Oírr

General
- Aran Islands are at a disadvantage in relation to ferry services because they are always seen as one entity. When decisions are made in relation to the three islands the varying needs of each individual island are not taken into account.
- Shorter contract seen as more likely to ensure quality of service (while recognising that longer contract may be necessary to satisfy the business necessities of providing the service).
- More inter-service co-operation (ferry/cargo/air) would improve level of overall service.
Study of Ferry Service Requirements to a Number of Islands

**Passenger Service**
- Quality of passenger ferry is improving continuously.
- Need for an extra sailing during the summer – in the middle of the day. This is seen as necessary.
- For employment growth on the island. As employment grows people will need to be able to access/exit the island on a more regular basis.
- For schools – to allow second level students to visit schools on the mainland and return at an earlier stage in the day.
- Ferry-bus schedule from Ros a Mhíl to Galway needs to be looked at.
- In summer tourists are given priority on the bus service.
- There is a need for an inter-island air or ferry service. Only interisland service currently available is from Doolin in summer – however, this is unreliable as it will sail directly to Inis Mór on occasions when it has sufficient passengers available wishing to travel to Inis Mór only.

**Monitoring of Service**
- The Department should carry out an annual review to confirm whether conditions of contract are being satisfactorily fulfilled.
- Monitoring committee didn’t work – Committee had no power – island representatives felt they were wasting their time/that they were being used.
- If a monitoring committee doesn’t show results/isn’t effective people will lose confidence in such a process. Therefore there is a need to ensure that the monitoring process is effective from the beginning.
- A key issue is considered by the islanders to be the process leading to the awarding of the contract – if the contract is awarded to the wrong company in the first place, it will be very difficult for any monitoring system to sort out the problems afterwards.
- Conditions of contract should include that Islanders have a mechanism to monitor quality of service and that the service provider has to listen to the feedback given.
- Contract should include financial penalty clause in relation to poor quality of service.

**Cargo**
- Quality of the service is main problem – not scheduling.
- Low quality of cargo service would affect islanders a lot more, except for the fact that they get a lot of their light cargo on the passenger service through Ros a Mhíl.
- Need better boat in the future, but current boat has never been properly utilised.
- Consideration should be given to State owning the boat and contracting out its operation – this would allow for shorter contracts.
- Contract should include termination clause where service performance isn’t at an acceptable level.
- Can amount of subsidy be tied to amount of freight carried and the quality of service?
- No point having a performance clause in the contract if the pier facilities aren’t available to allow service provider to perform adequately.
- Contract should be flexible enough to allow for special sailings for cattle etc – i.e. subsidy should specify number of sailings and allow the islander to decide on scheduling.

**Infrastructure**
- Pier is dangerous – need better infrastructure for boat cargo and passengers.

**Irish Language**
- Boat and office crew/staff are Irish speakers.

Appendices
Key Points of Public Forum at Inishturk

- Prior to 1997, there was no regular ferry service. The advent of the subsidised ferry service has been significantly beneficial.
- The subsidised service in now being provided out of Clare Island by O’Malley Ferry Services. Prior to that, the service was run out of Inishturk by the local operator. The islanders prefer the bigger boat of the current operator but would have a preference, if at all possible, for the service to be based on Inishturk Island.
- The current management situation at Roonagh Pier is unacceptable. It is essential that some form of control is provided. At peak times, the islanders suggest that there should be no cargo transfer. Transfer of cargo results in a delay on the ferry operation.
- The islanders would like to see some form of control by the Monitoring Committee. It is essential that prior to letting any contract, that the Monitoring Committee would visit the island and get the views of the islanders.
- The islanders would like to have a dedicated cargo service. In that regard, they were of the opinion that the current operation, being privately provided, is expensive. The passenger service brings small quantities of cargo. Heavier cargo is brought by one of the private operators, either Molloys or O’Hallorans.

Key Points of Public Forum at Clare Island

- The frequency of the service in the summer is acceptable. There would be a need for an increased frequency in winter. Minimum requirement is two trips per day, i.e. out in the morning, in the evening.
- There is a school run for the secondary school children on Sunday night, back on Friday evening.
- One of the islanders queried as to whether or not the school children could not go on a daily run especially in the good weather in April, May, June.
- The service is generally reliable and relatively comfortable. In that regard, the short trip to Clare Island is a help.
- The bus services is not considered to be particularly reliable.
- The islanders noted that they would like a dedicated cargo service.
- The islanders noted that competition between the two ferries could lead to a deterioration in the service.
- The islanders noted the benefit of the subsided service:
  - The benefit for the secondary school children is very obvious.
  - There is significantly greater co-operation now between the islanders and the mainland.
  - Appointments are easier to keep.
  - People could commute to work. In that regard, an early morning ferry would help.
- The islanders noted that the ferry contract should be 3 – 5 years. The smaller islands might need longer contracts because of the cost of getting boats.
- The monitoring committee, comprising of the representative of the 3 islands and someone from the Department, meets every quarter. In that regard, some of the participants complained that the monitoring committee had not met in the last 9 months.
- One of the islanders noted that it is essential that the customers are aware of the detail of the contract between the Department and the Ferry owner.
- The islanders reiterated again that they would like a cargo service. They also noted that they were not happy to be paying VAT for transporting food.
• One of the participants noted that the Aran Islands is a poor benchmark with regard to cargo services.

• One of the islanders noted that a subsided cargo ferry service should service Clare Island, Innisturk, Inisboffin using a single boat.

**Key Points of Public Forum at Inishboffin**

The key comments made at the public consultation were:

**Infrastructure**

• A proposed dredging programme in the vicinity of the pier and approaches will improve access to, and berthing at, the pier.

• South westerly swell restricts mooring at the new pier. During such swell the ferry must moor in the inner harbour. This results in inconvenience, increased health and safety risk and increased running costs for the ferry operator. Sometimes the boat has to be moored in the inner harbour late at night. The problem of swell is worse at low tide. At low tide the ferry cannot berth at the old pier and the gangway is very steep. The problem of swell could be solved by the construction of a breakwater some 200m west of the new pier. To be effective, such a breakwater would have to extend sufficiently far out from the shore for a substantial part of the new pier to be in the “wave shadow” of the breakwater.

• The lack of fendering causes some damage to boats berthing at the pier. However, this does not appear to be a problem for the ferry.

• During heavy swell the boat cannot stay in Cleggan. The boat is based on the island.

