

User Agreement - Briefing for TravelWatch

6th November 2010 – Captain Michael Brew – Director of Harbours

Outline of Presentation

- Why have we got such an agreement?
- 1995 User Agreement
- 2002 Extension
- 2005 Extension
- Controls
- Limitations of Douglas harbour
- Services **not** prevented by User Agreement

Why have we got such an Agreement?

- Steam Packet strikes 1986 & 1987/88
- No SPCo services (**passenger or freight**) for total of 10 weeks
- Douglas harbour linkspans not usable as both owned by SPCo
- Government decided that this situation must not be able to occur in future
- Also.....
- Steady decline in passengers up to 1995
- Constraints on shipment of ro-ro freight due to small ship
- DoT built Edward Pier linkspan 1994/95
- User Agreement signed 1995 with Tynwald approval

User Agreement

- Contract between SPCo and DoT (DoI)
- Confers preferential use of Edward Pier linkspan in exchange for a guaranteed minimum service
- SPCo
- Provided with long-term stability
- Able to use commercial knowledge & experience
- Government able to exert
- Control within terms of the Agreement
- Influence by a number of means
- IoM certain that it will not be cut off again

1995 User Agreement

- 10 years with option for 5 year extension
- Secured minimum service at 1993 levels
- Benchmarked fares & charges at 1995 level
- Gave Dept. influence & control e.g. schedule and standard fare increases
- Required SPCo to:
- Invest £20M in fleet (1998 Ben My Chree)
- Pay capital & revenue costs of new linkspan
- Operate to/from defined port ranges

2002 Extension

- SPCo exercised option to extend original Agreement
- DoT used opportunity to secure an increase in minimum service established by 1995 User Agreement
 - Greater passenger & freight capacity
 - Special offer fares became requirement rather than optional, as before

2005 Extension

- Requested by SPCo, supported by DoT and approved by Tynwald
- To run from 2010 for 10yrs (+ 6 yrs option)
- Builds on 1995 Agreement & 2002 Extension
 - Further increase in minimum level of service
 - Framework for future investment by SPCo
 - Investment provision for new fast craft, i.e. newer, larger and more capable (Manannan)
- Service benefits introduced immediately

Schedule Control

- User Agreement Requirements
 - SPCo must “invite suggestions” regarding future year’s schedule from DTL
 - Schedule must be approved by Dept in advance of publication
- Draft submitted by SPCo
- Considered by Dept operational staff
- Discussed as required by Dept & SPCo
- Final schedule agreed and confirmed by Dept

Fare Control

- Applies only to standard fares and charges
 - User Agreement requirement
 - Not special offers for which alternative arrangements apply
- Increases not more than RPI minus ½%
- Applies until 2010
- After 2010 increases no more than RPI
- Increases calculated on a weighted basis.

Methods of Control & Influence

- User Ag. is a legally binding contract
- SPCo **must** comply or is in breach
- SPCo **must** remedy breach or Dept may determine Agreement
- SPCo carries out internal compliance checks
 - To meet above obligations
 - To meet Shareholders requirements
- Monthly meeting at Director level
- Half-yearly meeting at Board/Minister level
- Personal, public and political scrutiny at all levels

Special Offer Fares

- Prior to 1995 standard fares **only**
- From 1996 introduced to grow market
- Outside 1995 User Agreement fare control
- 2002 Extension
 - Minimum 250,000 seats
 - Fares must generate extra traffic
 - E.g. Footloose fare £15 (Standard fare £39)
- 2005 Extension
 - Minimum increased to 50% of previous year's actual carrying
- About 80% of passengers travel on offer fares

Limitations of Douglas Harbour

- Present maximum size of vessel 125m length x 6m draft
- Potential maximum 140m x 6m
 - First requires harbour improvements – about £15M
- Currently only 2 conventional passenger vessels in operation in Irish Sea on non-IoM routes could berth in Douglas
 - Stena Caledonia 130m built 1981
 - Stena Navigator 130m built 1984
 - Both would require modification to be compatible with linkspan

Not prevented by User Agreement

- 12 one-off uses of Ed Pier linkspan per year (e.g. project cargo, bulk fertiliser)
- Ro-Ro freight and passenger services from outside prescribed port range (e.g. Scotland)
- Passenger and freight services that do not need a linkspan
 - Balmoral excursions
 - Mezeron

END

Thanks for listening