KHSK
ECONOMIC CONSULTANTS

Report to Department of the Marine and Natural Resources

Task Force on the Development of Port Estates

Table of Contents

Executive Summary and Recommendations

1. The expansion of foreign trade has been central to the achievement of strong and sustained rates of economic growth in Ireland. Since entry to the European Union in 1973, exports have risen from 37% to 95% of Irish Gross Domestic Product. Since 1985, the physical volume of Irish exports has increased fourfold. The nation's ports constitute Ireland's economic gateway to the rest of the world. Measured by volume, 99% of Ireland's overseas trade passes through the ports and authoritative forecasts indicate that physical traffic through the ports will advance by a further 50% in the years to 2007. The Task Force believes that in relation to the nation's ports, the central objective of public policy must be to ensure that the ports possess the capacity to facilitate the continuing growth in trade volumes on which future prosperity depends.

2. In the years immediately ahead, the country's major ports will confront two problems: (i) adding sufficient capacity to accommodate the forecast growth in physical trade and (ii) ensuring that any new capacity provided meets users' needs. Increasing physical capacity and upgrading its quality will both require extensive infrastructural investment in the country's major ports. The Task Force believes that, in the absence of sufficient investment, physical constraints could arise that could undermine Ireland's international trade competitiveness.

3. In the view of the Task Force, there are four potential sources of investment available to the ports to finance the necessary expansion and upgrading of port facilities:

   (i) Public investment, since almost all of the major ports are owned by the state;
   (ii) Generating internal funds for investment through port profitability;
   (iii) Borrowing by the ports;
   (iv) Reallocating under-utilised assets in the port estates to potentially more profitable uses unilaterally, with the support of private sector investment, or through Public Private Partnerships (PPPs).

   Each of these options is examined in turn.

4. Considerable advances have been made in the last ten years in rationalising and commercialising the operation of the country's major ports. In addition, the National Development Plan 2000-2006 has allocated €58 million of public funds for co-funding overall investment of €180 million in expanding and modernising port facilities. Ultimately, the state itself must assume the principal responsibility for financing future investments in state assets. However, it cannot be concluded that adequate state funding will be provided to meet the future investment requirements of the ports.

5. The Task Force has reviewed the profitability of the eight commercial port companies. In absolute terms, profitability is low, at only €22 million in 2000. When Dublin and Cork are excluded, the remaining six commercial ports

generated combined profits of only €2.1 million in 2000. Moreover, the scope for raising profitability through increased port charges is limited, since such an approach would undermine Ireland's competitiveness in the transport sphere. The low absolute levels of profitability indicate that retained earnings can make only a limited contribution to financing future investment at the ports.

6. Similarly, the collective balance sheets of the commercial ports would not support extensive recourse to borrowing as a means of financing future port infrastructure. Total debt at the eight commercial ports amounted to €76 million in 2000, equivalent to 45.6% of shareholders' funds. Furthermore, the Harbours Act 1946 prohibits borrowing in excess of £50,000 by the relevant ports. This constraint deserves reconsideration.

7. The Task Force considers that re-allocating under-utilised elements of port estates to more productive uses offers ports the opportunity of generating some of the additional resources that will be required to fund future necessary investments in core activities. In reaching this conclusion, the Task Force would emphasise that the resources generated by such reallocations will contribute only a part of the funds required for port modernisation and expansion. Such reallocations will not act, in any significant measure, as a substitute for state investment in port development

8. The Task Force considers that any re-development of sections of the ports' estates should be undertaken either by the ports themselves or in partnership with the private sector. The Task Force explicitly rules out the sale of any portion of the ports' estates to the private sector, except in those cases where the land is clearly surplus to future port-related developmental needs and where the land disposed of will not interfere with the subsequent development of the port estate.

9. The consultant to the Task Force has conducted an initial outline survey of the national port estate. Survey responses from the 18 state-owned ports indicate a port estate of just over 2,200 acres, most of which is located in proximity to city and town centres. Of the total estate, the estimates by the ports indicate that some 1,055 acres are used in the core trading activities of the ports. The remaining area of some 1,150 acres is not used in core port trading activities at present. Allowing for areas such as essential access roads that cannot be developed, the Task Force estimates from these returns, on a preliminary basis, that some 540 acres of the port estate is available for development.

10. These initial assessments of the disposition of the port estate and the estimated areas available for development need to be qualified on a number of grounds:

    (i) they represent subjective assessments of estate usage by the ports themselves;

    (ii) they reflect the current extensive usage of available land for storage;

    (iii) they include a range of existing activities, principally related to storage and distribution, which could be relocated outside the port estate.

11. Based on these qualifications, the Task Force has concluded that the Government should commission a comprehensive review of the port estates, to be conducted by professional experts, with a view to ascertaining the scale of the property available for re-development. Recent studies undertaken by some ports may be helpful in this work. Expert advice should also be sought on the most appropriate economic and social development opportunities for each individual port. This assessment would need to be undertaken on a port-by-port basis and would need to examine, *inter alia*, whether many of the smaller ports should retain their status as trading ports or whether they would be better advised to become property management companies.

12. A number of features of port estates are important in the context of development. First, virtually all the property is in public ownership with the result that, while the ports have a commercial mandate, the public interest requires an emphasis on social returns. Second, the lands in question are clearly defined. Finally, the properties involved are often of high value with strategically important locations in terms of the performance of the local economy. This means that they are well positioned to play a leading role in the local economy.

13. The Task Force has identified a number of smaller ports that appear to have little future in the sphere of trade. For these ports, the exploration of opportunities for the development of tourism, leisure, retail and residential facilities is more important than developing cargo handling.

14. As an aid to developing future policy towards individual ports, the Task Force has classified Ireland's ports into three functional categories. These are:

    (i) <u>Main Trading Ports</u>. These comprise the eight commercial port companies: Cork, Drogheda, Dublin, Dun Laoghaire, Galway, New Ross, Shannon/Foynes and Waterford, together with Bantry, Greenore and Rosslare. These ports handle 99% of all goods exported through the ports and 97% of imports. It is essential that these ports have access both to sufficient land and investment funds in order to ensure that Irish trade growth is not physically constrained in the future. Property and estate management is seen as an essential, though secondary, part of their overall operating activities.

    (ii) <u>Smaller Trading Ports</u>. These ports include Arklow, Dundalk, Fenit, Kinsale, Sligo, Wicklow and Youghal. Together, they account for considerably less than 5% of trade conducted through the ports and their scope for trade growth in the future is limited. Many of these ports have quite sizeable property holdings that will not be called upon for trading purposes in the future. These ports should be encouraged to explore alternative uses for the non-trading portions of their property portfolios. However, many such ports are constrained from investigating alternative opportunities by insufficient professional expertise and a lack of capital.

(iii) Non-Trading Ports. These ports include Annagassan, Ballina/River Moy, Baltimore & Skibbereen, Dingle, Kilrush, Westport and Wexford. These ports transact no trade. As a result, their estates are potentially available for alternative development.

15. The Task Force has identified the following barriers as inhibiting the development of property management functions at the ports:

- A lack of absolute clarity at a national level in defining the future role and prospects for individual ports;

- Lack of property development skills, management skills and expertise at individual ports, and particularly at smaller ports;

- Legal and planning obstacles, with particular problems relating to long leases;

- Uncertainties deriving from the existing state ownership of foreshore;

- An absence of coherent and coordinated development plans at local level, reflecting a diffusion of responsibility for planning;

- Inertia, due in part to a lack of incentives and institutional structures to promote the development of port estates.

16. In an effort to dismantle these barriers, the Task Force recommends:

(i) A re-evaluation and re-definition of the status and future prospects of individual ports by the Department of the Marine and Natural Resources consequent on the publication by Government of the National Spatial Strategy. In conducting this re-evaluation, the Task Force recommends the use of the tripartite port classification framework outlined in paragraph 14 above.

(ii) In the case of smaller non-trading and regional ports that have, as yet, been unable to produce a coherent strategic plan for the development of their properties, responsibility for non-core port development should be transferred from the ports themselves to the relevant local authorities. Local Authorities would have to demonstrate their willingness, capacity and financial ability to develop such estates. To this end, they would be required to submit a developmental plan for port estates, acceptable to the Department of the Marine and Natural Resources, prior to any transfer taking place. This transfer would provide access to the skills and expertise required to develop port estates in a manner that marries commercial development with the needs and aspirations of local communities. Vesting local port estate development in a single authority would lend coherence to development efforts while also protecting the public interest.

(iii) Assembling and developing the under-utilised areas of port estates, including those portions held by private sector companies under long leases, should be undertaken on a co-operative, partnership basis. Litigation should be avoided where possible. Public Private Partnerships for port estate development should be created, in the first instance, amongst existing operators within the ports.

(iv) Consideration should be given to enabling the extension to the ports of the right for both port authorities and leaseholders to renounce their Landlord & Tenant Act rights. This option is available in relation to office developments but has not been extended to include other categories of commercial property. This route would introduce flexibility while preserving the existing security that is offered by the Act.

(v) In order to ensure that dormant port estates are properly managed and developed, each port should be obliged to produce a masterplan every 5 years for submission to the Minister. As a requirement the masterplan should be submitted to the Local Authority for the relevant area as this would encourage both coherent planning and public consultation.

(vi) Ownership of the foreshore should be transferred to the ports. Such a transfer would not preclude full public consultation on any proposed foreshore development. In addition, the planning process as it applies to the foreshore requires reform, in particular, the outlining of a clear time frame to enable co-ordination with other parts of the planning process.

17. The Task Force visited the ports of Dublin, Galway, Cork and Dun Laoghaire. On the basis of these site visits and presentations made by the ports, the Task Force concluded:

- There would appear to be considerable opportunity for the regeneration of lands at Dublin Port, though re-development requires overcoming a series of significant obstacles. Capitalising on these opportunities requires that these barriers are surmounted. Dismantling of the barriers obstructing development would be assisted by the building of a coalition between the port, existing leaseholders, local communities and other stakeholders.

- The opportunity costs of maintaining the port of Galway in its existing location are exceptionally high, both in economic and social terms. The port estate is proximate to the city centre and, thus, commands a high value in many alternative uses. The port estate also borders Galway Bay, an area of high scenic amenity. In these circumstances, maintaining the port in operation in its present location requires the adducing of convincing economic, transportation or logistics arguments.

- The Port of Cork, which encompasses a range of diverse locations over a wide area, has experienced strong growth in recent years leading to the emergence of capacity constraints. A new strategic plan has been prepared which will require significant infrastructural investment over the next two decades. The Task Force is concerned, however, that the major relocation of port activity envisaged by the strategic plan should release as much land as possible for re-development.

- Dun Laoghaire Harbour is an important heritage site. Its commercial facilities are designed principally for ferry transportation though the recent construction of a new marina has provided an additional revenue source. Dun Laoghaire-Rathdown County Council are strongly of the opinion that the most appropriate form of development is marine-related recreation and tourism and that residential development within the harbour area would not be appropriate. The Task Force concurs.

The Task Force has drawn conclusions from the examination of these cases and stresses that these conclusions may have applicability in other ports also.

18. The Task Force met on 12 occasions during 2001/02. It is envisaged that its analysis, findings and recommendations will provide a framework within which the port estates can be developed in the future in a manner that is both economically efficient and socially beneficial.

1. Background and Context

1.1 Statement of the Issue

The extraordinarily strong and sustained growth of the Irish economy over the past decade has not only delivered higher output and lower unemployment, but it has also created a new industrial structure. As a result, the Irish economy is not only larger: it is fundamentally different in structure and character.

This fundamental transformation is particularly evident in the volume and structure of Ireland's international trade. Trade growth has been accompanied by, and is causally related to, a major shift towards lighter, higher value goods. In many cases, these require new, more efficient supply chains, with efficient transport being a key requirement in the competitiveness of traded products. Given the importance of imports and exports to Ireland's economic performance, it is clear that efficiency at Ireland's sea ports is an essential component of national competitiveness and hence a vital source of prosperity. As a result, Ireland's sea ports, which account for 99% of the volume of goods imported and exported, have had to change to accommodate this new environment. The period of rapid growth has highlighted this process, but in truth it has been ongoing for a long period of time. The changes required have involved new operating practices, new infrastructure and new locations.

For a number of reasons, often historical, many ports are located within, or in proximity to, the busy and often congested centres of cities and towns. Their design and modes of operation are often determined by precedent and with reference to the technologies and cost structures of earlier times. Within this outdated environment, attempts to introduce modern cargo handling and compliance with the logistics demands of modern business, in addition to vastly expanded volumes of trade, have caused difficulties and higher than necessary costs. In many cases, ports have responded by moving downstream. In other cases, the result has been an inability to compete as a trading location with a consequent loss of trade. The changes that are now required involve considerable new investment and adequate finance to facilitate them has not been made available. At the same time, portions of port estates that were important in earlier times are no longer used or continue to be used inefficiently.

The potential exists for the ports to unlock inherent value by leveraging their property portfolios to develop new revenue streams. This is important in terms of supplying new revenue to the sector. Under the Seaports Measure of the National Development Plan 2000-2006, €58 million was committed to co-fund projects at seaports. It is estimated that this will facilitate some €180 million worth of investment. However, this should be seen in the context of bids by the ports for assistance towards investment with a nominal value of €331 million. There is also a view within the ports industry that required future investment cannot be funded by increased charges or borrowings.

Developing new revenue streams from port estates is also important since these properties are valuable public assets that should be used in a manner that maximises their public or social return. However, lack of incentive, lack of information and a number of other barriers have worked to ensure that the property resources of the ports remain undeveloped in many cases. The work of the Task Force represents the first comprehensive attempt to explore this issue and identify the actions that are required to unlock the considerable value that resides in the ports' estates.

1.2 Terms of Reference as Delivered by the Minister

The Task Force was established in February 2001 by the Minister for the Marine and Natural Resources

> 'to advise him on the potential for the development of port estates at commercial harbours operating under the Harbours Act, 1946 and Harbours Acts, 1996 and 2000.'

In setting up the Group, the Minister recognised the existence of three types of ports -

- Those that are dormant and have no commercial cargo traffic e.g. Westport, Ballina.
- Commercial ports with no excess land available e.g. Dublin
- Those with spare or redundant capacity or with obligations to move operations from town centre locations e.g. Waterford, Cork, Dun Laoghaire.