• There are navigation issues relating to the harbour mouth. There is a rock outcrop in the harbour entrance west of Barrack Point. Some navigational aid should be used to improve navigational safety in this area. It is considered that removal of the rock would improve the situation. If the rock cannot be removed some form of leading light system should be employed.

**Level of Service**

**Passenger Ferry**

• Twice a day service seven days a week. Morning and evening service, out and back in the morning. Really low tides at midday cause an access problem. Some of this problem will remain post dredging.

• Reliability and comfort is satisfactory.

• Fares are €7 for adults and €3.50 for children. Fares for tourists are approximately double. The islanders are satisfied with the fare structure.

• If there was an earlier sailing in the morning it might be possible for people to work in Clifden.

• The principal concern is that the existing service remain much as is. While it is an aspiration on the part of some to have an early morning ferry run to enable those that wish to commute daily to school in Clifden to do so, it should not be at the expense of existing arrangements.

• O’Halloran Shipping also operate a ferry service during the summer months.

**Cargo**

• Bulk cargo is carried on specialised boats. The subsidised passenger ferry carries luggage and groceries. There are two cargo boats owned by islanders. The general feeling is that they would prefer if there was a subsidised cargo service. Such a service would give predictability to the arrival of cargo – if it operated to a schedule. It is

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**Appendices**
considered better if there was a subsidised cargo boat for each island. The islanders consider that the volume of cargo to Inishboffin would be such that a dedicated boat would be required during the summer. It is considered that one boat servicing a number of islands decreases predictability. It is considered that the volume of cargo to Inishboffin is equal to the combined volume to Clare Island and Inishurt. It was estimated that there would need to be two cargo trips per week to Inishboffin in winter and five cargo trips per week in summer (June/July/August)

- There is a problem with maintaining temperatures on chilled and frozen foods delivered to the islands. There is a need to have a refrigerated area on the boat that carries such items.

**Impact of Subsidised Service**

- There is a major social improvement in that secondary school children can now come home at week ends. Prior to this school children returned at end of term, unless the parents organised a special sailing. Special sailings are no longer required.
- There is the increased accessibility of the island to tourists and the increased accessibility of the mainland to islanders.
- The subsidised bus run is very good, giving one day access to Galway. In the past one had to overnight in Galway.
- The boats are better now – the service is very reliable.
- People can now work in Galway during the week and live on the island during the weekend. And, vice versa, people can now go to the mainland for the week end.
- The postal run is (since 1997) now carried out four days a week (not on Tuesday). Prior to the introduction of a subsidised service the postal run was three days per week.

**Duration of Contract**

- Initially it was one year, now it is for three years. Five years would not be considered excessive.

It was the general view that a committee should be set up with a view to sorting problems. The committee should be set up at contract award. It is important to act immediately to get things back on track in the event of a lapse.
APPENDIX 8 – Community Guidelines on State Aid to Maritime Transport (97/C205/05)
1. INTRODUCTION
1.1. Development of the shipping sector: free market principle
Community maritime policy, as laid down in several communications to the Council, covers
the promotion of EC shipping, external relations and maritime safety, together with
shipbuilding and maritime technology. The aim has been to ensure freedom of access to
shipping markets across the world for safe and environmentally friendly ships, preferably
registered in EC Member States with Community nationals employed on board.

This approach has succeeded in opening up markets, particularly in Europe, and has given
the consumer a wide choice of competitive shipping services, but the proportion of ships
entered in Member States’ registers and the number of EC seafarers employed have both
decayed significantly, especially over the last decade.

Underpinning the philosophy is legislation at international, Community and national levels.
In particular on safety standards and working conditions, international conventions and
resolutions apply and the Community actively promotes the raising of world standards in the
appropriate fora, such as, in particular, the International Maritime Organisation. At the
Community level, in 1986, the Council adopted a basic package of legislation on shipping,
based on an open market, non-protectionist philosophy (1). Broadly speaking, the Community
decided that there should generally be no further requirement other than establishment in the
Community to provide shipping services between the EC and third
countries or between Member States. Thus, for example, Regulation (EEC) No 4055/86
provides for the freedom to provide services for all EC established carriers, irrespective of
whether they operate vessels under EC or third country flags.

The exceptions to this open trade philosophy, where trades are still restricted to vessels
registered in Member States and under Member States’ flags are relatively minor (certain
cabotage trades in particular). The registration of a vessel in a Member State therefore offers
few economic advantages; on the contrary, there may be disadvantages, such as strict
manning conditions to be complied with and Member States’ fiscal and social arrangements
for companies and their employees, which means that, in most cases, it is relatively
expensive to operate EC registered ships with EC seafarers on board. Further, there are few
costs for third country operators entering the open trades. In addition, while there are no
direct or indirect taxes or duties, such as apply to most imported goods and services,
applicable to shipping services to ensure some comparability between EC and non-EC
operators’ costs, there is direct competition between Community registered ships and third
country vessels not only in international trades but also in most trades within the Community.
Further, the shipping industry is extremely mobile and an onerous system can easily be
avoided through registering vessels in other countries (giving absolute freedom in manning)
and, if necessary, establishing a nominal level of administration or management outside the
Member State (to avoid its fiscal systems). Further, there has, in recent years, been a large
supply of seafarers available from low-wage third countries, giving shipowners a law-cost
option when selecting crews. There is also at present cyclical and structural overcapacity
which means that the industry is demanded and that shippers can drive down freight rates;
this, combined with high fixed costs for shipowners, means that the incentive to cut costs and possibly corners increases and the pursuit of high quality in operations may not be commercially attractive. This may then undermine the longterm interests of the Community in safe, efficient, environmentally friendly transport.

1.2. Development of the shipping sector: decreasing competitiveness of EC flags

The European shipping industry faces stiff international competition and the size of the Community registered fleet in total worldwide maritime transport has been decreasing steadily over the last three decades. In 1970, 32 % of the world tonnage sailed under the flags of EC Member States; by 1995 this share had decreased to 14 %. The share of the major openregistry countries increased from 19 % to 38 % over the same period. There has also been a correspondingly steady decrease in the number of EC seafarers employed on board.

Recognizing the problem of the lack of competitiveness of the EC flags, the Commission proposed a series of positive measures in 1989, including a Community ship register (Euros) (2). This was intended to operate in conjunction with Member States' first national registers and guarantee shipowners State aid in return for accepting certain obligations as to employment of Community nationals in the crew. However, in the end, the Council was unable to accept the Euros approach.

In the absence of a Community measure providing a degree of harmonization, Member States took initiatives independently in order to preserve their maritime interests. Important economic considerations, maintaining employment and knowhow and the strategic value of the fleet have all been identified as influencing national policy decisions. It is also recognized that quality must not be prejudiced by costcutting by shipowners simply in order to survive in the face of lowcost competition emanating particularly from flags of convenience; quality must be preserved and improved, both in terms of the technical standards and the operation of the vessels, which entails a continuing need for training and employing people with the requisite skills.

Measures were, therefore, progressively introduced to slow down the trend to flag out, such as relaxing conditions applicable to national first registers, developing second or international registers or using State aid measures or a combination of these, but no approach has been wholly successful.

Flagging out of vessels is, however, not the end of the problem. Where flag State outside the Community offers an attractive international services infrastructure, flagging out has tended in recent years to be followed by relocation of ancillary activities (such as ship management) to countries outside the Community, leading to an even greater loss of employment, both on board ship and on shore. A further consequence has been a loss of maritime knowhow. A perception that there are a limited number of positions available at sea, a difficult working environment and few opportunities to develop a career has led to a decrease in the number of students at maritime training institutes and in the recruitment of young seafarers, which has compounded the negative effects on board and on shore.

1.3. State aid guidelines of 1989

In 1989, faced with the increasing use of State aid, the Commission established guidelines defining the conditions under which State aid to shipping would be considered compatible with the common market (3). The two basic objectives defining the Community's common
interest were deemed to be the maintenance of ships under Community flags and the employment, to the highest possible degree of Community seafarers. The Commission sought to achieve these objectives through a Community approach, addressing the problem of the cost gap between the fleet registered in Member States and vessels flags of convenience. This was the first attempt to bring about some convergence between the Member States’ actions.

Ceiling

In particular, the Commission accepted that Member States’ fleets faced a difficult competitive position because of advantages available to operators flying flags of third countries, including flags of convenience. These lead to differences in operating costs. The 1989 guidelines, therefore, included the outline of a method devised to ensure that the global impact of State aid would not exceed a ceiling to be defined on the basis of the cost handicap which ships operated under the flag of a low-salary Member State met on world markets. The calculation was based on the hypothecial operating cost of vessels under Portuguese and Cypriot flags, as representing the cheapest Community first register and a flag of convenience. Once weighted to reflect the composition of the national flag fleet in terms of vessel types, this resulted in a single national ceiling for annual operating aid, applicable to all types of vessel.

1.4. Revision of guidelines

Given the continuing decline in the Community fleets and the increasing divergence between Member States' policy responses to the perceived difficulties of the Community shipping sector, the Commission concluded that the Community's maritime strategy should be reviewed. The initial results of this review were presented in a communication (4) in March 1996.

The Commission concluded that further improving safety, access to international markets and the application of competition rules, along with efforts to enhance training and encourage employment and R&D, would enhance the competitiveness of the Community shipping sector. However, the Commission accepted that support measures may nevertheless be required for the present to maintain and develop the Community's shipping sector. The communication also raised questions about a possible new approach to State aid.

There was general consensus that the maritime State aid guidelines required revision, to take into account developments in international competition and the global trend towards liberalization of trade in goods and services, developments in the maritime sector, experience of applying the 1989 guidelines, reactions to the communication on a maritime strategy and the inventory of State aid for shipping, drawn up in line with the commitments made in the White Paper on the Future Development of the Common Transport Policy (5).

In terms of general principles, the objectives of promoting a safe and competitive Community fleet with the employment of the highest possible number of Community seafarers remain valid. However, the means of achieving this objective requires aid to be more closely linked with specific actions rather than an indirect reflection of hypothetical operating cost differences.

In the matter of the ceiling, the method has proved difficult to apply so as to take sufficiently into account differences in the size of vessels, productivity, crewing arrangements and the
economic performance of the operator (ie. profits or losses obtained). It has, therefore, been concluded that an alternative approach to limit the intensity of aid schemes and to avoid a subsidies race is required (see Chapter 10).

The competitive difference between ships registered in the Community and those registered outside, especially those operated under flags of convenience, depends primarily on fiscal costs. This is because the cost of capital is essentially the same worldwide and equally there is no differential in the technology available. The fiscal costs (corporate taxation and wagerelated liabilities in respect of seafarers), however, have been shown by different studies to be the critical and distortive factor.

In principle, operating aid should be exceptional, temporary and degressive. In the case of maritime transport, however, the problem of the competitiveness of the EC fleet on the world market is a structural one, deriving in large part from external factors. As the immediate prospects of resolving this cost gap problem do not appear good, the need for aid measures to allow shipowners to operate Communityregistered ships competitively in the global market is not likely to be short term.

In the international context, the Community has pressed for liberalization of world maritime transport services in discussions under the WTO framework but important trading partners were unwilling to accept the proposals tabled and further debate has been postponed until the next round of comprehensive negotiations on services, which is due to take place no later than the year 2000. It also seems unlikely, in the immediate future, that there will be international agreements on the application of competition rules for maritime transport, including restriction of national aid schemes.

In the future, the level of aid may be progressively reduced, provided that the world economic and political situation allows it. In particular, if the new disciplines that are presently being negotiated in the framework of GATS relating to the potentially distortive effects of subsidies on trade in services entered into force, the current guidelines would be amended accordingly. For the present, the situation should be monitored through regular review of aid in the light of the competitiveness of Community fleets in the world market.

2. SCOPE AND GENERAL OBJECTIVES OF THE REVISED STATE AID GUIDELINES

The Community approach to State aid needs to accommodate differences in the priorities and approaches of the Member States while ensuring that competitive distortions are kept to a minimum.

The Commission's role is to set the parameters within which State aid will be approved. Aid schemes should not be at the expense of other Member States' economies and must be shown not to risk distortion of competition between Member States to an extent contrary to the common interest. State aid must always be restricted to what is necessary to achieve its purpose and be granted in a transparent manner. The cumulative effect of all aid granted by State authorities (including national, regional and local levels) must always be taken into account.

2.1. Scope of revised State aid guidelines

These guidelines cover any aid granted by EC Member States or through State resources in
favour of maritime transport. This includes any financial advantage conferred in any form whatsoever funded by public authorities (whether at national, regional, provincial, departmental or local level). For these purposes, public authorities may also include public undertakings and Statecontrolled banks. Arrangements whereby the State guarantees loans or other funding by commercial banks may also fall within the definition of aid. The guidelines draw no distinction between types of beneficiary in terms of their legal structure (e.g., companies, partnerships or individuals), nor between public or private ownership, and any reference to companies shall be taken to include all other types of legal entity.