The remit provided to the Group was

> 'to look at all of the ports in terms of the management and development of port estates at all the ports and, in particular, to examine and report on:
>
> (i) The property base in the ports,
>
> (ii) Leases extant and the possibility of re-acquisition/reversion of leased properties in certain circumstances (Section 157(2) of the Harbours Act, 1946 refers),
>
> (iii) the port authorities' plans for the future, including the potential for:
>
> - the imaginative use of available port estates,
> - the optimal development of facilities (including multi-user facilities) to create capital for investment in port related activity or income streams to support port operations,
> - reclamation opportunities to underpin the creation of development opportunities for port related or other beneficial purposes,
> - the scope for public private partnership venture options,
> - development of the foreshore within or adjoining the jurisdiction of the port to generate capital funding for port investment.'

In undertaking its work, the Group was instructed to refer to previous research including:

- The review of regional ports and harbours (KMPG, 1999),
- Seaport capacity study (Baxter Eadie 1998 and associated capacity inventory) and 2000 update,
- The findings of the Statutory Performance Audit (J. Packer & Associates).
- Assessment of intermodal and port access requirements report (ARUP, October 2000)

- "Concepts for regional ports with minimal or non-existent conventional port business" prepared by M. Guilfoyle,
- Relevant international experience both positive and negative,
- Other relevant published material and perspectives.

The Task Force was also instructed to consult with the port companies, harbour authorities, port users and representative maritime bodies. The Minister provided the Group with a 12 month indicative timeframe, pending assessment by the group, and instructed it to report with advice and recommendations at regular intervals.

A list of persons that were appointed to the Task Force is contained in Appendix 1.

1.3 Role and Work of the Task Force

The role of the Task Force has been to identify the opportunities for ports to develop new revenue streams from their property holdings and to provide the Minister with policy recommendations to facilitate and encourage the realisation of these opportunities. The Task Force met 12 times between February 2001 and March 2002 under the chairmanship of Mr. Paul Tansey of Tansey Webster Stewart. In addition to the deliberations of members at these meetings, the work of the Task Force can be identified under 5 headings:

(i) Review of relevant earlier reports and studies. A full listing of references and relevant material examined is contained in Appendix 2.

(ii) Examination of submissions from individuals and organisations. The Group undertook further consultation with many of those who entered submissions and with other relevant interests. A full list of submissions received is contained in Appendix 3.

(iii) Study visits to a number of important trading ports. These included the ports of Cork, Dublin, Dun Laoghaire and Galway.

(iv) Presentations from ports, other relevant organisations and members of the Task Force. A full list of those who made presentations to the Task Force is included in Appendix 3.

(v) Research undertaken and commissioned by the Task Force. This included a survey of property holdings and development plans in Irish ports and a review of practice worldwide on the development of port estates commissioned from Dr. Richard Gray of Plymouth University

It is important to note, given the Task Force's mandate to report within a limited timeframe, that the Task Force was not in a position to provide definitive statements in relation to property holdings in general nor in relation to the specific circumstances that exist in particular ports. Indeed, as the report indicates, the strategies that would provide the highest returns for the ports will vary between ports due to the range of characteristics of the properties and the opportunities for development. Consequently, the Task Force has sought to achieve three aims:

1. To provide an audit of the property holdings in the ports and from this to identify initially – subject to the findings of a detailed audit – the potential property available for the earning of new revenue.
2. To identify the issues of most significance in developing the ports' estates going forward and to point to features that may be inhibiting development currently and into the future.
3. To provide recommendations and to identify action points to facilitate, encourage and assist the ports in developing their property holdings. Clearly, there is a risk here that general statements might not be universally applicable to all ports, but the Task Force believes that some general features can be identified.

These three aims inform the structure of the report. Initial chapters provide an information base on the role of the ports and their property holdings with the emphasis on identifying the amount of land that is available for development of new revenues. This shows that ports need to be categorised according to key characteristics to allow meaningful conclusions to be drawn. The most important of these is the role of the port in Ireland's trade. The ports also need to be categorised according to the property that may be available for redevelopment, with due recognition of the importance of ensuring that adequate facilities are preserved to ensure that the port can fulfil its trading role in the future. The second part of the report outlines the main findings in relation to ports' estates and, with the aid of a review of international best practice that was commissioned by the Task Force, identifies what opportunities and challenges exist. The final part of the report contains the Task Force's recommendations to the Minister.

2. The Irish Sea Port Sector

2.1 The Port Sector

All of Ireland's major trading ports, with the exception of Greenore, are in state ownership. The Department of the Marine and Natural Resources is the regulatory, development and governing authority for the ports, invested with the overall objective of ensuring the availability of efficient and competitive sea transport and port services. These functions are carried out as overseeing/monitoring under the Harbours Acts 1946 - 1996 in the case of 16 harbour authorities, and as corporate governance under the Harbours Acts 1996 – 2000 in the case of 8 port companies. These port companies include all the main trading ports except Rosslare. Figure 2.1 shows the location of the main trading ports in the Republic of Ireland.

Figure 2.1: Major Ports in Ireland

Insert Map here

Ireland's ports underwent considerable change in the 1990s as a result of two developments. First, the 1996 Harbour Act placed the operations of the main trading ports under the control of state-owned commercial companies. The Act identified the main objectives of each of these companies as:

- To take all proper measures for the management, control, operation and development of its harbour and approach channels;
- To provide such facilities, services, accommodation and lands in its harbour for ships, goods and passengers as it considers necessary;

- To promote investment in the harbour;
- To engage in any business activity, either alone or in conjunction with other persons, that it considers to be advantageous to the development of its harbour;
- To utilise and manage the resources available to it in a manner consistent with these objectives.

Each port company was also charged with the general duty to

- Conduct its affairs so as to ensure that the revenues of the company are not less than sufficient taking one year with another to
  - meet all charges that are properly chargeable to its revenue account
  - generate a reasonable portion of the capital it requires
  - remunerate its capital and pay interest on and repay its borrowings.
- Conduct its business in a cost effective and efficient manner
- Regulate operations within its harbour
- Have due regard to the heritage and amenities relating to its harbour.

The companies were also granted powers to acquire or dispose of land at market values and to enter into leasing arrangements subject to policy on state-owned companies. The Act also contained provisions in relation to compulsory purchase by the port companies of land for the purpose of ensuring the implementation of any scheme of development in the harbour that, in the opinion of the company, would be impracticable without the land. However, the ports have never used this provision.

It is clear from this that the Act provided the ports concerned with considerable freedom in relation to the operation of their harbours while also providing obligations in relation to their financial performance. Eight ports were corporatised under the 1996 Act. Arranged by volume of goods handled, these are Dublin, Shannon Estuary, Cork, Waterford, New Ross, Drogheda, Galway and Dun Laoghaire. Rosslare remains in the ownership of CIE. Corporatisation took place in 1997 for 7 of these companies and in 1999 for Waterford. Initially, Shannon and Foynes were handled separately, but they have been incorporated into a single company since 2000. Three further ports – Bantry, Dundalk and Wicklow – have been identified as having potential for incorporation as commercial companies, but have not been corporatised yet.

The second driver of change during the past decade has been the dramatic increase in the volume and value of Ireland's international trade. Indeed, the sector has benefited greatly from very buoyant international trading conditions. The scale of this growth is examined in the next section.

2.2 Sea Ports and the Irish Economy

The successes of the Irish economy over the past decade have been built on the foundations of export-led growth. As a small open economy (SOE) Ireland's international competitiveness is central to overall economic performance. In this, the ability to handle foreign trade flows efficiently is crucial given the important of timely delivery for the supply chains that govern the performance of modern global industries. As a result, the performance of the ports in handling Ireland's international trade is of the utmost importance to the overall performance of the economy.

The increasing contribution of trade to the Irish economy is demonstrated by the data in Table 2.1. Exports as a percentage of GDP have increased from 34.6% of GDP in 1965 to just under 95% in 2000. The value of Ireland's total trade stood at over 175% of GDP in 2000. A further important development in period is that since the mid-1980s the there has been a positive net balance on merchandise trade each year. This amounted to over £11.5 billion in 2000 equal to over 14% of GDP.

Table 2.1: Exports and Imports as Percent of GDP

	Exports	Imports
1965	34.6	43.6
1973	37.4	44.1
1980	49.2	62.5
1990	57.0	52.4
1995	76.3	64.9
2000	94.9	80.7

Export growth was particularly pronounced during the 1990s when economic growth reached unprecedented levels. In the period 1990-2000, Ireland's Gross Domestic Product (GDP) approximately doubled, after allowance for inflation. Ireland's trade performance in this period was outstanding; the extent to which the growth of exports and imports outpaced GDP in the 1990s is shown in Figure 2.2. These data demonstrate the linkage between economic openness and domestic prosperity in Ireland.

Figure 2.2: Annual Growth Rates of Real GDP and Trade 1990-2000

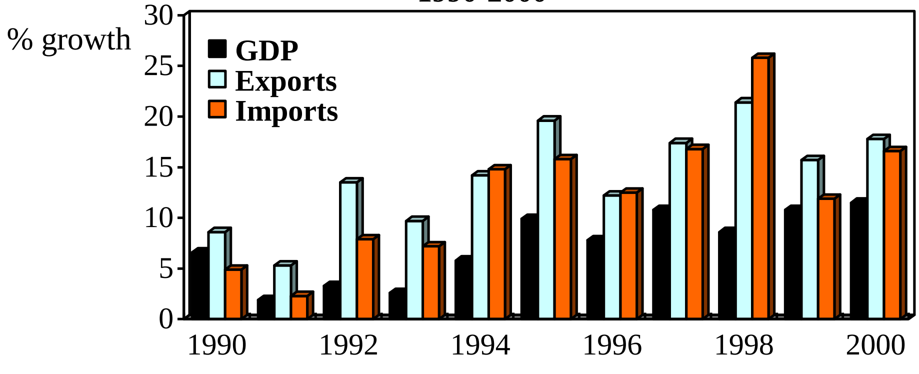

Table 2.2 provides data on the value of exports in current and constant prices in this period. In 2000, exports were worth just over £65 billion and imports almost £44 billion. After allowance for price increases, total exports were almost 4 time as great and imports almost 3 times as great in 2000 as in 1990.

Table 2.2: Ireland's Trade Flows

	Exports		Imports	
	Current Prices (£ million)	Constant Prices 1990=100	Current Prices (£ million)	Constant Prices 1990=100
1985	9,743	65.2	9,428	72.3
1990	14,337	100.0	12,469	100.0
1995	27,825	184.0	20,619	146.3
2000	65,881	399.5	43,861	283.7

Source: CSO *Trade Statistics*

The physical volume of Ireland's international trade has grown much more slowly than its value in recent decades even when allowance for inflation is made. The lightening of trade was also accompanied by a much greater emphasis on the speed of delivery and the need for efficient specialised handling in the ports and smaller more frequent loads. These developments, in particular the much faster growth of the value of trade compared with changes in physical volume, is an indication of the 'lightening' of Ireland's exports, a reflection of the changing structure of the Irish economy and the global economy in general.

The UK remains Ireland's most important trading partner, accounting for just over 31% of imports and 21% of exports, but its role is diminishing as trade flows move towards the EU and US companies produce an increasingly important part of Irish output. It is likely that the introduction of the Euro will further strengthen this long term trend away from the UK, although the use of the land-bridge routes to the continent may obscure the full extent of trade diversification. The remainder of the EU accounted for about 23% of imports and 40% of exports. The US is the next largest trading partner accounting for about 17% of imports and exports last year.

The ports are Ireland's economic gateway to the rest of the world. Measured by volume, 99% of overseas trade passes through the ports. The weight of goods handled increased by almost 60% in the 1990s. This growth trend appears to be set to continue and it is estimated that traffic through the ports will increase by 50% up to 2007.

2.3 Description of Irish Ports

Details of traffic by port in 2000 are contained in Table 2.3. The total weight of goods handled in Irish ports in that year was 45.3 million tonnes, an increase of 5.5% over 1999. Roll-on/roll-off and lift-on/lift-off traffic services have been growing fastest, increasing by 9.5% and 8.8% respectively in 2000. Together, Dublin, Shannon/Foynes and Cork accounted for over 78% of trade by weight through the ports. Roll-on/roll-off traffic is concentrated in Rosslare, Dublin, Dun Laoghaire and Cork, while lift-on/lift-off traffic is concentrated in Dublin, Cork, Waterford and Drogheda. In total, the 8 corporatised ports, plus Rosslare and Bantry, accounted for 96.6% of the total weight of imports and 98.8% of exports in 2000. These ports vary considerably in size, and it is clear from Table 2.3 that some of the ports are relatively small in terms of their overall impact on Ireland's trade.

Table 2.3: Goods Handled Classified by Port and Region of Trade, 2000

Goods Received						
Tonnes 000s	UK	Other EU	Non-EU	Other Trade	Total	% of Total
Dublin	7,186	2,114	455	953	10,708	33.8
Shannon Estuary	967	1,121	171	6,395	8,654	27.3
Cork	590	1,259	3,218	990	6,057	19.1
Waterford	407	649	288	0	1,344	4.2
New Ross	386	355	159	28	928	2.9
Rosslare	822	225	0	0	1,047	3.3
Drogheda	215	575	0	13	803	2.5
Galway	137	56	8	507	708	2.2
Dun Laoghaire	143	0	0	0	143	0.5
Bantry	66	138	0	7	211	0.7
Total	10,919	6,492	4,299	8,893	30,603	96.6
Other Ports	246	597	118	114	1,076	3.4
Total State	11,165	7,089	4,417	9,007	31,679	100.0
Goods Forwarded						
Dublin	3,599	1,443	40	100	5,182	38.1
Shannon Estuary	334	738	481	74	1,627	12.0
Cork	765	1,202	364	1,345	3,676	27.0
Waterford	77	474	48	0	599	4.4
New Ross	0	156	37	0	193	1.4
Rosslare	731	134	0	0	865	6.4
Drogheda	0	211	0	0	211	1.6
Galway	0	16	0	3	19	0.1
Dun Laoghaire	82	0	0	0	82	0.6
Bantry	561	52	0	374	987	7.3
Total	6,149	4,426	970	1,896	13,441	98.9
Other Ports	29	47	8	69	153	1.1
Total State	6,178	4,473	978	1,965	13,594	100.0

Note: 'Other Trade' includes Coastal trade and overseas trade with other areas not identified.

The volume of goods passing through the ports has been growing rapidly in recent years as shown in Table 2.4.

Table 2.4: Trade Growth in the Ports, 1997-2000 (tonnes 000s)

	2000		1997	% Growth
	Received	Forwarded	Total	1997-2000
Dublin	10708	5182	12,362	28.5
Shannon Foynes	8654	1627	9,524	7.9
Cork	6057	3676	8,178	19.0
Waterford	1344	599	1,131	71.8
Rosslare	1047	865	1,116	71.3
New Ross	928	193	1,107	1.3
Drogheda	803	211	826	22.8
Galway	708	19	535	35.9
Bantry	211	987	500	139.6
Dun Laoghaire	143	82	448	-50.0
Total (All Ports)	30603	13441	35,727	23.3

Clearly some ports have been growing faster than others. This is partly a function of the port's location, but the fastest growing ports have also been those with the facilities to handle unitised loads. Projections consistently indicate that containers will remain the fastest growing part of trade internationally[1].