These guidelines do not cover aid to shipbuilding (within the meaning of the Seventh Directive (6), as extended by Council Regulation (EC) No 1904/96 (7), or any subsequent instrument including Council Regulation (EC) No 3094/95 (8) intended to give effect to the State aid provisions of the OECD agreement respecting normal competitive conditions in commercial shipbuilding and shiprepair when it enters into force) or aid for fishing vessels. Investments in infrastructure are not normally considered to involve State aid within the meaning of Article 92 (1) of the Treaty, if the State provides free and equal access to the infrastructure for the benefit of all interested operators. However, the Commission may examine such investments if they could directly or indirectly benefit particular shipowners. Finally, the Commission has established the principle that no State aid is involved where public authorities contribute to a company on a basis that would be acceptable to a private investor operating under normal market economy conditions (9).

These guidelines will apply from the date of their publication in the Official Journal of the European Communities; however, they are without prejudice to aid schemes which have already been authorised prior to the publication. Nonetheless, these latter schemes will be subject to review under Article 93(1) of the Treaty and shall be amended where necessary within 18 months after these guidelines have become applicable.
2.2. General objectives of revised State aid guidelines

The Commission has stressed (10) that increased transparency of State aid is necessary so that not only national authorities in the broad sense but also companies and individuals are aware of their rights and obligations. These guidelines are intended to contribute to this and to clarify what State aid schemes may be introduced in order to support the Community maritime interest. Since this is considered to be enhancing the competitiveness of the Community fleets, State aid may generally be granted only in respect of ships entered in Member States’ registers (11). This policy should:

- safeguard EC employment, (both on board and on shore),
- preserve maritime knowhow in the Community and develop maritime skills, and
- improve safety.

However, State aid may, in certain exceptional cases, be granted in respect of ships entered in registers under (3) of Annex, provided that the Member State concerned establish that the register contributes directly to the objectives mentioned above.

Additionally, flagneutral aid measures may be approved in certain exceptional cases where a benefit to the Community is clearly demonstrated (see point 3.1 and Chapter 7).

Further objectives of the common transport policy (12) may also be taken into account, such as the construction of a Community framework for sustainable mobility and, as part of this, the promotion of short sea shipping and development of its full potential.

3. FISCAL AND SOCIAL MEASURES TO IMPROVE COMPETITIVENESS

3.1. Fiscal treatment of shipowning companies

In the shipping sector, Member States have responded to the difficulties caused by the diverse factors affecting international competition in different ways, reflecting different circumstances. Some have been able to rely on general measures whilst others have resorted to State aid. The discussions on the Euros proposal have shown that the possibility for harmonization in this area is, for the time being, limited.

Many third countries have developed significant shipping registers, sometimes supported by an efficient international services infrastructure, attracting shipowners with a fiscal climate which is considerably milder than within EC Member States. The low tax environment has resulted in there being an incentive for companies not only to flag out their vessels but also to consider corporate relocation. It should be emphasised that there are no effective international rules at present to curb such tax competition and few administrative, legal or technical barriers to moving a ship's registration from a Member State's register. This leaves all Member States having significant fleets with a common problem: the creation of conditions which allow fair competition with flags of convenience seems the best way forward.

The question of fiscal competition between Member States should be addressed. At this stage, there is no evidence of schemes distorting competition in trade between Member States to an extent contrary to the common interest. In fact, there appears to be an increasing degree of convergence in Member States' approaches to shipping aid. Flagging out between
Member States is a rare phenomenon. Fiscal competition is mainly an issue between EU Member States on the one hand and third countries on the other since the cost savings available to shipowners through third country registers are considerable, in comparison to the options available within the Community. Furthermore, profits in shipping, which would be subject to tax, have been depressed in recent years so that the differences between effective rates of tax in the Member States have been marginal considerations. The continual decline of the fleets registered in Member States, while the proportion of world shipping under control of EC shipowners has remained relatively stable over the last decade testifies to this.

In order to counter this tendency, many Member States have taken special measures to improve the fiscal climate for shipowning companies, including, for instance, accelerated depreciation on investment in ships or the right to reserve profits made on the sale of ships for a number of years on a taxfree basis, provided that these profits are reinvested in ships.

These fiscal alleviation measures which apply in a special way to shipping are considered to be State aid. Equally, the system used in certain Member States and third countries of replacing the normal corporate tax system by a tonnage tax is a State aid. Tonnage tax means that the shipowner pays an amount of tax linked directly to the tonnage operated. The tonnage tax will be payable irrespective of the company's actual earnings, or profits or losses made.

Such measures have been shown to safeguard high quality employment in the onshore maritime sector, such as management directly related to shipping and also in associated activities (insurance, brokerage and finance). In view of the importance of such activities to the economy of the Community and in support of the earlier stated objectives, these types of fiscal incentive can generally be endorsed. Further, safeguarding quality employment and stimulating a competitive shipping industry established in a Member State through fiscal incentives taken together with other initiatives on training and enhancement of safety will facilitate the development of Community shipping in the global market.

The Commission is aware that the income of shipowners is nowadays often obtained from the operation of ships under different flags, for instance, when making use of chartered vessels under foreign flag or by making use of partner vessels within alliances. It is also recognized that the incentive for expatriation of management and ancillary activities would continue if the shipowner obtained a significant financial benefit from maintaining different establishments and accounting separately for Community flag earnings and other earnings. This would be the case, for example, if the nonCommunity flag earnings were liable either to the full rate of corporate taxation in a Member State or a low rate of tax overseas if overseas management could be demonstrated.

The objective of State aid within the common maritime transport policy is to promote the competitiveness of the EC fleets in the global shipping market. Consequently, fiscal alleviation schemes should, as a rule, require a link with a Community flag. However, they may also, exceptionally, be approved where they apply to the entire fleet operated by a shipowner company established within a Member State's territory liable to corporate tax, provided that it is demonstrated that the strategic and commercial management of all ships concerned is effectively carried out from within the territory and that this activity contributes substantially to economic activity and employment within the Community. The evidence furnished by the Member State concerned to demonstrate this economic link should include details of vessels owned and operated under Community registers, EC nationals employed on ships and in landbased activities and investments in fixed assets. It must be stressed that the

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aid must be necessary to promote the repatriation of the strategic and commercial management of all ships concerned in the EU and, in addition, that the beneficiaries of the schemes must be liable to corporate tax in the Community. Also the Commission would request any available evidence to show, that all vessels operated by companies benefitting from these measures comply with the relevant international and Community safety standards, including those relating to onboard working conditions.

Where fiscal schemes are approved on the above exceptional basis, the Commission will require the provision of regular reports, demonstrating the effect of the measure (in conjunction with any other State aid scheme operating in the Member State) on the Community registered fleet operated from the Member State and on employment of EC seafarers. The Commission will closely monitor the situation regarding possible distortion of competition in trade between Member States.

In all cases, the benefits of schemes must facilitate the development of the shipping sector and employment in support of the Community interest. Consequently, the fiscal advantages mentioned above must be restricted to shipping activities; hence, in cases where a shipowning company is also engaged in other commercial activities, transparent accounting would be required in order to prevent spill over; to nonshipping related activities. This approach would help EC shipping to be competitive, with tax liabilities comparable to levels applying elsewhere in the world, but would preserve a Member State's normal tax levels for other activities and personal remuneration of shareholders and directors.

3.2. Labour related costs

In January 1997, the Commission issued a communication on monitoring of State aid and reduction of labour costs (13), in general covering all sectors of the economy and concentrating particularly on the lowerskilled end of the market. This warns of the risks of labour cost alleviation directed towards specific sectors which can upset the proper functioning of the internal market and thus be detrimental to the competitiveness of Community industry and long term job creating. In particular, the Commission considers the potentially negative effects of this approach on sectors with overcapacity or in crisis (defined as those in which the demand for Community products is stagnating or falling), sensitive sectors (those where there is significant intra-Community trade and competition), and sectors in international competition.

However, maritime transport presents a special case, as the Commission accepted in adopting its guidelines on State aid in 1989 and the communication on reduction of labour costs. In particular, aid in the field of social security and seafarers’ income taxation, tending to reduce the burden borne by shipping companies without reducing the level of social security for the seafarers and resulting from the operation of ships registered in the Community may be considered compatible with the common market.; The Commission considers that this approach remains valid.

Maritime transport is a sector experiencing a certain overcapacity worldwide and where international competition is fierce. However, the problem identified in the industrial sectors with overcapacity or in crisis is that aid can have the effect of transferring difficulties - and unemployment problems - to EC competitors who do not enjoy such advantages. In maritime transport, demand for quality is increasing and there is an estimated growth potential in the market; further, there is a lack of trained and qualified seafarers worldwide. It can therefore be concluded that aid supporting employment of, particularly, skilled Community seafarers
should not be discouraged on this basis. The degree of cooperation between carriers through conferences and consortia, etc. in liner trades and the proportion of crosstrading in bulk operations mean that the centre of gravity in competition is between EC and non-EC carriers. Finally, the communication suggests that the differentials between the low-wage countries and the Member States are very significant and integrating new production technology, innovation, quality and training can more durably improve performance in terms of competitiveness and employment. While this is true for most industrial sectors, it is largely not the case in maritime transport, for the reasons outlined in Chapter 1.

Support measures for the maritime sector should, therefore, aim primarily at reducing fiscal and other costs and burdens borne by EC shipowners and EC seafarers (i.e. those liable to taxation and/or social security contributions in a Member State) towards levels in line with world norms. They should directly stimulate the development of the sector and employment, rather than provide general financial assistance.

In line with the objective, therefore, the following action on employment costs should be allowed for EC shipping:

- reduced rates of contributions for the social protection of EC seafarers employed on board ships registered in a Member State,
- reduced rates of income tax for EC seafarers on board ships registered in a Member State.

For this type of aid, a maximum reduction of liabilities to zero may be permitted, allowing Member States to bring employment-related costs to levels in line with world norms which often entail exemption from tax and social security liabilities for seafarers. However, no subsidy on net wages of EC seafarers may be granted, as this might lead to a distortion of competitive conditions between Member States. The alleviation of fiscal burdens would not remove the interest of the shipowner in negotiating an appropriate salary package with potential crew members and their labour representatives. Seafarers from Member States with lower wage levels would still, therefore, have a competitive advantage over those from other Member States with higher wage expectations. In any event, EC seafarers will continue to be more expensive than the cheapest available in the global market. Hence, there is no danger of overcompensation entailed in this measure.

For internal fiscal reasons some Member States prefer not to apply reduced rates as mentioned above, but instead may reimburse shipowners - partially or wholly - for the costs resulting from these levies. Such an approach may generally be considered as equivalent to the reduced rate system as described above, provided that there is a clear link to these levies, no element of overcompensation, and that the system is transparent and is not open to abuse.

4. CREW RELIEF

A separate measure identified in the Commission's 1989 guidelines as in the common interest of the Community is aid for crew relief. This tends to reduce the costs of employing EC seafarers, especially those on ships operating in distant waters. Although in 1989 the Commission limited aid of this type to 50 % of the total costs incurred for these reasons, the development of the new approach to a ceiling means that it is not necessary to impose a specific limitation for this type of measure. Aid, which is subject to the ceiling, may, therefore, be granted in the form of payment or reimbursement of the costs of repatriation of EC seafarers working on board ships entered in Member States' registers.
5. INVESTMENT AID

At present, some Member States grant aid for newly built vessels only, others also for the purchase of certain categories of secondhand vessels or for conversion or modernization of existing vessels. These schemes have tended to create or maintain overcapacity, leading to lower freight rates, thus stimulating EC operators to cut costs, in many cases by flagging out. Further, the system has induced shipowners in some instances to make decisions about buying and selling ships for fiscal rather than commercial reasons.

Subsidies for fleet renewal are not common in other transport modes (road haulage, aviation). Since they tend to distort competition, the Commission has been reluctant to approve such schemes, except where part of a structural reform leading to reductions in overall fleet capacity.

Following the submission by the Commission of its communication (14) on shipbuilding, the Council held on 24 April 1997 decided to extend the Seventh Directive on shipbuilding until 31 December 1998. Therefore, investment for new ships must comply with those rules or any other Community legislation that may replace them.

Within the framework of the present Guidelines, other investment aid may however be permitted, in line with the Community safe seas policy (15), in certain restricted circumstances to improve equipment on board vessels entered in a Member State's registers or to promote the use of safe and clean ships, such as providing incentives to upgrade Community registered ships to standards which exceed the mandatory safety and environmental standards laid down in international conventions and anticipating agreed higher standards, thus enhancing safety and environmental controls. Such aid must comply with the shipbuilding provisions, as referred to in the second paragraph of point 2.1, when applicable.