Economic forecasting in Ireland is extremely difficult particularly at the current juncture given the volatility of the global economy and the fact that Ireland is clearly moving from a period of exceptional performance towards a more typical, and perhaps more sustainable, rate of growth. The ESRI Medium Term Review 2001-2007 (MTR), provides the best available indication of the likely future path of performance for the economy. The MTR benchmark forecast is for GNP growth to average 4.8% p.a. to 2005, 4.3% p.a. to 2010 and at about the EU average of 2.8% thereafter. The MTR projections were used in research commissioned by the Department of the Marine and Natural Resources to examine capacity, capacity utilisation and future trends in Irish ports (Baxter Eadie, 2000)[2]. The resulting projected development of each type of traffic between 1999 and 2007 is shown in Table 2.5.

Table 2.5: Projected Development of Traffic, by Type of Cargo (1999-2007)

('000 tonnes)		Ro-Ro	Lo-Lo	Bulk liquid	Bulk solid	General	Total
Inwards	1999	4,911	3,103	10,299	11,254	1,184	30,750
	2007	8,746	5,216	15,244	15,418	1,985	46,609
Outwards	1999	3,792	2,505	2,373	3,218	784	12,672
	2007	6,973	4,185	4,320	4,689	1,266	21,433
Totals	1999	8,703	5,607	12,671	14,472	1,968	43,422
	2007	15,719	9,401	19,564	20,107	3,251	68,042
% Growth		**80.6**	**67.7**	**54.4**	**38.9**	**65.2**	**56.7**

The main uncertainties affecting the projections are those which may affect the development of the Irish economy. As such, they should be treated as best estimates. In summary, forecasts from the *Medium Term Review 2001-07* indicate that growth in the years 1999 and 2000 was higher than expected but that it is likely to slow more sharply that previously expected in 2002. Despite these headline changes, the forecast medium term growth rate remains valid. As a result, the overall Baxter Eadie conclusions are in line with the best medium to long term estimates of the

[1] Containerised cargoes arrive in two forms: those that are accompanied by a truck ready for road transport and those that are unaccompanied. The former are referred to as RoRo (Roll-on Roll-off), the latter as LoLo (Lift-on Lift-off). RoRo traffic requires ferry terminal facilities. In general, the longer the sea passage that is involved in the journey the greater will be the proportion of LoLo although other considerations such as the availability of facilities, the cargo being transported and the speed required for the delivery will also be important..

[2] The Baxter Eadie research utilised forecasts from the Medium Term Review 1999-2005 (ESRI, 1999). Although there have been revisions to the forecasts in the shorter-term, the medium term outlook remains sufficiently similar to mean that the conclusions that were based on the earlier forecasts remain valid in the medium term.

performance of the Irish economy. On this basis goods traffic through the ports will continue to increase at a rapid pace for the foreseeable future.

Passenger traffic is also an important part of the business that is conducted in four Irish ports. Official CSO statistics do not distinguish visitors to Ireland according to their port of entry but are based on the number of vehicles that are used by passengers in arriving at the ports. Although this excludes passengers that arrive on foot at ferry terminals, it is arguable that this is the more useful indicator of the facilities that are required. These figures for 2000 are shown in Table 2.6 along with passenger numbers in each port as estimated by the ports.

Table 2.6: Passenger Transport through Irish Ports (2000)

	Passengers (000s)	Cars and Other	Buses	Vehicles as % of RoRo	% Growth 1995-2000	% Growth 1999-2000
Cork	257	59,037	154	33.1	-32.0	-2.4
Dublin	1,440	326,027	48,140	36.6	180.5	7.7
Dun Laoghaire	1,188	237,162	5,309	86.1	-14.9	-0.6
Rosslare	1,353	360,226	5,601	68.1	18.9	2.3
Total	4,238	982,452	59,204	51.6	27.8	3.2

Note: Figures for total RoRo include trade vehicles

2.4 Port Capacity and Growth

The ports have had sufficient capacity to handle the increase in trade to date, but there are indications that, in the light of projected traffic growth, constraints will become increasingly evident in the larger ports in the medium-term future. Table 2.7 contains data on the tonnage handled by each port and capacity utilisation for 1999 and the expected change in capacity up to 2007. In drawing conclusions from this analysis it is important to remember that a small number of ports are of key importance to Ireland's future economic performance.

Table 2.7: Port Capacity and Utilisation

	1999			Change in Capacity
	Traffic ('000 tonnes)	Capacity ('000 tonnes)	Utilisation (%)	1999-2007 ('000 tonnes)
Cork	8,922	13,374	66.7	-1,221
Drogheda	940	2,415	38.9	-365
Dublin	14,977	23,253	64.4	+1,551
Dun Laoghaire	509	2,200	23.1	
Galway	655	2,824	23.2	+453
New Ross	1,111	1,723	64.5	
Shannon	10,065	21,538	46.7	+717
Waterford	1,842	5,994	30.7	+168
Bantry	1,228	10,585	11.6	
Dundalk	265	1,604	16.5	
Wicklow	182	564	32.3	+165
Total	40,696	86,074	47.3	+1,468

Source: Baxter Eadie (2000)

The Baxter Eadie report concluded that constraints due to insufficient capacity are likely to emerge in the largest ports. This is shown in Table 2.8. Some ports will simultaneously experience shortfalls and surplus in different operations in 2007. In general, Table 2.8 indicates extensive surplus capacity in a range of ports in bulk handling – with shortfalls in Dublin and Cork – and smaller surpluses in general goods capacity. A major shortfall in unit load capacity in Dublin by 2007 is forecast.

Table 2.8: Projected Surpluses and Shortfalls in Capacity in 2007 (000s tonnes)

	Surplus				**Shortfall**			
	Bulk Solids	Bulk Liquid	General	Unit Load	Bulk Solids	Bulk Liquid	General	Unit Load
Cork					1,000	3,900	200	800
Drogheda	200		200			100		
Dublin			200			1,000		5,600
Dun Laoghaire				700				
Galway	1,300	400	200					
New Ross						200		
Shannon	700	3,100	400					
Waterford		3,200			100		200	500
Bantry	2,400	5,200						
Dundalk	900	100	100					
Wicklow			200					
Total	5,500	7,500	1,200	700	1,100	5,200	400	6,900

Source: Baxter Eadie (2000)

Given the importance of efficient port operation for the whole of the Irish economy, and the increasing importance of containerised traffic in the total, these findings have the most serious implications for the future conduct and performance of Ireland's foreign trade. Unit loads represent the most important high value and fastest growing sectors of the economy. Furthermore, the structural changes of the economy mean that efficient fast transit of unit load cargoes is a fundamental requirement of competitiveness. If this shortfall in capacity is not remedied by extensive investment, its consequences could be so serious as to constrain the national rate of economic growth.

2.5 Port Sector Finances

Providing adequate and modern port infrastructure requires major investment in long term assets. Under the current system, the major ports are charged with ensuring that adequate finance is available to fund this investment. A measure of the scale of the investment that is required in the ports can be gleaned from the fact that the ports have sought €331 million in investment funds under the National Development Plan. The capacity of the ports to finance any significant portion of the necessary investments from internal resources is relatively weak. Table 2.9 indicates the level of turnover and profitability in the major ports. As shown, the absolute level of profitability is low, with the eight commercialised ports returning net profits of just IR£16.3 million

(€20.7 million) in 2000[3]. Moreover, the return on total assets reached just 7.1% in 2000. The table also shows that there are considerable differences between the ports in operating and overall margins.

Table 2.9: Turnover and Profits of the Corporatised Ports in 2000 (£000s)

	Turnover	Operating Profit	Operating Margin	Net Profit (Loss) £000s	Net Profit (Loss) % T/O
Cork	13,120	4,987	38.0	3,798	28.9
Drogheda	1,302	332	25.5	(200)	-15.4
Dublin	42,450	15,463	36.4	11,415	26.9
Dun Laoghaire	6,444	2,727	42.3	1,867	29.0
Galway	1,416	248	17.5	176	12.4
New Ross	1,054	27	2.6	71	6.7
Shannon Foynes	5,341	1,213	38.5	960	17.9
Waterford	3,148	759	24.1	(768)	-24.4
Sector	74,275	25,756	34.7	17,319	23.3

If Dublin and Cork are excluded, all the other ports together made a profit of just over £2.1 million in 2000 on turnover of £18.7 million[4]. Clearly, profits are wholly insufficient to generate the funds that are required for investment in the sector.

The differences in these performance indicators are reflected in a number of ports with weak balance sheets. It should be noted here that there remains an overhang of £40 million in Dublin Port as a result of pension liabilities and that this deficit must be eliminated by 2008.

Table 2.10 shows the values of assets and borrowings in the sector[5]. Total borrowings in the corporatised ports amount to £60 million. At under 20% of total assets this appears low. However, there are very large differences between the ports in terms of their indebtedness and real differences emerge when the yields earned from assets in various ports are compared.

[3] Most values in this section of the report relate to historic data and are expressed in IR£s, unless stated otherwise.

[4] The data for 1999 were as follows:

	Turnover	Operating Profit	Operating Margin	Profit (Loss)
Cork	11,485	4,006	34.9	3,179
Drogheda	1,160	304	26.2	(386)
Dublin	42,433	15,841	37.3	10,642
Dun Laoghaire	6,115	2,504	40.9	1,726
Galway	1,112	89	8.0	70
New Ross	1,047	257	24.5	345
Shannon	3,519	210	6.0	249
Foynes	1,773	646	36.4	489
Waterford	2,982	702	23.5	(101)

[5] These results are based on asset values as contained in the ports' published accounts. However, in a number of cases these may not be up to date given the rapid appreciation of land values in recent years.

Table 2.10: Financial Balances in Corporatised Ports (2000)

	Total Fixed Assets (£m)	Shareholder Funds (£m)	Borrowings £m	Borrowings %TA
Cork	61.1	28.7	5.0	8.2
Drogheda	15.2	9.1	5.5	36.2
Dublin	113.3	44.6	15.9	14.0
Dun Laoghaire	37.8	18.8	9.0	23.8
Galway	6.9	7.4	0.08	1.2
New Ross	9.5	4.3	3.3	34.7
Shannon Foynes	33.0	14.8	10.9	33.0
Waterford	30.9	3.8	10.3	33.3
Sector	307.7	131.6	60.0	19.5

These differences are indicated by the ratios in Table 2.11. There are considerable differences between the ports in terms of the turnover that is generated by their assets. These factors together lead to a situation where the return on assets (ROTA) in some ports is well below commercially acceptable levels. Only in Cork, Dublin and Dun Laoghaire is ROTA above 5%. These ports all have RoRo and LoLo facilities for container traffic. This ROTA and is a strong indication that assets are relatively under-utilised in some ports.

Table 2.11: Balance Sheet Ratios for 2000 (£000s)

	Return on Total Assets	Return on Equity	Gearing (%)	Interest Cover
Cork	7.5	16.0	17.4	15.0
Drogheda	1.6	2.6	60.4	2.0
Dublin	10.4	26.5	35.7	16.6
Dun Laoghaire	8.5	17.1	47.9	6.9
Galway	3.6	3.4	1.1	1.2
New Ross	0.3	0.6	76.7	1.3
Shannon Foynes	4.0	9.0	73.6	7.3
Waterford	0.8	6.7	271.1	1.3
Sector	7.1	16.5	45.6	6.0

Note: Return on total assets is measured as net profit before tax over total assets. It indicates the extent to which assets are being used to generate profits. Return on Equity is measured as net profits before tax over shareholders funds (i.e. the difference between total assets and total liabilities). When assessing performance, it should be compared with the risk-adjusted return that would be available from an alternative use of these funds.

The return on equity calculation provides a similar conclusion with the same ports providing acceptable levels of return but very low returns in a number of others. Finally, gearing and interest cover reflect the conclusion from Table 2.10. Overall, interest cover of 6 times, although falling in recent years, indicates that the sector is in a strong financial position as regards borrowing to finance investment, although ROE would need to improve. However, for ports such as Drogheda, Galway, New Ross and Waterford sufficient borrowing to finance requirements may not be possible.

From the foregoing financial analysis, it is clear that, if the ports are to make a significant contribution to financing the capacity enhancing investments that the whole economy requires, port profitability will have to be improved and new sources of revenue developed and exploited.

2.6 Conclusions

This section has shown that Irish sea ports play a key role in facilitating the international trade that has played such a key role in Ireland's economic development. Fast efficient freight transport will be no less important in future performance. A relatively small number of ports are pivotal to the performance of the economy accounting for the bulk of international trade. However, studies have shown that current capacity, particularly in relation to the handling of unit loads in these key ports will be insufficient to accommodate future growth. This means that increased investment to provide the necessary facilities is vital to the future performance of the economy.

The ports vary considerably in terms of their financial performance and the strength of their balance sheets. However, profitability is low. The ports have identified investment opportunities totalling €331 million, but total profitability in 2000 of only €22 million (£17.3 million). The returns that are available also mean that private investment is unlikely to be attracted into the core business. The Harbours Act 1946 also prohibits borrowing in excess of £50,000 by the relevant ports. This constraint deserves reconsideration. However, the internal profitability of the sector represents only a fraction of the total benefit of the ports to the economy. For example, the direct value of all activities in the Port of Cork in 1999, including expenditure on locally produced goods and services, amounted to £117.3 million (€148.9 million) and 886 full-time equivalent (FTE) jobs. The total contribution of all activities when the indirect and induced effects are included has been estimated at £224.1 million (€284.5 million) and 3,580 FTEs. A similar exercise by Dublin Chamber of Commerce for Dublin Port estimated the direct and indirect impact of the port at £66 million (€83.8 million) supporting 1,400 FTEs. The clear conclusion is that the benefit of the ports to the economy transcends the level of profitability that is achieved.

3. Property Holdings in Irish Ports

3.1 Results of Survey of Ports

A survey of the ports was undertaken by the Task Force to compile an audit of ports' estates and the uses of their properties. This survey also obtained information on the extent of leased property and on plans for the development of the properties. A copy of the questionnaire is contained in Appendix 4. More detailed information on the results of the survey is provided in Appendix 5. It is important to note that while the results are presented uncritically in this section, they should be read as the subjective assessments by the ports of the property that is available for redevelopment. As a result, the figures included in this section are presented as initial estimates and there are a number of reasons to believe that this issue is worthy of further research. One important objective of further research would be to identify any differences between the areas that are actually available at present and the areas that could potentially become available if all properties are utilised in a manner that maximises the socio-economic returns. This point is developed below. The extent of the properties in the ports is shown in Table 3.1.