Since shipping is essentially very mobile, regional aid for maritime companies in disadvantaged regions, which often take the form of investment aid to companies investing in the regions, may only be permitted where it is clear that the benefits will accrue to the region over a reasonable time period. This would, for example, be the case if the investment related to the construction of dedicated warehouses or purchase of fixed transhipment equipment. Investment aid for maritime companies in disadvantaged regions may then only be permitted where it is also complies with the regional aid rules (see Chapter 6, below).

6. REGIONAL AID ON THE BASIS OF ARTICLE 92 (3) (a) AND (c)

In the context of regional aid schemes, the Commission will apply the general rules set out in its communications on national regional aid (16) or future amendments thereto.

7. TRAINING

Many training schemes followed by seafarers and supported by the State are not considered to be State aid because they are of a general nature (whether vocational or academic). These are, therefore, not subject to notification and examination by the Commission.

State aid, notification is, however, required. This may be the case if, for example, a particular
scheme is specifically related to onboard training and the benefit of State financial support is received by the training organization, the cadet, seafarer or the shipowner. State aid to training will be approved, provided the aid meets the Commission's general criteria (e.g. proportionality, nondiscrimination and transparency, where appropriate, relating to training carried out on board ships entered in Community registers). Exceptionally, training on board other vessels may be supported where justified by objective criteria, such as the lack of available places on vessels in a Member State's register.

Where financial contributions are paid for onboard training, the trainee may not, in principle, be an active member of the crew but must be supernumerary. This provision is to ensure that net wage subsidies cannot be paid for seafarers occupied in normal crewing activities.

Similarly, to safeguard and develop maritime expertise in the EC and the competitive edge of the EC maritime industries, further extensive research and development efforts are necessary, with a focus on quality, productivity, safety and environmental protection. For such projects, State support may also be authorised within the limits set by the Treaty (17).

8. RESTRUCTURING AID (INCLUDING PRIVATIZATION)

Although the guidelines on restructuring and rescuing firms in difficulty (18) apply to transport only to the extent that the specific nature of the sector is taken into account, the Commission will apply those guidelines in considering restructuring aid for maritime companies.

9. PUBLIC SERVICE OBLIGATIONS AND CONTRACTS

Direct aids aiming at covering operating losses are, in general, not compatible with the common market.

However, subsidization can, in principle, be accepted for public service obligations (PSO). A PSO is defined as any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it were solely considering its economic interest.

PSOs may be imposed for scheduled services to ports serving peripheral regions of the Community or thinly served routes considered vital for the economic development of that region, in cases where the operation of market forces would not ensure a sufficient service level.

The Commission's practice in assessing contracts relating to PSOs is generally to consider that reimbursement of operating losses incurred as a direct result of fulfilling certain public service obligations is not State aid within the meaning of Article 92 (1) of the Treaty. Notification is not, therefore, required under Article 93 (3), provided that the following criteria are met:

- for public service contracts to be consistent with the common market and not to constitute State aid, the Commission expects public tenders to be made, as the development and implementation of schemes must be transparent and allow for the development of competition,

- adequate publicity must be given to the call for tender and all requirements concerning the

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level and frequency of the service, capacity, prices and standards required, etc. must be specified in a clear and transparent manner to ensure that all Community carriers with the right of access to the route (according to Community law) have had an equal chance to bid,

- the Member State can then award a contract to the successful bidder (except in exceptional and duly justified cases, whichever bidder requires the lowest financial compensation) and reimburse the extra costs incurred by the operator as a result of providing the service. This should be directly related to the calculated deficit made by the operator in providing the service. It should be accounted for separately for each such service so that it can be verified that there is no overcompensation or crosssubsidy and that the system cannot be used to support inefficient management and operating methods. Where a grant is made by the Member State on this basis and it is limited to reimbursement of extra costs incurred (together with a reasonable return on capital employed), the scheme will be considered not to amount to State aid.

The duration of public service contracts should be limited to a reasonable and not overlong period (normally in the order of five years), since contracts for significantly longer periods could entail the danger of creating a (private) monopoly. After expiration of the contract period, such contracts should be subject to retendering in accordance with the procedure described above.

Restrictions of access to the route to a single operator may only be granted if, when the public service contract is awarded according to the above mentioned procedure, there is no competitor providing, or having a demonstrated intention to provide, scheduled services on the route. The terms of any restriction or exclusivity must in any case be compatible with the provisions of Article 90 of the EC Treaty.

It must be stressed that if there is evidence that the Member State has not selected the cheapest offer, or if complaints are received alleging unfairness in the awarding procedure, the Commission will request information in order to verify whether the award includes State aid elements. If aid has been granted in breach of the procedural requirements of the Treaty, the Commission may issue an interim order suspending payment of aid and will in appropriate cases open the procedure under Article 93 (2) of the Treaty.

Although it is considered appropriate for Member States to make maximum use of the above procedures, exceptions may be justified, such as in the case of island cabotage involving regular ferry services. In those instances, measures must be notified and will continue to be assessed under the general State aid rules. In its assessment of compatibility with the Treaty, the Commission will verify whether or not aid may divert significant volumes of traffic or involve overcompensation, which could allow the selected carrier to crosssubsidise operations on which other Community carriers compete.

10. LIMITS TO AID

As was explained above, certain Member States support their maritime sectors through tax reduction whilst other Member States prefer to make direct payments - for instance, by providing reimbursement of seafarers’ income tax. In view of the current lack of harmonization between the fiscal systems of the Member States, it is felt that the two alternatives should remain possible. Obviously, those two approaches may, in some instances, be combined. However, this risks cumulation of aid to levels which are disproportionate with the objectives of the Community common interest and could lead to a
subsidy race between Member States.

A reduction to zero of taxation and social charges for seafarers and of corporate taxation of shipping activities is the maximum level of aid which may be permitted. To avoid distortion of competition, other systems of aid may not provide greater benefit than this. Consequently, although each aid scheme notified by a Member State will be examined on its own merits, it is considered that the total amount of aid in the form of direct payments in the framework of Chapters 3, 4, 5 and 6 should not exceed the total amount of taxes and social contributions collected from shipping activities and seafarers; to do so would, it is considered, affect trading conditions to an extent contrary to the Treaty provisions, as the aid would be disproportionate to the objective. This approach to limiting aid will replace the previous system of an annual ceiling based on the calculated hypothetical cost gap between vessels under the cheapest Community flag and a flag of convenience (see point 1.3).

11. FINAL REMARKS

The implementation of these guidelines presupposes discipline on the part both of Member State authorities and of the Commission, particularly in respect of the formal obligations to provide notification and the time limits to be adhered to. To expedite the examination of aid measures, Member States must notify the Commission of proposed aid measures at the draft stage, supplying all the particulars necessary for their assessment, in accordance with Article 93 (3) of the EC Treaty. The Commission considers that a Member State has failed to fulfil its obligations to notify where an aid measure has been put into effect either in accordance with national law or by giving a financial commitment to potential beneficiaries.

The Commission will use all the measures at its disposal to ensure that Member States fulfil their obligations under Article 93 (3). If aid is granted or measures are adopted without observing the notification requirements, the Commission has the power to apply the precedent established by the Boussac; case (Case C301/87), France v. Commission (19) judgment of 14 February 1990), by taking an interim decision under Article 93 (2) of the Treaty on the basis of the information available to it. Further, any aid granted illegally (i.e. without a final positive decision of the Commission) may be subject to a demand for recovery from the beneficiary, following the principles established by the Court in the Tubemeuse; case (Case C142/87, Belgium v. Commission (20), judgment of 21 March 1990); recovery of aid must comply with the provisions of domestic law concerned and interest must be charged from the time the aid was paid, the interest rate used being the reference rate used by the Commission in connection with regional aid (21).

The Commission seeks to ensure that nationals and companies of all Member States have full access to the facilities, products and services found in one Member State without discrimination. In the case of establishment by entry in shipping registers, this principle has been applied since the judgment of the Court of Justice of 25 July 1991 in Case C221/89, The Queen v. Secretary of State for Transport, ex parte: Factortame Ltd, et al (22). Similarly, State aid may not discriminate on grounds of nationality between companies established in a Member State.

The Commission will closely monitor the effects of aid schemes to ensure that competition in trade between Member States is not distorted and that Community objectives are being served.

Regulations:

- Regulation (EEC) No 4055/86 applying the principle of freedom to provide maritime transport between Member States and between Member States and third countries, as last amended by Regulation (EEC) No 3573/90 (OJ No L 353, 17. 12. 1990, p. 16);

- Regulation (EEC) No 4056/86 laying down detailed rules for the application of Articles 85 and 86 of the Treaty to maritime transport, as last amended by the Act of Accession of Austria, Finland and Sweden,

- Regulation (EEC) No 4057/86 on unfair pricing practices in maritime transport,

- Regulation (EEC) No 4058/86 concerning coordinated action to safeguard free access to cargoes in ocean trades.

(2) A future for the Community shipping industry - measures to improve the operating conditions of Community shipping, COM(89) 266 final, 3. 8. 1989.

(3) Financial and fiscal measures concerning shipping operations with ships registered in the Community, SEC(89) 921 final, 3. 8. 1989.


(11) See Annex.


(15) A common policy on Safe Seas, COM(93) 66 final.
(16) Communication on the method for the application of Article 92 (3) (a) and (c) to regional aid (OJ No C 212, 12. 8. 1988, p. 2).

If a scheme is to be considered to include


(22) [1991] ECR I3905.
APPENDIX 9 – Aran Islands Goods & Passenger Rates 2004
### Maximum Charges for Carriage of Merchandise - Quay to Quay

The following charges are **maximum** charges exclusive of V.A.T., @ 21% and will be subject to reductions as appropriate depending on quantity etc.

<table>
<thead>
<tr>
<th>Description of Merchandise</th>
<th>Per Package, Item or Animal</th>
<th>Per Pallet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCALE 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groceries, Provisions, Light Hardware, trees, shrubs, etc........</td>
<td>4.10</td>
<td>29.00</td>
</tr>
<tr>
<td>Wheelbarrows................</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td>Gates - 1ft-5ft...............</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>6ft-12ft.......................</td>
<td>8.00</td>
<td></td>
</tr>
<tr>
<td>Ladders- 1ft-5ft...............</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>5ft-12ft.........................</td>
<td>6.00</td>
<td></td>
</tr>
<tr>
<td>Cases beers &amp; minerals per dozen)..............................</td>
<td>1.00*</td>
<td></td>
</tr>
<tr>
<td>Cases wines (per dozen)........................................</td>
<td>1.50*</td>
<td></td>
</tr>
<tr>
<td>Cases spirits (per dozen)......................................</td>
<td>4.10*</td>
<td></td>
</tr>
<tr>
<td>Cigarettes........................</td>
<td>4.10</td>
<td></td>
</tr>
</tbody>
</table>

**Perishable Traffic**

<table>
<thead>
<tr>
<th>Description of Merchandise</th>
<th>Per Tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit and vegetables........</td>
<td>2.00</td>
</tr>
<tr>
<td>Meats, Fish, Milk, Eggs etc.</td>
<td>3.50 (up to 14lbs)</td>
</tr>
<tr>
<td>Boxes frozen ice-cream/meat/pizzas</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**SCALE 2**

<table>
<thead>
<tr>
<th>Description of Merchandise</th>
<th>Per Tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cookers, fridges, T.V. sets, heavy hardware, furniture, machines.</td>
<td>10.00</td>
</tr>
<tr>
<td>Barrels of diesel, oil, petrol, tar, etc...........................</td>
<td>12.00*</td>
</tr>
<tr>
<td>Tanks (1800 lrs) of diesel, etc......................................</td>
<td>45.00*</td>
</tr>
</tbody>
</table>

* This includes return freight on empties

<table>
<thead>
<tr>
<th>Description of Merchandise</th>
<th>Per Tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large animals, bulls, stallions, horses, bullocks and cattle........</td>
<td>Priced on value of animal i.e.,</td>
</tr>
<tr>
<td>Sheep, Pigs, Calves and day old Chicks in boxes...........................</td>
<td>Worth £300.00+ = £25.00(2 yrs)</td>
</tr>
<tr>
<td>Lambs, Bonhams, Dogs, Goats, Kids..........................................</td>
<td>Worth £300.00- = £10.00(1.5 yrs)</td>
</tr>
</tbody>
</table>