Table 3.1: Port Estates and Leased Property

	Total area in the port	Leased Area	
		Acres	% of total estate
Ballina/River Moy	1.6	1.1	68.8
Cork Port	432.0	179.5	41.5
Dingle Harbour	0.1	0.0	0.0
Drogheda Port	101.0	24.0	23.8
Dublin Port	639.0	356.0	55.7
Dundalk Harbour	331.0	5.0	1.5
Dun Laoghaire	56.8	4.2	7.4
Fenit Pier	10.5	3.5	33.3
Foynes Harbour	126.0	86.0	68.3
Galway Harbour	70.0	25.9	37.0
Kilrush Harbour	7.6	0.0	0.0
Limerick Port	91.5	31.5	34.4
New Ross Port	29.0	1.8	6.0
Sligo Harbour	90.0	75.0	83.3
Waterford Port	204.3	62.0	30.3
Westport Harbour	12.0	2.0	16.7
Wicklow Harbour	7.3	1.1	15.1
Youghal Harbour	1.0	0.5	50.0
Totals	2210.7	859.1	38.9

Note: Bantry Harbour has not been included in this table as the company does not own any land.

The total port area in question amounts to just under 2,211 acres. Of this, 859 acres or 39% is leased to operators, usually private sector companies. Much of this is on long term leases and the returns that are earned are often very low, thereby raising the possibility that returns are well below what could be achieved if these properties were developed in an alternative manner. Clearly this is a major issue if the ports are going to maximise the returns from their properties.

The survey found that most leased land was let under the 1946 Harbours Act and included resumption clauses. The purpose of these clauses is to provide the port with a legal right to resume control of the property if it is not being used for genuine port related purposes.

3.2 Use of Port Estates

The land owned by the ports is used for a variety of purposes and a proportion is left unused. Table 3.2 shows the division of the estates between the core activities of the ports and other activities.

The ports identified that 1054.9 acres, or just under 48% of the total area, is used in the core activity of the port. This percentage tends to be higher in the larger trading ports such as Cork, Dublin and Foynes and is higher for leased areas in most ports. Of the 1,054.9 acres that are used in the core activity, 700 acres are leased to operators. The ports also control a further 997 acres of land that is not leased to other operators and is not used in the core activity. This means that out of a total area of 1,351.7 acres that is not leased, only 354.35 acres, or 26.2%, is used in the core trading activity of the port.

For most ports, the leased areas that are not used for core activities, as defined by the ports themselves – and are therefore potentially available for development – are fairly small. However, the observations of the Task Force are that there are many activities currently carried on in the ports that are related to the core trading activity, but which could take place outside the port. These involve, but are not limited to, activities such as oil and LPG storage and the long term storage of unused empty containers. Clearly, moving these activities outside the port area would free up land in the ports. This would provide an efficiency gain from the point of view of the economy as a whole. However, in many cases, there is little financial incentive for private commercial operators to make this move. In such a circumstance, the feasibility of public sector intervention to provide a relocation incentive should be examined.

Table 3.2: Port Estate Uses (acres)

	Area used in core trading activity	Area not used for core activity		
		Non Leased	Leased Area	Total
Ballina/River Moy	0.0	0.5	1.1	1.6
Cork Port	312.7	119.3	0.0	119.3
Dingle Harbour	0.1	0.0	0.0	0.0
Drogheda Port	38.0	58.0	5.0	63.0
Dublin Port	477.0	132.0	30.0	162.0
Dundalk Harbour	6.0	325.0	0.0	325.0
Dun Laoghaire	9.6	43.0	4.2	47.2
Fenit Pier	1.3	6.8	2.5	9.3
Foynes Harbour	96.7	27.8	1.5	29.3
Galway Harbour	31.8	33.1	5.1	38.2
Kilrush Harbour	0.0	7.6	0.0	7.6
Limerick Port	31.5	28.5	31.5	60.0
New Ross Port	0.6	27.0	1.4	28.4
Sligo Harbour	3.3	14.0	72.8	86.8
Waterford Port	40.1	162.3	1.9	164.2
Westport Harbour	0.0	10.0	2.0	12.0
Wicklow Harbour	6.3	1.0	0.0	1.0
Youghal Harbour	0.0	0.5	0.5	1.0
Totals	1055.0	996.4	159.5	1155.9

Note: In this table, the 132 acres of land that is not leased but is not in core use in Dublin Port includes roads, lands at North Bull and the South Wall that are unsuitable for the development of commercial operations. The Cork figure includes 34 acres at Dunkettle that is due for reclamation.

3.3 Area Available for Redevelopment

The size of estate that is available for development varies considerably between the ports. This is affected by the size of the overall estate and the prospects for trade in the future in each port. In addition, specific factors such as the suitability of existing premises and locations to meet the demands of freight transport in the future are important. As a result, a number of ports will be simultaneously experiencing capacity constraints at the quayside and under-utilised land away from the water's edge.

The data in Tables 3.1 and 3.2 were compiled from the survey of ports. Some of the information obtained from this survey required clarification and the ports were contacted as appropriate. The ports' own definitions of core activity were accepted. The key calculation from the survey was to determine the extent of the property that is available for redevelopment in the ports. Initially this was calculated as a residual i.e. the total area less the leased and non-leased areas that are used in the core activity. In a number of cases the resulting estimate had to be modified to take account of areas that could not be developed, for example, the public access areas in Dun Laoghaire and tidal areas in Dundalk. Other ports also indicated that currently unused land was not available for development, as it would be used in the near future for the creation of new trading capacity. In total, this exercise results in an estimate that there are just under 540 acres of land in the ports that could be developed, as shown in Table 3.3[6].

The summary of core and non-core is a subjective view from each port authority. The Task Force are of the view that there may be more land with development potential in every port. As a result, a key recommendation is that an independent audit of all ports should be undertaken to establish the actual potential. In particular, the independent audit should clarify the basis on which activities should be considered core and non-core and the extent to which the core activities must be carried on close to the waterfront.

Table 3.3: Port Estates Available for Development (acres)

	Area available for development of new revenues
Ballina/River Moy	0.4
Cork Port	2.3
Dingle Harbour	0.0
Drogheda Port	63.0
Dublin Port	13.0
Dundalk Harbour	153.0
Dun Laoghaire	9.3
Fenit Pier	7.8
Foynes Harbour	40.0
Galway Harbour	10.6
Kilrush Harbour	7.6
Limerick Port	60.0
New Ross Port	27.0
Sligo Harbour	33.6
Waterford Port	97.9
Westport Harbour	12.0
Wicklow Harbour	1.0
Youghal Harbour	0.0
Totals	538.5

The Task Force stresses that these estimates are produced on the basis of the port's own current plans. In fact, the actual land that is available should be the sum of three distinct calculations:

1. the property included in Table 3.3

[6] This assessment takes no account of the commercial viability of attempting to do so.

2. any additional property that would be identified through an independent audit by property consultants, in other words, property that would be freed up for development on the basis that its current use is not maximising returns, provided such property was not essential to the port in fulfilling its role in providing Ireland with an effective and efficient trading system

3. additional property that would be freed up in the ports as a result of intervention by the Department as part of the implementation of Irish port policy. This would include property freed by the relocation of some activities, efficiency inducing capital deepening or the exit of some ports from trading.

Merely calculating the area that is available for redevelopment is not necessarily an accurate indication of the land that can be identified as a potential revenue generating resource. There are important constraints on the potential of available land to be used for revenue generation. Contamination, both known and unknown, has proven to be an important issue and is a costly problem to overcome. Some recovery or reclamation investment may also be required on port property before the land becomes suitable for alternative uses. Preserving and in some case enhancing public access is important in some case while the impact of development on the environment is a key issue for consideration in all development plans. Finally, given the likely role of private funds in financing regeneration, the commercial returns that can be earned are important. In this respect, the market price of adjacent property and the demand for new activities in the area are central considerations.

3.4 Other Ports not Included in the Survey

There are a number of other small ports that not included in the survey results. The information below is taken from the 1999 KPMG report on regional ports and harbours. In general, the exception being Arklow, these ports are not only small, but have declined, over a prolonged period. Facilities are often poor and, in most cases – the exceptions being where the port is located in an area where tourism is strong – attracting private sector investment would be a problem. As a result, the opportunities for development of new revenues are probably limited. However, this general conclusion would require greater examination of specific cases.

Annagassan Pier

There is very little activity in Annagassan. Plans have been mooted for the development of a marina, but the area is not noted as a strong tourism location and although it could potentially benefit from the overcrowding of the marina at Carlingford, development in this direction is likely to remain limited. Local plans aim to develop residential accommodation in the area and the location on the Dublin-Belfast corridor could mean that in the long term this will be feasible.

Arklow Harbour

Arklow handles about 200,000 tonnes of fertiliser and £1 million worth of fish landings per year in addition to some other minor trade. This cargo is handled at three berths on the North Quay. Future growth of trade in the port is closely dependent on the performance of the local fertiliser industry. There is also an unused South Quay and Wet Dock. It has what is described as a large landbank that is leased to commercial interests and provides a poor return. Piers and buildings are generally in a reasonable state of repair but warehousing and storage space in the harbour is limited. Access is also a problem. Development of a marina and associated residential development in the vicinity suggests that opportunities exist in Arklow, particularly where the private sector can be included. In addition, the proposed development of a major offshore wind farm at Arklow Bank will require new quayside facilities.

Baltimore & Skibbereen Harbour

Baltimore is a major fishing harbour and is also the location of island ferries. Opportunities for the development of marine tourism are good. Overcrowding is a problem in high season on both the land access and in the harbour and, as a result, further development capacity is limited.

Kinsale Harbour

Marine leisure and fishing are important in Kinsale. Feed stuffs are also handled and marinas have been developed. Space is very limited and developments, which are likely to be leisure related, are tightly controlled.

Wexford Harbour

Wexford is mainly concerned with fishing activity and earns some rental income from its properties. There would appear to be good opportunities for the development of facilities for marine tourism and leisure with a marina.

3.5 Interpreting the Port Property Figures

The figures presented and analysed above are based on information returned from the ports and, while they provide a current snapshot of the situation, they should only be taken as indicative of the detailed development potential that is available. In some cases, problems of access, location and land quality mean that realisation might not be possible. In other cases, re-organisation of the port’s operations and the redefinition of the core activity function, resulting in the relocation of some port activities outside the port, would free up additional land.

The Task Force has concluded that a much more comprehensive assessment of the potential for development on port estates is warranted and that the information collected to date should serve only as a preliminary audit. The main reason is that these results are based on subjective assessment by the ports themselves and, in many cases, these may differ from the results that would emerge from an objective examination. In addition, the Task Force has not challenged the ports regarding the definition of their core activities. However, it is of the view that there are many core port activities that do not need to be undertaken on the valuable land close to the water.

This is an important point for two main reasons. First, the absence of a comprehensive examination by property experts means that it cannot be concluded that the ports would be maximising the returns from their properties even if the lands that have been identified as under-utilised were to be developed. As pointed out earlier, a number of the ports are either no longer involved in trade or are preserving properties in the hope of developing a trading function in the future. In a number of cases, it is possible that these ports would maximise returns both privately and socially by abandoning the pursuit of port business and releasing the waterfront location for an alternative path of development. Clearly, the specific circumstances of each port will be important in making individual decisions.

Second, this provides an opportunity to stimulate restructuring in the operation of the ports by removing non-essential activities away from the vicinity of the port thereby allowing the development of more efficient and less costly – in terms of their social impact – supply chains. Relocation of certain activities would reflect the changing role of ports in the supply chain. The traditional image of a port stressed its role in performing the specialist task of transferring freight from land-based to water-based modes of transport. While this is clearly the primary function it masks the deeper truth that shows ports as a cog in a much larger system. This system – the supply chain – is increasingly driven not by the needs of the port but by the demand of end users. This has important implications for the way in which ports can contribute to wealth creation. An outcome of this development has been the expansion of the port zone to include freight corridors associated with the inland part of the transport chain. In this context, port activities may be categorised into two broad areas:

- Port-specific activities essential to the operation of the port and located within the 'internal' port zone, and
- Port-related activities that are essential in the logistics chain but do not need to take place within the port zone itself.

In addition, a number of ports need to exit as ports, thereby allow a rationalisation of the port sector in Ireland.

The Task Force has confined itself to identifying the general approach that should be taken in the future. It has also identified the existing barriers inhibiting optimal development as including:

- lack of expertise and resources to undertake profit enhancing decisions,
- local inertia,
- legal or planning obstacles
- weaknesses in port policy
- lack of the incentives and institutional structures to support these developments.

A number of the recommendations in this report are designed to deal directly with these issues.

4. Case Studies of Port Development and Property Management

4.1 Selection of Cases

This section contains case studies of individual ports to illustrate some of the issues that arise in the development of revenues from port estates. Clearly, the discussion is port-specific in each case, although some common features arise and many of the issues raised are relevant to other ports that are not included in this section.

The limited timeframe available to the Task Force dictated that only a representative number of the ports could be studied in any detail. The first two cases are Cork and Dublin. These are included as these are the largest ports and have considerable land resources. In addition, both are continuing to grow and both are experiencing changes in the nature and location of the facilities that are required to handle current and future trade.

The next two ports are Dun Laoghaire and Galway. Both these ports have commercial trading operations but handle limited amounts of trade in terms of its national impact. Both these ports have also been experiencing constraints on their ability to grow due to the demands for alternative uses for the property and difficulties with landside access.

The final case studied is Sligo. Trade through Sligo Harbour has been small in recent years, but it retains a considerable landbank in a strategically important location in terms of the future development of the town. In addition, the Harbour Authority has produced a plan for the commercial development of its property, although external assistance may be necessary if this is to be realised.

4.2 Cork

The Port of Cork consists of a number of sites located around Cork Harbour. The main trading locations are at City Quays, Tivoli and Ringaskiddy. Other cargo handling locations include Whitegate, Marino Point, Passage West and Haulbowline. There are passenger facilities at Ringaskiddy and Cobh, and a number of leisure facilities and marinas around the harbour. In addition, the Port is responsible for a number of non-commercial piers, some of which are of amenity or heritage value.

Total traffic in 2000 was 10.14 million tonnes of which oil amounted to 5.86 million tonnes (58%). Total revenues amounted to £13.12 million and produced a net profit of £3.8 million. The port has a strong balance sheet with continuing growth projected although margins have come under pressure in recent years. This pressure and the prospect of further growth causing capacity problems prompted the port to prepare a strategic plan for its development. This recently completed plan also includes plans for the development of the port's estate and has been produced in the context of a major study of the future development of the Cork area. Furthermore, some of the port's facilities are old and require upgrading to meet the evolving trends in cargo vessels and the structure of Ireland's trade. The port is also aware of limitations due to the physical nature of Cork harbour, particularly in relation to depth. Finally, there is the prospect of increasing conflict from the varying demands that are put on the resources of the area from leisure, residential, amenity, commercial, industrial, environmental and planning interests.

A major part of the study was to examine the sites that are available for the development of new facilities to accommodate trade in the future. From this it has become clear that the port will require considerable investment in infrastructure in the period up to 2020 if it is to continue to play a leading role in facilitating trade. The study also identified requirements for the development of logistics facilities, transport upgrades and operational innovations. Some opportunities to develop new revenues, particularly from brownfield sites that are not required in the future, were identified but these streams appear to be relatively minor when compared with the investment that is required. The Task Force is concerned however that the port perceives that there is very little property available for redevelopment. Within current strategy this may well be the case but a different approach could provide opportunities. One example is the wide area of unused land in the vicinity of the LPG storage tanks. These sterilisation areas are required for safety reasons, but the Task Force questions the wisdom of continuing to site these tanks on valuable property in the longer term.

The scale of the investment that is required means that internal resources will not be sufficient. As a result, while the plan is in place, the ability to deliver it is uncertain. This means that, in the absence of substantial investment, innovative approaches for the development of new revenues will be required.

4.3 Dublin

Dublin is by far the largest and most important port in the country on almost any measure including the scale of the estate that is controlled. The port handled 15.9 million tonnes in 2000 producing a turnover of £42.5 million and a profit of £11.4 million. Passenger numbers through the port reached 1.44 million in 2000. The port offers the widest range of services in the country and continues to grow rapidly. Capacity constraints are likely to be a major problem in the future. In total, the port covers 639 acres and owns a very large foreshore. Of the total, 356 acres are leased and produce rent of £4 million per annum. Much of the leased area produces low rents and the increasing value of property in the vicinity and periphery of the port means that leaseholders have considerable opportunity to gain from capital appreciation.

The port has engaged in non-core development most notably in the case of East Point Office Park. Further opportunities for office-type development on the periphery of the port are being examined and the port has undertaken a study of its estate management and opportunities in the recent past. However, while recognising opportunities, it is also important to remember that port operations – perhaps as a result of noise, air pollution or lights at night – are not always compatible with developments in non-related sectors. As a result, there is a risk that inappropriate development too close to the working area of the port could lead to intensified conflict with other demands in the future. The danger is that this could impose restrictions on the crucial trading operations of the port.

The port is currently in the process of transferring some operations to the south side of the river and the main requirement for port operations in the future is greater waterside access to sufficient water depth. It is clear that there is a considerable area of land, currently leased, that is used for activities that, while essential to the operation of the port, do not need to be undertaken in the immediate vicinity of the port. These include the storage of oil, the long-term storage of empty containers that are not destined for imminent export and other low capacity methods of storage. The port has regained control of some of these lands but it is clear that there is a long way to go. The process has been slow for a number of important reasons. First, the existing leaseholders recognise the value of their leases and are mostly unwilling to unilaterally move their operations to what might be more appropriate locations outside the port area. Second, there would be costs entailed in moving and there is no structure in place to allocate these costs between leaseholders, operators and the port as landlord. Third, planning permission would need to be acquired for alternative investments before the movement of existing operations out of the port could be contemplated. Yet, many of the current port-related operations impose heavy costs on the city. A good example is the continued oil storage in the port. This places high costs on the city as a result of the extra traffic that results as well as taking up about 90 acres in the port. However, although there would almost certainly be major benefits to society from the construction of a pipeline to a remote storage location, the planning process for such a development would be likely to be difficult with no certainty of success on what would be likely to be a marginal project from an internal commercial point of view. Finally, development on these lands would almost certainly involve high value, non-port activities. The fear is that this could interfere with the port’s core operations. However, Dublin Port’s application for the reclamation of 52 acres of foreshore is currently being considered and, if successful, would allow for the development of sufficient capacity to overcome the shortfall mentioned above. It would also enable the release of non-water adjacent land for other uses.

The situation in Dublin therefore is that from an objective viewpoint there would appear to be considerable opportunity for the regeneration of lands in the port. However, there are important forces that have meant that this remains largely unrealised to date. Overcoming these would be a major challenge and would require a coalition between the port, the leaseholders, other stakeholders in the vicinity of the port and an external planning body to provide cohesion. The broad range of interests that are represented on the Dublin Docklands Development Authority (DDDA) provides a good example of the potential gains from such an approach since the co-operation of Dublin Port and other state agencies was crucial in encouraging the regeneration of the area. This is discussed further in Appendix 6 below.

4.4 Dun Laoghaire

Dun Laoghaire Harbour is an important heritage site. A number of buildings within the harbour including the piers are protected structures and conservation areas. There have been on-going tensions regarding the future of the facilities and many issues remain unresolved. Currently debate is centred on recent expressions of interest from the private sector to develop port-owned areas around the Harbour Company offices and a long-running debate in relation to the development of the Carlisle Pier and the prospects for a National Maritime Museum.

Dun Laoghaire's commercial facilities are designed principally for ferry transport and are unable to accommodate other vessels although new facilities could be installed. The ferry accounts for 90% of revenue although other sources of revenue have grown in recent years. Revenue from the new marina is currently £300,000 per annum and it is forecast to breakeven in 3 years time. The port is also in the process of utilising spare land through office and other commercial development. As a result, although there is a tension between different interests regarding the future operation of the port, it is clear that the commercial operation pays for the expenditure incurred in the upkeep of the heritage assets. However, almost all the growth in surplus in recent years has been wiped out through the payment of rates and taxes.

Piers require on-going maintenance and lack of investment in conserving the port's infrastructure in the past has left a costly legacy in terms of overdue repairs. The development of revenue from the estate is necessary to meet the costs of overcoming this problem. The Harbour Company does not own its foreshore and although there are 58 acres of land only 9 acres are available for development with the rest reserved for public parks and public access. A number of problems would also arise in developing assets, such as, opposition to private development if it impinges on public access areas and the terms for inclusion of private interests.

Dun Laoghaire-Rathdown County Council are strongly of the opinion that the most appropriate form of development within the port is marine related recreation and tourism and that residential development within the harbour area would not be appropriate. The Task Force concurs with this view and stresses that development should be such that it maximises public and social returns. The view was also expressed to the Task Force that the existing development plan for the harbour is no longer appropriate and is not co-ordinated with the Council's development plans for the adjoining area. The most fundamental criticism that has been made is that the existing plan is progressing on a piecemeal basis with each stage being required to show a return on a stand-alone basis. This approach by the Harbour Company is in contrast to the alternative of a joint venture between the Harbour Company, the Council and private interests for the redevelopment of the whole waterfront area. Tax incentives are available in respect of part of this location.

Non-ownership of the foreshore has been identified as an important impediment to planning and development in Dun Laoghaire. A PPP or joint venture for the development of the Carlisle Pier would be likely to include commercial activities. The Task Force has concluded that while Dun Laoghaire affords a valuable opportunity for the development of marine based recreation and tourism-related facilities, progress towards this objective is blocked by the absence of a development plan that has been agreed with the local community.

The very high opportunity costs of continuing as a commercial port must be included in any decision. Access will continue to be a problem and trucks cannot continue to pass through Dun Laoghaire in the long term without disrupting the existing infrastructure. The Task Force has concluded that greater study is required of Dun

Laoghaire's continuation as a commercial port for international trade in the medium term, leading to the development of an exit strategy if appropriate.

4.5 Galway

Galway Port is located on Galway Bay and in close proximity to the city centre. It is the second smallest of the eight commercialised ports with a throughput in 2000 of less than 730,000 tonnes. It is primarily concerned with receiving oil and the economic impact of having an oil receiving facility in the region is said to be considerable. Other cargoes, particularly bulk shipments, have declined in recent years and there would be likely to be opposition to their resumption. The Port is close to the centre of the city and there has been substantial redevelopment of residential and leisure based facilities in the port's immediate vicinity in recent years. Some of the residential development has been on land that was sold by the port. There is a perception that the city is encroaching on the port and relations between the port authorities and the city planners have been strained in recent years.

The main element of the Port's plan going forward is the development of a large area of reclaimed land to the immediate east of the existing facility. This is to be used for a number of port related developments with the relocation of oil storage facilities being an important element. Other uses of the reclaimed area are possible but have been precluded by the planning authority. This relocation of oil storage tanks would free up a valuable site that is mostly in the Port's possession close to the city centre. There are plans for the development of this site. The Port also has outline plans for the construction of an offshore oil landing facility with the oil being piped to the new storage area on the reclaimed land. There are sufficient finances to undertake small investments in facilities but state funding would be required for this development. It appears unlikely that this will be forthcoming.

It is clear that the Port's plans and outlook are set in terms of maximising its growth as a freight handing port with oil being the main cargo. The objective is clearly to grow internal returns through this approach. In doing so there would also be definite benefits to the extended hinterland in terms of lower transport costs for fuels. However, the Task Force is concerned that more attention should be paid to the opportunity costs that development in this direction would impose on the city. This would also increase the conflict between the activities of the port and the general direction of development of Galway in recent years. Indeed the wider social costs of this strategy may well outweigh any private benefits through inhibiting the current direction of development in the city, particularly as the basis for the benefits that have been estimated are unclear.

The Task Force is concerned that the objectives being pursued by Galway Port should be in line with the existing realities of the competitive economic advantages of Galway City. Its contribution to the regional economy and to the efficiency of the Irish transport system is positive, but the direction of development, while in the interests of the Port in terms of achieving internal returns from freight throughput, is potentially very costly for the economy. It is unclear that the return on assets will be maximised under the current approach and it is almost inevitable that the sources of conflict with the planning authorities will increase under this strategy.

Re-examination of the Galway strategy from the points of view of maximising the return on the port's assets to the Port, the city and its contribution to the Irish economy would suggest that Galway should aim to develop primarily as a property management company that is also engaged in the areas of operation – such as leisure and tourism – where Galway has an undoubted advantage. The problem is once again that this requires the existence of an institutional structure wherein this perspective of social returns could be articulated and appropriate objectives pursued. In summary, the Task Force has concluded that the future operation of Galway as a commercial port requires study. The role of the Minister as the sole shareholder in this regard is crucial.

4.6 Sligo

The volume of cargo that is handled in Sligo Harbour is small with a total of 37,000 tonnes in 2000. The port owns 90 acres of which only 3.25 leased acres are used for core activities. Of the remaining property 72.25 acres are leased and are used for a variety of non-port related purposes. Most of these leases do not include a resumption clause. The remaining 15 acres are used for other purposes. It presents an interesting case study for the potential for development of port estates since a plan for its property has been prepared. However, lack of finance and expertise mean that assistance will be required if the objectives of the plan are to be achieved.

It is clear that the land holdings in Sligo are far in excess of what is required for current or future trade. Returns to the port from current uses are low and, because many of the holdings are in prime locations, lack of regeneration has meant that the town centre has not developed as well as it could. This has also inhibited the town's development as a gateway town under the NDP. Because of this, social returns from these pubic resources are not being maximised. A development and regeneration plan has been prepared for the area. This plan includes plans for reclamation and amenity development of the foreshore towards the upper end of the quay. Tourism, office, residential and other commercial development is also included and the use of PPPs is being considered.

Regeneration along the lines contained in this plan would be an ambitious undertaking for Sligo Harbour board and the report cautions against proceeding on a stand-alone basis. The danger however is that over-reliance on private sector interests could reduce the influence of local community on the type of development that takes place. A development body is required to protect these interests. It is estimated that in the region of €2.5 million of state assistance is required to start the regeneration process. In addition, it is important that specialist advice is made available and that the development body is empowered to identify the social benefits of regeneration thereby providing leverage and access to public funds. There are other issues to be addressed also, for example, the port does not own the foreshore and this is seen as a big problem.

5. Institutional Issues Regarding Development

Previous sections of this report have looked at the two most important determinants of the potential for development in the ports: the primary commitment to trade and the available lands. The feasibility of development plans in terms of the availability of finance has also been touched on but assessment of overall feasibility requires close examination on a case by case basis. This section deals with a number of other issues that may determine the form of development that is possible.

5.1 Strengthening Current Port Policy

The financial objective of the Task Force could be stated as creating a framework for maximising the returns from the assets of the ports. In approaching this, the Task Force is aware that this can be analysed at a number of levels and from different perspectives. The first and overarching perspective is the need to ensure that the port sector as a whole maximises its contribution to Ireland's international trade. This is, and will remain, the primary role of the port sector. The policy approach to achieving this has been to provide each of the main ports with a commercial mandate. This means that each of these ports has an incentive to expand its trading operations in a profitable manner. It is now recognised that there are some deficiencies in this as it currently operates with the need for rationalisation and amalgamation becoming increasingly clear. This emphasis on the commercial operation of each port provides the second perspective: the objective of maximising internal returns in each port. Indeed, the apparent equivalence in the official approach, as contained in the Department's policy for ports, between the maximisation of private returns by each port and the maximisation of the overall contribution of the port sector means that this perspective has come to dominate strategy in the sector. The third perspective is the objective of maximising each port's contribution to the local and regional community within which it is located. This introduces a complication since, while the role of the port sector in Ireland's international trade remains inviolable, not every port has a part to play that is sufficiently important to warrant that the pursuit of traditional trading activities at the local level should always preclude the use of the port's properties in other ways.

The key role of the Department of the Marine and Natural Resources is the corporate governance of the major ports. However, there are wider issues of relevance relating to the total return to the economy and the local community from the use of the assets in the ports that go beyond the pursuit of commercial objectives. The optimality of the existing spatial structure of ports requires study. Ports exist in their current locations for mostly historical reasons, but the extent to which these locations serve to provide Ireland with the best possible trading facilities – given the limited resources that are available – has not been examined. Clearly, it is necessary for the overall structure to be optimised and for each port to make the maximum contribution within this structure.

Internal commercial objectives may not provide a sufficiently comprehensive measure of a particular port's potential or its performance under the expanded objective of total contribution to Irish economic and social life. Thus, in instances where there is excess property, more broadly based indicators are required. The nature of these will vary from port to port given the potential and requirements of the local economy. However, a general requirement is that the direction and incentives must be in place to bring about the maximisation of the wider economic contribution of the ports, as well as achieving internal objectives. The role of the Minister is important since he is in a position to represent the national or social interest thereby counteracting the incentives that direct managers towards achieving internal or narrow objectives, particularly in relation to the main trading ports.