**SCALE 4**

<table>
<thead>
<tr>
<th>Description of Merchandise</th>
<th>Per Tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Trailers (10ft x 6ft)...........................................</td>
<td>46.20</td>
</tr>
<tr>
<td>Jaunting Carts.................................................................</td>
<td>38.00</td>
</tr>
<tr>
<td>Dumpers, Concrete Mixers........................................................</td>
<td>39.90</td>
</tr>
<tr>
<td>Cars, Tractors, Road Rollers..................................................</td>
<td>91.35</td>
</tr>
<tr>
<td>Cars, Tractors - Islander Rate...............................................</td>
<td>53.00</td>
</tr>
<tr>
<td>Car Trailers .................................................................</td>
<td>27.30</td>
</tr>
<tr>
<td>Car Trailers with Dingy or Load.............................................</td>
<td>35.00</td>
</tr>
<tr>
<td>Huts or Sheds (10ft x 8ft)....................................................</td>
<td>47.00</td>
</tr>
<tr>
<td>Motor Cycles.................................................................</td>
<td>15.75</td>
</tr>
<tr>
<td>* Caravans.................................................................</td>
<td>150.00 min.</td>
</tr>
<tr>
<td>* Mobile Homes...........................................................</td>
<td>250.00 min.</td>
</tr>
<tr>
<td>Stanley Ranges, etc..........................................................</td>
<td>31.50</td>
</tr>
<tr>
<td>Solid fuel Ranges............................................................</td>
<td>50.00</td>
</tr>
<tr>
<td>Bicycles.................................................................</td>
<td>4.00</td>
</tr>
</tbody>
</table>

* Weight and overall length restriction permitting

**N.B.** -Due to limited deck space all cars, caravans, blocks, coal, etc., must be pre-booked with Captain.
<table>
<thead>
<tr>
<th>Description of Merchandise</th>
<th>Per Package, Item or Animal</th>
<th>Per Tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCALE 5 (Accompanied Items)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luggage in excess of 26kg</td>
<td>5.25 per 50kgs</td>
<td></td>
</tr>
<tr>
<td><strong>SCALE 6</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cement, Lime, Fertilisers, Coal, Meal, Flour, Briquettes, Moss Peat, Seaweed</td>
<td>2.52</td>
<td>16.00</td>
</tr>
<tr>
<td>Potatoes, Turf</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td><strong>SCALE 7 - Bulk Rates For -</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headstone &amp; Kerbing</td>
<td>35.00</td>
<td></td>
</tr>
<tr>
<td>Iron Hardware, Timber, Tiles, Plaster Board, Hardboard, Plywood, Roofing, Flooring, etc</td>
<td>2.00</td>
<td>35.00</td>
</tr>
<tr>
<td><strong>SCALE 8</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bread in Boxes (Per Doz)</td>
<td>1.00 Min. Charge</td>
<td></td>
</tr>
<tr>
<td><strong>SCALE 9</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Furniture Removals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Double beds</td>
<td>10.00</td>
<td></td>
</tr>
<tr>
<td>Double base/mattress</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td>Single beds</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Single base/mattress</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td>Single Headboard</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Double Headboards</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td>Continental Headboard</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Bedside locker</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Wardrobe</td>
<td>8.00/15.00*</td>
<td></td>
</tr>
<tr>
<td>Chest drawers</td>
<td>7.00/10.00*</td>
<td></td>
</tr>
<tr>
<td>Table</td>
<td>7.00/12.00*</td>
<td></td>
</tr>
<tr>
<td>Kitchen chairs</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td>Three piece suite</td>
<td>35.00</td>
<td></td>
</tr>
</tbody>
</table>

* Depending on size
## SPECIAL RATES

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shrink wrapped on pallets of coal, cement, feedstuff and similar cargoes</td>
<td>£16.00 per tonne (1 to 4 tonnes)</td>
</tr>
<tr>
<td></td>
<td>£14.95 per tonne (5 to 9 tonnes)</td>
</tr>
<tr>
<td></td>
<td>£13.90 per tonne (10 Tonne upwards)</td>
</tr>
<tr>
<td>Kosangas/Oxygen/Acetylene</td>
<td></td>
</tr>
<tr>
<td>25lb Cylinder*</td>
<td>Full £1.68 Empty .58p</td>
</tr>
<tr>
<td>75lb Cylinder</td>
<td>Full £4.52 Empty 2.26</td>
</tr>
<tr>
<td>104lb Cylinder</td>
<td>Full £4.72 Empty 2.46</td>
</tr>
<tr>
<td></td>
<td>* Shipped in crates of 30 Cylinders</td>
</tr>
<tr>
<td>Cash &amp; Carry Pallet load of assorted foods (excludes wines, spirits)</td>
<td>£29.00 per pallet (normally 5.5ft high)</td>
</tr>
<tr>
<td>Concrete Blocks</td>
<td>Min. 1 pallet £15.00</td>
</tr>
<tr>
<td>Slates</td>
<td>45.00 per thousand</td>
</tr>
</tbody>
</table>
### SIXTH SCHEDULE

#### Galway - Aran Islands

**Maximum Passenger Fares in respect of the Shipping Service**

<table>
<thead>
<tr>
<th>Service</th>
<th>Adult Return</th>
<th>Adult Single</th>
<th>Children Return</th>
<th>Children Single</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult</td>
<td>£18.00</td>
<td>£10.00</td>
<td>£9.00</td>
<td>£5.00</td>
</tr>
<tr>
<td><strong>Family Rate</strong> (2 adults + 2 children)</td>
<td>£45.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children over 4 and under 16, extra child £6.00, children under 4 are free)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inter Island Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inis Mór to Inis Meáin</td>
<td>£8.00</td>
<td>£5.00</td>
<td>£11.00</td>
<td>£7.00</td>
</tr>
<tr>
<td>Inis Mór to Inis Oírr</td>
<td>£6.00</td>
<td>£4.00</td>
<td>£7.00</td>
<td>£4.00</td>
</tr>
<tr>
<td>Inis Meáin to Inis Oírr</td>
<td>£6.00</td>
<td>£4.00</td>
<td>£7.00</td>
<td>£4.00</td>
</tr>
<tr>
<td><strong>Student Rates</strong></td>
<td>£16.00</td>
<td>£9.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Islander rates</strong></td>
<td>£15.00</td>
<td>£8.00</td>
<td>£7.50</td>
<td>£4.00</td>
</tr>
<tr>
<td><strong>Islander Rates (Islander)</strong></td>
<td>£13.00</td>
<td>£7.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inter Island Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inis Mór to Inis Meáin</td>
<td>£6.00</td>
<td>£4.00</td>
<td>£6.00</td>
<td>£4.00</td>
</tr>
<tr>
<td>Inis Mór to Inis Oírr</td>
<td>£4.00</td>
<td>£4.00</td>
<td>£6.00</td>
<td>£4.00</td>
</tr>
<tr>
<td>Inis Meáin to Inis Oírr</td>
<td>£6.00</td>
<td>£4.00</td>
<td>£6.00</td>
<td>£4.00</td>
</tr>
<tr>
<td><strong>Family Rate</strong> (2 adults + 2 children)</td>
<td>£37.50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children over 4 and under 16, extra child £5.00, children under 4 are free)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

*Appendices*