The Task Force has concluded that reconciling this public/private dichotomy in the objectives that face decision-makers in the ports is of central importance to ensuring that the port sector operates in a rational manner to provide the most efficient trading system for Ireland. The function of the Department in formulating policy, for example in relation to exit strategy, also requires clearer enunciation. As the sole shareholder, the Minister is in a position to insist on particular paths of development in all the ports and the Department itself needs to continue to develop social and spatial strategy for the port sector. The National Spatial Strategy, due for publication this year, offers the Department an opportunity to revisit the issue of strategic port location.

5.2 Strategic Planning in the Ports

The emphasis in port policy on commercial objectives has been reflected in the strategic focus of planning in the ports. However, it is important that the strategic plan for each port is sufficiently broad in its focus to take account of the port's role in:

- Promoting the overall efficiency of the transport system in Ireland
- Stimulating regional industrial development
- Achieving the maximum return on assets
- Creating opportunities for recreational and amenity development
- Enhancing the living environment in its vicinity including mixed developments in the immediate hinterland
- Accommodating change in the economy
- Meeting increasing social demand for amenity and leisure space
- Conserving the heritage value of the port's property

This means that an approach by each port to strategic planning that aims solely to maximise its throughput of freight will almost certainly fall short in terms of maximising the economic contribution of the port. Indeed, for many ports, it is probably true that cargo throughput and commercial profitability provide little indication of the performance of the port in terms of its economic contribution relative to its potential.

The Group is concerned by apparent deficiencies in the strategic long term plans of the ports that comprise the port sector. The primary purpose of the ports as identified under the 1996 legislation, is trade, but they are not precluded under this legislation from engaging in other activity. This focus persists even in ports where trade is small and the property holdings of the ports are considerable, and where the original historical *raison d'être* for the existence of the port in its current location may have disappeared, due to industrial development or decline, population shifts and the evolution of transport systems and infrastructure. As a result, some ports do not perceive that they have potentially valuable resources in the lands that are currently under-utilised.

The issue can be analysed in terms of the maximisation and distribution of gains from utilising the assets of the ports. Where the trading function is not so clear, or where it can be fulfilled through the use of only part of the property assets of the port, decisions arise in relation to the way in which the port can maximise the returns from its assets. In some circumstances there are straightforward solutions available. The most promising appear where a port can develop its assets profitably through meeting the needs and demands of the local community. The development of leisure and amenity facilities are clear examples. However, such solutions are not always easily available. In addition to lack of opportunity and lack of vision or competence, a failure to reconcile the maximisation of private returns with social returns is a major determinant of under-utilisation of property assets.

This problem is not unique to the ports. For many years vacant sites around Dublin inner city were a common sight. In many of these cases, the prospect of higher returns at some unspecified date in the future meant that leaving the site empty gave the best private return, although it is quite clear that this was far from optimal from a social perspective. In this case, fiscal incentives in the first instance and the prospect of penalties at a later stage stimulated rapid change.

While there are similarities, the situation in the ports is actually somewhat simpler for a number reasons. First, virtually all the property is in public ownership. Thus, while the ports have a commercial mandate that provides the incentive to maximise private returns, the public sector can clearly act in the public interest to influence activities to emphasise the importance of social returns. Second, the lands in question are clearly defined. Thus, the identification of areas for development is less problematic than elsewhere in cities. Finally, the properties involved are often of high value with strategically important locations in terms of the performance of the local economy. This means that they are well positioned to play a leading role in the local economy. In summary, therefore, there are characteristics of port estates that make them particularly suitable for development in terms of their return to the community.

The Task Force sees the identification of ports whose future contribution is not primarily from trade as a major aspect of its work. For these ports, the exploration of opportunities for the development of tourism, leisure, retail and residential facilities is more important than developing cargo handling. Failure to move in this direction means that whatever benefits are being derived from traditional trading operations that do not have a strategic importance to the local or national economy must be assessed against the opportunity cost of ignoring the port’s potentially greater contribution to the wider community. This is likely to provide a very different balance than is obtained from observation of a narrowly focussed profit and loss account.

5.3 Legal Issues

The leases that were given by the ports to private interests in previous years has been identified by a number of ports as an important legal obstacle that is restraining their ability to develop their properties. In a number of cases, these leases provide poor revenue streams and inhibit the development of the port. Furthermore, there is little evidence that they have been granted in a manner that maximises the social return from the properties. However, in many cases the leases are viewed as valuable assets by the leaseholders. It should be noted that in the majority of cases the leases include a resumption clause that is related under the 1946 Act to the use to which the property is being put.

It has been suggested that any potential conflicts between ports and leaseholders could be resolved by recourse to law. It has also been suggested that certain provisions of the Landlord and Tenant Act should not apply to the ports. However, the idea that the Landlord and Tenant Act should be unilaterally revised in the future solely to limit its applicability in the ports is unsustainable. First, the leaseholders are not all small private companies but are in many cases major corporations such as the oil companies. Any litigation is likely to be expensive, prolonged and difficult to win. This would also apply to legislative change. In addition, the potential overall economic cost to the country from the pursuit of such cases could greatly outweigh the potential benefits to the ports from regaining control of leased lands. Second, there is also a 'natural law' issue that questions the right of the state to change its laws in order to favour a commercial interest under its own control or ownership. The arguments that this raises go well beyond economic analysis but there is a case to be made that the general approach of the Irish legislature in recent decades has been towards the avoidance of pursuing actions of this type. However, there are options for innovation in this area. Most notably, consideration should be given to enabling the extension of the right for both parties to renounce their Landlord & Tenant Act rights. This option is available in relation to office developments but has not been extended to include other categories of commercial property. This route would introduce flexibility into the agreement while preserving the existing security that is offered by the Act. This would help to facilitate a commercial approach.

The availability to the ports of Compulsory Purchase Order (CPO) rights under the 1996 Harbours Act is a further issue. However, this provision has not been legally tested and the threat of CPO could act to inhibit private sector investment on port property.

The Task Force has concluded that while there are numerous complex issues relating to leases that may require legal opinion, and possibly judicial decision, the better strategy for the ports is to avoid adopting a legal approach in the first instance. Adopting a legalistic stance risks an approach that produces a 'winner take all' outcome. This is likely to be costly, restrictive in terms of the range of outcomes that are possible and sub-optimal in terms of the result that is produced. However, clarification of legal issues is required as a prerequisite to stimulate private investment. Thus, a legal approach, through providing clarification, is a tool to create the conditions for the resolution of problem rather than a solution in itself.

The issues are basically commercial. Both the leaseholders and the ports believe that they have the rights to a valuable asset. A commercial approach emphasises and facilitates an outcome that maximises the return on those assets, not *a priori* decisions in relation to whom the assets are assigned. The range of options for development is also greatly expanded. These may range from sole development by the port, through a joint venture approach, to development by third parties. The clear requirement is that the option with the highest, potential overall return on the assets is identified and that a strategy is pursued that will deliver this. Direction is required to encourage the ports and the leaseholders interests to align their interests. This should not preclude the use of legal procedures to clarify issues, but this should be used only as an aid to achieving the objectives of the ports and the leaseholders.

Ownership of Foreshore

The ports have raised two important issues in relation to the foreshore and its impact on development. The first concerns the ownership of foreshore. Information on foreshore ownership was obtained in the survey of ports that is described in Section 3 above and is shown in Table 5.1.

Table 5.1: Ownership of Foreshore

Ballina/River Moy	Port owns foreshore
Bantry Harbour	Private ownership
Cork Port	Port owns 205 acres, mostly reclaimed or used
Dingle Harbour	Port does not own foreshore, leased from DoMNR
Drogheda Port	Port leases 50 acres from DoMNR
Dublin Port	Port owns 1,400 acres
Dundalk Harbour	Port owns foreshore
Dun Laoghaire	Port does not own foreshore
Fenit Pier	Part owns part of foreshore
Foynes Harbour	Port does not own foreshore, leased from DoMNR
Galway Harbour	Port does not own foreshore
Limerick Port	Port does not own foreshore, leased from DoMNR
New Ross Port	Foreshore is leased only
Sligo Harbour	Port does not own foreshore
Waterford Port	Port does not own foreshore
Westport Harbour	Port owns the foreshore
Wicklow Harbour	Port does not own foreshore
Youghal Harbour	Port does not own foreshore

The foreshore is defined as the area from the mean high water mark (HWM) as shown on an ordinance survey map to the 12 nautical mile limit (approximately 22.24

kilometres) of territorial waters. All foreshore is considered to be under the ownership of the state unless private title can be shown and its use is controlled under the Foreshore Acts 1933 to 1998. A charge or rent based on the advice of the Valuation Office is payable for the use or occupation of foreshore. A number of standard rates in this respect have recently been compiled. Applicants for a lease or licence are advised of the annual rent for a 35-year lease and the amount that the State would accept to sell the freehold on the site. In cases where long-term of tenure is critical the lease may be granted for a period of 99 years.

The second issue identified by the ports concerns the planning process as it relates to foreshore and the way that it may impact on the development potential of port estates. Permission must be sought from the Department of the Marine and Natural Resources under the Foreshore Acts 1933 to 1998 in order to carry out any works on a foreshore area. These acts require that a licence or lease must be obtained from the Minister for the Marine and Natural Resources before commencement of any works (including the erection of any structures) on State owned foreshore.

The legislation provides for three forms of authorisation: a lease, a licence or a foreshore permission. A lease is normally granted in respect of what are considered permanent or semi-permanent structures such as a pier or a slipway. A foreshore lease can also cover exclusive use of the foreshore where construction is not involved. A licence refers to the temporary occupation of State owned foreshore or where the works involved are minor. A foreshore permission is used where the foreshore in question is privately owned and the Minister for the Marine and Natural Resources may only refuse permission on grounds of interference with fishing or navigation or on environmental grounds.

Applications to the Department are assessed by the Marine Licence Vetting Committee and may involve consultation with the Fisheries Board and Duchas. A public consultation process is required and the application must be advertised in a locally read newspaper and made available along with the relevant plans and drawings in the nearest 24 hour Garda Station. Objections or submissions must be furnished within a month of the advertisement’s publication. Certain large-scale developments also require an environmental impact statement (EIS). Following consideration of any objections the Committee makes a recommendation to the Minister to grant or refuse permission. If ministerial approval is granted the lease or licence is forwarded to the Chief State Solicitor’s Office for approval.

A number of the ports have particular concerns regarding the relationship between the permission that is required from the Department and the permission that is the responsibility of the local authority and the fact that the time frame for the process in relation to foreshore is poorly specified. Under the existing system, all structures above the HWM require planning permission from the local authority and, while developments that are entirely on State owned foreshore are the responsibility of the Minister for the Marine and Natural Resources, the local authority is normally consulted for their views and observations. In the case of a development that straddles the HWM, planning permission must be in place before a foreshore licence application will be processed by the Department. Under recent changes, all Local Authority applications in respect of major projects that involve the occupation or use of foreshore will be submitted to An Bórd Pleanála. Consequently, in respect of projects proposed by local authorities, the Department's role will be a statutory consultee only and its observations or objections will be required within two months of notification.

As a result of its consultations, the Task Force concludes that there are issues regarding ownership and planning to be clarified. A number of ports have identified the fact that they do not own their foreshore as a problem, although importance of foreshore ownership varies between the ports. In the first instance, ownership of the foreshore should be transferred to the ports. In addition, the planning process as it applies to the foreshore requires reform, in particular, the outlining of a clear time frame to enable co-ordination with other parts of the planning process.

5.4 Role of the Private Sector

The potential of PPPs or similar instruments to leverage the value inherent in port estates is worthy of examination. Indeed, while the role of PPPs has received considerable attention in a range of fields in recent years, the ports were among the first to avail of these opportunities with the East Link bridge and East Point Business Park in Dublin providing high profile examples. In addition, most operations are now carried out by private operators on port lands.

Despite these earlier success and the recent attention, however, it is also clear that the potential of PPPs will not be realised unless the process is driven forward as a part of a comprehensive strategic development plan. The Task Force is positively disposed towards the opportunities the PPPs may offer, but emphasises the need for the port companies to take the lead in determining the opportunities that are available. Furthermore, it is essential that property rights are clearly identified and that potential rates of return are understood fully in advance for PPPs to be successful. Finally, this process will need to be driven forward and care should be taken to ensure that development that is in the interest of the overall economy must take preference.

5.5 Assessment of these Issues

Policy shortcomings and a range of local factors work to create a situation where ports do not perceive the true value of the properties that they hold. This is certainly the case in the smaller ports that do not have an important role in Ireland's trading performance, but it is also relevant in the larger ports. It is essential that port development takes place in the context of:

- A comprehensive plan for the development of the port in a rational manner according to a realistic assessment of the port's role in Ireland's economy
- A clearly elucidated statement of Irish port policy that sets out a rational structure for the port sector and identifies exit strategies for those ports where this is relevant.

6. Related Experience in Developing Port Estates

6.1 Summary of Research

A review of international experience in developing port estates was commissioned by the Task Force and was undertaken by Dr. Richard Gray of the University of Plymouth. This work has been used to inform the Group's deliberation and this report on a number of issues. This section contains a brief summary of some of the findings of the review. A more extensive overview is contained in Appendix 6.

The international experience of dealing with the property base of ports presents a complex picture that is broad in scope, ranging from the development of working ports to the waterfront regeneration of ports in commercial decline or even derelict. These factors will also be important in influencing the options that may be exercised for development. Port ownership structures also vary but some degree of public sector involvement is the norm. As a result, there is a widely acknowledged need for a national port policy in relation to assets and operations.

Experience with revitalising estates in old ports that have fallen into disrepair or are derelict is of particular relevance to Ireland. Typical new uses for such sites are light industry, warehousing and associated activities. A good example of where this type of land use change has occurred is the Distripark Botlek in Rotterdam where a large oil storage yard was converted into a distribution centre of 100 hectares. A range of water-related leisure activities can also be undertaken in a port area. Many schemes for leisure development have been or are being created throughout the world and it is difficult to generalise about such a diversity of activities in so many different contexts. Residential development has also been widely used for waterfront regeneration. However, this approach is not without its problems and may have to confront the choice of provision of public, social or 'affordable' housing or of luxury provision, the latter often linked to water-related leisure developments such as a marina.

When a port is developed, the authority must decide which type of organisation will be responsible for specific assets and associated services. Three major approaches have been identified:

- Redevelopment by the port authority thus extending its function from that of a port into a property developer.
- Transfer of port lands to a local authority, municipality or local government for redevelopment. This requires the local government to have sufficient resources to realise the full value of the land.
- A development corporation may be created specifically to redevelop dock land that covers a large area, perhaps with more than one authority, and implying high costs.

Each of these models will result in a particular financing structure and a wide range of structures has appeared. The Dublin Docklands Development Authority (DDDA) provides a good example one type of approach. However, the experience with a range of models has shown that urban waterfront redevelopment is not a straightforward property investment. It requires large capital costs for land acquisition, site clearance and infrastructure years before attracting substantial private investment. It may initially require considerable government subsidies, although an effective redevelopment agency should be able to minimize such cash contributions. Nevertheless, it is imperative to attract private developers, although success in this regard will be determined to a considerable extent by fluctuations in the local property market. Success requires an accomplished redevelopment agency to overcome such fluctuations.

6.2 Application to Ireland

The complexity of the factors that determine the optimum usage of ports' assets means that readymade solutions or generic development plans will seldom be appropriate. However, on the basis of the review of international experience, it is possible to identify the types of issues that need to be examined in the design of a development strategy. These would involve, *inter alia*, examination of the following issues:

- What are the main influences on the port's organisation and structure?
  - the socio-economic structure of the country
  - its historical development
  - location of the port
  - type and volume of cargo handled
  - main focus of port (local, regional, global)
  - ownership issues
  - port management and governance.
- Is there a national ports policy? If so, how are the objectives and interests that government needs to take into account – for example, social, heritage commercial and conservation objectives, and EU policy – to be balanced?
- To what legislation is any retained public interest oversight subject?
- Are there any national criteria for port development?
- Do shipping conditions require the port to be relocated?
- What process is required for the development of surplus port land? Should the port authority extend its function to that of a property developer of surplus port land or should this function be wholly or partly transferred to a development corporation created specifically to redevelop port land?
- What financing arrangements are available and/or acceptable for port development? Particularly, what is the scope for public-private partnerships?
- Can 'fallow' industrial port areas be developed for new industrial uses, for example, activities associated with the adjacent urban area or with marine-related activities?
- Can the port be associated with an industrial cluster?
- Is the port suitable for commercial or retailing purposes taking into account the relevance of a waterfront site, its ability to attract a critical mass of retail customers and its ability to attract key 'magnet' retailers?
- Can the port be developed as a residential area or for water-based leisure facilities, for example, marina, fishing piers, water tours? It would be important to assess the potential impact of these activities on other port uses.

- Are start-up funding or other developments needed before private investment can be attracted? Is there a role for a flagship project to attract further developers?
- Is the development approval process fast enough to take advantage of favourable conditions in the cycle of the property market or the wider economic cycle?
- What options are there for port developments that are considered to be in the national interest to attract enhanced government intervention?

7. Categorisation of Ireland's Ports

7.1 Rationale for Categorisation

Throughout this report it is stressed that there are two distinct reasons to examine the potential to develop new revenues from port estates. First, new revenue could be used to ensure that the required infrastructure is financed to facilitate the port's role in developing Ireland's trade. This is and will remain the pre-eminent purpose of port properties. Second, port estates are valuable public assets and should be used in a manner that maximises the return to society from these assets. This is particularly important in instances where the estate is in a prime waterfront position and plays an important role in defining the character of the area.

While Ireland's ports vary according to their role in trade, all the property in all ports should be allocated uses according to its potential under one of these headings. In other words, particular property parcels either has a sufficiently important role in facilitating trade to mean that this will remain its use or it should be allocated some alternative use that maximises its returns.

The ports are categorised under three heading below: main trading ports, smaller trading ports with property and non-trading ports[7]. Policy recommendations will need to distinguish between the ports in this manner. The main point of this categorisation is to identify those ports where property management should become the primary role of the port. This is certainly the case for those ports with property in the last two categories but, while trade is the primary function for ports in the first category, a substantial property management function may also be required.

Main Trading Ports

These ports have substantial trading volumes of economic relevance on a national or regional level. They include the 8 corporatised ports plus Bantry and Rosslare. Adequate provision must be made for future growth requirements and any non-core development must not inhibit the operation of the port. However, developments may mean that certain properties are no longer relevant for the core activity and a substantial property management function may be required. Indeed this is essential. The earlier discussion indicated that constraints will emerge in some of the most important ports in the near future while there are existing infrastructural weaknesses in other ports. However, the assessment of financial performance indicates that the returns from the capital investment that is required may mean that debt financing is not a feasible option under current operating structures. The importance of each of the corporatised ports is defined not only by the volume of cargoes handled, but also by their composition. This must be taken into account in deciding on the importance of each in Ireland's trade. Furthermore, the structure and direction of development in the local economy is very important in each case. The ports in this category are:

> Bantry, Cork, Drogheda, Dublin, Dun Laoghaire, Galway, New Ross, Shannon Foynes, Waterford, Greenore and Rosslare.

[7] Bantry is of national importance but owns no property and is therefore excluded.

Smaller Trading Ports with Property

The second category of ports retains some trade of local or regional importance. However, in aggregate, total activity amounts to less that 5% of total Irish trade and its impact on the wider economy is not likely to grow in importance in the future. For a number of reasons – perhaps due to changes in the local economy or because of the need to access improved infrastructure – the property that is required for future trading operations represents only a part of these ports' property holdings. For this reason, the primary goal of decision-makers in these ports should be to develop alternative sources of revenue. The two outstanding ports as regards the availability of property would appear to be Sligo and Dundalk. However, all these ports need to develop their property management function if the returns to society from their assets are to be maximised. Indeed, the feasibility of continuing to use facilities for trade should also be assessed to determine if the costs of doing so – in terms of the alternatives that are foregone – mean that this is not the optimal strategy. The ports in this category are:

Arklow, Dundalk, Fenit, Kinsale, Sligo, Wicklow and Youghal

Non-trading Ports

The ports in this category transact no trade and all existing properties are potentially available or are being developed for other uses. Essentially, the port authority's future is in property management and property should be developed in a manner that improves the return to the local economy. However, not all have property holdings of commercial value. Leisure and amenity developments would appear to be the most appropriate courses to follow in most cases but other opportunities may also be available. This category includes

Annagassan, Ballina/River Moy, Baltimore & Skibbereen, Dingle, Kilrush, Westport and Wexford

This categorisation is important but it does not mean that there are not common features across all or most ports. In all cases, there is likely to be a tension between the objectives of the port management in attempting to maximise the internal returns of the port and the maximisation of returns to society. Furthermore, conflicts may arise where port managers base their development plans on past practices rather than on future possibilities. Finally, particularly in the smaller ports and harbours, the required skills and access to funds may be in limited supply. These problems all point to the need for outside support and intervention if potential is to be realised. In some cases the focus should be on supplying skills and ideas, but a balancing force is also required to ensure that social returns rather than internal returns are maximised.

It is clear that achieving satisfactory outcomes in regard to these issues is beyond the Task Force's terms of reference. As a result, the Task Force is primarily concerned with creating the framework and the conditions that will deliver the desired outcomes.

7.2 Assessing Ports' Potentials for Development

The approach of the Task Force in this report is to provide general guidance, in as far as this is possible, and to avoid attempts at port specific prescriptive solutions. The latter would require in-depth analysis of each port. The Task Force has determined that it is not in a position to undertake this task but that there are certain features of a general or institutional nature that can be examined. These include issues such as legal obstacles, incentives, expertise and opportunities. Development plans will have to be targeted to the specific situation of each port and more information is required before identifying the specific opportunities that exist for the development of new revenue streams within individual ports. A series of questions designed to identify the opportunities for the development of ports' estates is shown in Box 7.1.

Box 7.1: Criteria for Assessing Ports

1. **Is the Port a commercially viable trading port?**
   - Does it have a local or a regional or a national impact on Ireland's international trade and economic performance?
   - Is the trade growing, static or declining?
   - Does the port have a strategic role in the future of Ireland's international trade performance e.g. could it take up trade diverted from a congested port?

2. **Is the location of the port changing e.g. downstream progression?**
   - Is there pressure on the port to move?
   - Could this pressure to move be leveraged to grow revenues?
   - Would this impact on or complement the port's role in relation to trade?

3. **Does the port own a landbank that is not fully utilised?**
   - Is growth in the port's core activity likely to require this landbank in the foreseeable future?

4. **Are there opportunities for the development of this landbank?**
   - Is there external demand for development – commercial, amenity, leisure, retail, residential, etc.?
   - Can this be achieved commercially?
   - Is the managerial competency in the port in place to avail of this opportunity?
   - Are there other internal obstacles?

5. **Can the port company's pursuit of its private, commercial, mandated objective be reconciled with the maximisation of public social benefits from the resources and facilities that are under its control?**
   - What direction of development, locally and nationally, might align these two objectives?

6. **Can obstacles to developing new revenue streams be overcome?**
   - Legal obstacles, Financial obstacles, Community related issues?

7. **Is there a role for the private sector, through PPPs or other mechanisms, in the development of non-core activities and, if so, in what spheres?**

The two key factors in reaching a conclusion on the development potential of the port are the role of the port in facilitating the growth of international trade and the availability of unused property in the port. Supplementary inputs are issues such as the strength of the local economy – development requires demand as well as supply –

and future trends in the port. These would include whether the port is likely to move from its current location thereby freeing up valuable property and whether the importance of trade is likely to change. Table 7.1 summarises the Task Force's conclusions in relation to the potential for estate development in each of the ports[8]. It should be noted that this is an assessment of potential and is not a judgement in relation to the ports' abilities to realise this potential.

Table 7.1: Opportunities for Development of Ports' Estates

	Opportunities Identified by Ports	Perceived Constraints
Ballina/River Moy	Leisure	Performance of local economy
Cork Port	Commercial	The port's plans indicate that most available land is required for future growth in trade
Dingle Harbour	Tourism	Harbour owns very little property
Drogheda Port	Commercial, Retail, Leisure	Development requires finance to facilitate move downstream but financial exposure is already high
Dublin Port	Commercial	Movement of activities to other locations and the reclamation project, if successful, would free up land
Dundalk Harbour	Residential, Commercial	Most of the estate has little commercial value being subject to tidal flooding
Dun Laoghaire	Tourism, Leisure, Retail	Heritage value and rights of way may limit commercial potential
Fenit Pier	Commercial	Requires private sector involvement
Foynes Harbour	Commercial	
Galway Harbour	Residential Commercial	Current plans for future growth of the port
Limerick Port	Commercial	
New Ross Port	Commercial	Reclaimed land is remote
Sligo Harbour	Retail, Residential, Commercial	Finance and non-ownership of foreshore
Waterford Port	Retail, Leisure, Commercial	
Westport Harbour	Tourism, Leisure	
Wicklow Harbour		Reclaimed land, poor access
Youghal Harbour	Leisure	

7.3 Skills and Expertise

The main difference identified in this report between various ports relates to their potential role in trade. However, a number of other factors are also important that are contributing to the lack of development of port estates. Most ports, the exceptions being Dublin and Cork, have not produced comprehensive inventories of their

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[8] A number of ports submitted development plans to the Task Force regarding the future of properties under their control. The case studies in Section 7 are based in part on some of these plans and the submitted plans were consulted in the assessment of ports' potential in Table 5.1. However, the Task Force stresses that this is not an assessment of the viability of these plans.

properties and put in place property management strategies to maximise the returns. A number of the other corporatised ports have moved in this direction but few of the smaller ports have the necessary planning in place. Furthermore, there is a serious deficiency of skills in the smaller ports that can be accessed to drive the process of development. In general the corporatised ports have access to the necessary skills either through their staff or their boards or through outside access.

This problem needs to be overcome in two stages. First, the necessary direction should be given to get proper planning put in place. This will require policy direction from the Minister to promote development rather than sale of property and to ensure that all the options available are explored appropriately. The second stage is to drive the process forward. Under direction from the Minister as shareholder, it is the opinion of the Task Force that this can be undertaken by the ports themselves. However, the smaller ports do not have the expertise and resources to undertake this and acquiring these skills on a port by port basis would be prohibitively expensive.

The Task Force has concluded that these skills will need to be made accessible to the smaller ports. There are two models available through which this could be achieved. The first would be the creation of a centralised unit for the development of port estates. This would require the establishment of a port enterprise development unit (PEDU), based in the Department of the Marine and Natural Resources. The major problem with this approach is that it implies a considerable degree of centralisation since the PEDU would require decision-making and executive powers. Furthermore, the role of the PEDU in relation to the corporatised ports would require consideration. As a result, the Task Force has concluded that this is not a feasible option to pursue.

The second approach is to provide the means for the regional ports to access expertise and skills that are available locally. Essentially, this means the transfer of responsibility for port estate development to the local authorities in each area. This would have the further advantage of emphasising the development of the port to maximise the returns to the local economy. Similarly, this also removes the requirement for ports that have no viable future in handling trade to pursue cargo business.

The Task Force has concluded that this is the best route to take in the case of smaller ports that have as yet been unable to produce a coherent strategic plan for the development of their properties. However, in advance of any transfer Local Authorities would have to demonstrate their willingness, capacity and financial ability to develop such estates. To this end, they would be required to submit a developmental plan for port estates, acceptable to the Department of the Marine and Natural Resources, prior to any transfer taking place. This transfer would provide access to the skills and expertise required to develop port estates in a manner that marries commercial development with the needs and aspirations of local communities. Vesting local port estate development in the single local authority would lend coherence to development efforts while also protecting the public interest.

7.4 Conclusion

A number of the ports should adopt property management as their primary function and, in some cases, as their sole function. In addition, it is clear that some other ports, while retaining an important trading function, need to develop their role as property companies to a much greater extent.

The first group would include ports such as Ballina, Dundalk, Sligo and Westport. Some of these might retain some trade, but most of their property will not be required for this purpose.

The second group should include ports such as Drogheda, Dun Laoghaire, Galway, Limerick and Waterford. Dun Laoghaire and Galway present special cases within this group since there is evidence that conflict between the port pursuing its trading activity and the optimal development of its property holding. This underlines the need for a national port strategy and rationalisation of port locations.

Other ports also require closer examination in relation to property usage and would benefit from assistance and direction. Cork, Dublin and possibly the Shannon Estuary ports are particular cases where their role in trade is of paramount importance in the context of development, but this does not preclude the possibility of benefits arising, particularly from the relocation of activities that need not be carried out close to the waterfront.

This report has stressed the important role of some of the ports to Ireland's economy, but those ports that do not have a role in this retain a local importance albeit in areas other than trade. Many of the smaller ports have relatively small property holdings, but these could provide useful sources of revenue. However, they lack the skills necessary to exploit these. Clearly some assistance is warranted. A centralised unit would allow the exploitation of economies of scale and development in a manner that is consistent with the overall rational development of the port sector. However, an important issue is the need to finds a balance between providing the necessary resources to the ports and preserving regional autonomy. The Task Force has determined that the best method of ensuring that assistance is to transfer the port estates of the non-trading ports that have not produced a viable plan for their estates to the relevant local authority, with a requirement that the authority has demonstrated that it is competent in terms of undertaking the development of the estate.

8. Key Findings

(a) Facilitating the development of an expanding and efficient trading system for Ireland remains the pre-eminent role of the ports. This is crucial for the continuing development of the economy. The major interest of state policy in the ports will continue to ensure that the ports can fulfil this requirement. The interest of the state in developing port estates arises primarily from the contribution that the revenues thereby acquired can contribute to necessary investment in port expansion and efficiency. Ireland's trade depends disproportionately on a small number of the larger ports that have been corporatised. For these ports, no development that impacts adversely on the undertaking of this role should be contemplated. However, this does not mean that no development is possible since the need to remain competitive means that the infrastructure of earlier times may now be available for development.

(b) The port sector is characterised by low absolute profits that could restrict its investment and trading ability in the future. This is the case even in the major ports which will require ongoing capital investment. The importance of an efficient trading system means that there is a strong public interest in ensuring that the resources of the ports are used efficiently. As a result, development plans for the ports should be formulated and implemented on the basis that many of the benefits accrue to the wider community. This is also important in deciding the direction of future development of individual ports. Where the trading role is unimportant then the facilities should be developed in the interests of the wider economy. Clearly this means that the state intervention will continue to be very important. However, there is also an important role for the private sector in joint ventures for the development of these estates.

(c) There are considerable property holdings in the ports that are not being fully utilised to provide an economic return. The ports themselves are aware of this in many cases as evidenced from the survey returns. However, the Task Force have concluded that a comprehensive profile of the possibilities would only emerge from a much more extensive audit of the property in all the ports and the uses to which it is put. In particular, while preserving the overarching need to ensure that the role of the ports in providing Ireland with an efficient trading sector is not inhibited, this audit would need to uncover the opportunities that may exist for the ports to provide a higher social return – including the commercial return to the port – through freeing up land that is currently used in port related activities that could be undertaken more efficiently or at other sites. In other words, the opportunity costs of current usage must be fully included in the assessment. This should be an integral part of the development plans of each port.

(d) Many ports lack proper development plans for their estates, although there are notable exceptions. This arises as a result of the traditional role of the ports being focused fully on providing facilities for transferring goods from sea to land based transport. Clearly, this remains the primary function of the port sector as a whole but many ports find that their role has diminished or that changes in the nature of the process require new facilities leaving existing facilities outmoded. Some ports have recognised this. As a result, these ports have developed their property management skills. However, they remain the exception. In many cases the values that are placed on property holding are out of date and more regular revaluation is required.

(e) Given the total anticipated investment shortfall, it is recognised that the ports have no chance of funding their investment requirements solely through the development of their estates, although the potential for new revenue is not negligible. The contribution from new revenue sources will only make a relatively minor contribution to fulfilling overall requirements. However, if pursued successfully, the process of development will ensure that there are no idle assets in the ports in a time of funding shortage. As such, the objective of the study is to see how the value of assets can be enhanced and should not be interpreted as absolving the government from the need to fund investment in the ports. In addition, some of the larger trading ports with the greatest funding requirements have limited spare facilities while the smaller ports, some of which have considerable properties, do not need investment in facilities for trade. However, there is unlikely to be substantial cross-subsidisation. The role of the Task Force is to point out where this spare capacity exists and to identify some of the factors that have inhibited development.

(f) A number of ports will conduct little or no future trade. However, in some cases, the ability to recognise and accommodate this change has been resisted or inhibited through a lack of planning, expertise or finance. The assumed benefits to a region or locality of a particular location continuing to operate as a port, particularly if this inhibits other forms of development that may be more beneficial, should not be exaggerated. Decisions to alter current operations and plans for new development must include the opportunity costs of foregone alternatives. The evidence suggests that the understanding of this issue is weak in the port sector as in many other parts of the economy. Some other ports retain a locally important trade function and are managed profitably. However, these ports should develop essentially as property management companies with a mandate to continue trading where the net benefits to the local economy of doing so are positive. Finally, there is a group of ports with no trade where property management will be the sole source of revenue. In a number of cases well defined exit strategies are required.

(g) Low returns on investment in the sector means that some ports that play an important role in the trading system may be unable to finance the development of essential new facilities from their own resources. It is clear that the benefits from the efficient operation of the ports accrue to the whole economy and, as a result, the decision on the investment should be taken with reference to the full economic and social benefits and not on the basis of the port being able to fund its own development. The onus is on the state sector to ensure that the important trading ports are provided with sufficient finance to develop and to operate efficiently. On the other hand, investment to upgrade cargo handling facilities is not justified in some ports and these should aim to develop their properties other than as cargo trading locations.

(h) There is a social deficit since properties are not exploited in a manner to produce the highest social return. This requires a perspective that is wider than setting ports a revenue or profit target. Ports are public resources and the objectives must be to maximise the long term returns to the economy and the local community. This will not be achieved through excess competition in the sector where each port aims to maximise its share of the trade revenues that are available. Furthermore, it is essential that the development plans for the ports are aligned with local and regional plans and that there is close co-operation with local authorities. However, there are weaknesses in this regard at the level of national policy that sets the objectives and structures for the ports.

(i) Following on from these two findings, there is a lack of clarity regarding where ports can obtain funding to improve their capacity/estates. The lack of clear objectives beyond ensuring a competitive trading sector on the part of the corporatised ports and the lack of clear direction for other ports means that the sources of funds for other activities have not been developed.

(j) The Task Force believes that the subjective assessments by the ports of the extent of properties that are available for development are not a comprehensive reflection of the potential that is available. The actual final total of property that would be available for development would be the aggregate of property arising from three separate analyses:
- The property that the ports have identified in this report;
- Property that would be identified for development by an expert analysis of property usage in each port with the objective of maximising total social returns
- Additional property that would be freed up as a result of pursuing an exit strategy in the case of some ports.

(k) Leased property generating low returns is a problem. A sizeable proportion of the property holdings in ports is leased and. even in the main trading ports, the returns from leasing are often low. The existence of long-term leases also imposes constraints on the ports' ability to develop their property resources. In some smaller ports this effectively amounts to a constraint on any development.

(l) From its visits to a number of ports, it is clear to the Task Force that circumstances and opportunities vary considerably between the different ports. As a result, there is no generic solution available. However, there are a number of features that are common to nearly all the ports that were visited:
- Internal funds for the development of cargo handling facilities or for regeneration are insufficient;
- Many problems arise from an historical legacy, such as poor returns from old leases or a commitment to remaining as a trading port even where this is unjustified on the basis of revenues;
- Conflicting objectives can lead to either stalemate or inappropriate and poorly co-ordinated developments that do not maximise the returns from the resources in the ports;
- There is a perception that the planning process works very slowly and is inhibiting development;
- There are institutional shortcomings that are inhibiting development that would command wide public support.

(m) Where ports have land and opportunities, lack of expertise may be inhibiting development. Some ports have produced plans for development but it is clear that the expertise to develop viable plans or to carry out existing plans is not available in-house in some ports. There is an important economies of scale issue here and it is necessary for the state as the owner of the ports to supply the necessary expertise to the sector to exploit these economies of scale.

(n) Local vetoes on development are detrimental to progress in many ports. Once again this is related to the importance of identifying the total benefits to the economy and the local community of pursuing a particular course of development. This is essentially an institutional failure and, even if the principles of socio-economic evaluation of decision alternatives are accepted, inertia remains a problem. In addition, a wish to preserve the status quo often inhibits change, particularly when this change is perceived to imply a diminution of the port from its previous position as a trading operation.

(o) Ports often have responsibilities – such as protecting heritage structures and providing amenity facilities – that provide no commercial returns. These arise from the public resource nature of the port. As a result, resources of value to society – often if developed as leisure facilities – are left undeveloped or place a strain on the port's resources. Ports are also integral parts of town centres and, as such, there is a major civic value in their development. In such cases, the conflict between the internal, commercial and financial incentives and objectives of the port, and the wider responsibilities to enhance the living environment means that sub-optimal paths of development are followed. This will usually result in the commercial objective being pursued to the detriment of the non-commercial element of the property. The correct allocation of costs and benefits in this case means that the port must be subsidised in a manner that facilitates the optimal development for amenity use of the non-commercial properties, or responsibility for these properties must be transferred to another body. It is also important that the correct incentives are in place in such situations.

9. Recommendations

The timeframe for reporting and the complexity of the issues involved mean that the Task Force has attempted to outline general principles that should be followed in developing the ports rather than specific recommendations. Development plans for the ports must reflect their role in trade realistically and must prioritise long term strategic planning rather than accepting what may be short term benefits or constraints. A number of issues need clarification. These include institutional issues for the sector such as the objectives beyond providing trade and the nature of competition in the sector. In addition, there are legal issues related to foreshore and leases that require clarification.

1. **An integrated and cohesive approach is required at policy level to ensure that ports are provided with clear policy objectives and that there is absolute clarity in relation to the mandates that are delivered to the ports.** The strategic plan of each port must take account of the full economic role of the port and must be framed within a long-term strategic plan for the sector. The forthcoming publication of the National Spatial Strategy should be used to inform the definition of these roles.

2. **The ports must expand their strategic focus to embrace forms of revenue generation other than cargo handling.** In all cases, greater emphasis on the property management functions of the ports is required. The future of a number of the smaller ports relies more on their performance as property companies than as cargo handling operators. As part of this new focus, the ports need to examine opportunities for the relocation of activities out of the port's vicinity, where the location of these activities in the port is not compatible with the port's optimal mode of operation.

3. **A comprehensive audit of port properties should be undertaken and a programme of property management put in place.** This audit should be used to identify authoritatively the estate available for development under current conditions and the scope for additional development if key functions were to be relocated outside the port.

4. **Each port should be required to submit a detailed plan for the long term development of all their assets.** The current requirement is to produce a 5-year plan for the development of trading activities only. In order to ensure that dormant port estates are properly managed and developed, each port should be obliged to produce a masterplan every 5 years for submission to the Minister. As a requirement, the masterplan should be submitted to the Local Authority for the relevant area as this would encourage both coherent planning and public consultation. The major trading ports and other ports with sizeable estates should be required to re-value their properties every 5 years.

5. **Incentives to develop dormant port estates should be provided in certain cases, designated by the Minister, for example, by the introduction of designated Strategic Development Zones**. As they require the development of a

masterplan for the relevant area, the creation of such Zones would encourage both coherent planning and public consultation.

6. **The onus to fulfil a function as a trading port should be removed from certain ports.** Allowing dormant ports to exit from the port sector would increase the port estate available for development. Port policy needs to outline a concise and workable exit strategy for ports where this is appropriate.

7. **The constraint in the Harbours Act 1946 that prohibits borrowing in excess of £50,000 by the relevant ports deserves reconsideration.**

8. **Each port should ensure a close working relationship with public authorities in its area through co-ordinating their development plans.** Among these, the planning authorities and transport planners are of the utmost importance.

9. **The direction and incentives must be in place to bring about the maximisation of the wider economic contribution of the ports, as well as achieving internal objectives.** This requires recognition that the potential contribution of ports is greater than traffic throughput. The role of the Minister is important in this regard since he is in a position to represent the national or social interest.

10. **For those non-trading ports who have as yet been unable to produce a coherent strategic plan for the development of their properties, control of the port estate should be transferred to Local Authorities once they have demonstrated their willingness, capacity and financial ability to develop such estates.** To this end, the Local Authorities would be required to submit a developmental plan for port estates, acceptable to the Department of the Marine and Natural Resources, prior to any transfer taking place.

11. **The strategic plan of each port must take account of the full economic role of the port in regional development.** The strategy must maximise the return from the port's assets under the broad headings of the efficiency of the transport sector, the impact of the port on local industry and its impact on the living environment in its area.

12. **Environmental compatibility and sustainability are core requirements in determining the direction of development in the ports.** Within this it should be emphasised that sustainability is not an automatic constraint on development and that a situation where the assets of the ports are not being used efficiently is inherently unsustainable. Once the trading mandate of the port is met, the concerns of local, environmental and residents' groups should be included in the planning of further development through a masterplan, if appropriate to the circumstances.

13. **The ports' approach to overcoming problems should emphasise commercial possibilities and solutions over legal approaches.** The Task Force recognises that legal clarifications and legislative changes may be required in some instances.

14. **Both port authorities and leaseholders should be allowed to renounce their Landlord & Tenant Act rights.** This option is available in relation to office developments but has not been extended to include other categories of commercial property. This route would introduce flexibility while preserving the existing security that is offered by the Act.

15. **Ownership of foreshore should be transferred to the ports and a clear timescale set out in relation to planning procedures.** This would not remove the necessity for the ports to engage in public consultation prior to any development of the assigned foreshore.

16. **The private sector should be considered for alliances to maximise the return on the ports' assets.** This involvement could take the form of PPPs or joint ventures. The optimal approach will depend on individual port circumstances.

17. **The Task Force explicitly rules out the sale of any portion of the ports' estates to the private sector, except in those cases where the land is clearly surplus to future port-related developmental needs and where the land disposed of will not interfere with the subsequent development of the port estate.** Any port that wishes to raise funds from selling its assets must fully explore opportunities for development within its ownership, including obtaining planning permission, before the land is sold.

18. **Responsibility should be transferred to local authorities in relation to properties that have no prospect of providing a commercial return but which have amenity value to the public.** Prior to any transfer taking place, the Local Authorities would be required to submit a plan to the Department of the Marine and Natural Resources for the management of these properties.

19. **As shareholder, the Minister has considerable powers that should be used in full to influence port development and ensure that the potential returns from the public property in the ports is maximised**. Among the most important aspects of this would be to ensure that social returns are given a higher priority in any plans for development in the ports.

Appendices

Appendix 1: Membership of the Task Force

The members of the Task Force appointed by the Minister for the Marine and Natural Resources were:

Mr. Paul Tansey, Tansey Webster Stewart Economic Consultants, (Chairman)

Mr. Sean Benton, Office of Public Works

Ms. Noelle Canton, Irish Ship Agents Association

Mr. Terry Durney, Dublin Docklands Development Authority

Mr. David Glynn, Dept. of the Marine & Natural Resources

Mr. Jerry Killeen, Irish Ports Association

Mr. Pat Magner, Chairman Royal/Grand Canal Task Force and Council DDDA

Mr. Seamus Monaghan, Sligo Harbour Commissioners

Mr. Ian Scott, Arthur Cox Solicitors

Mr. Michael Walsh, MW Consultants

Mr. Ronan Webster, Insignia Richard Ellis Gunne

Dr. Kevin Hannigan, KHSK Economic Consultants, acted as Facilitator to the Task Force.

Ms. Linda McGrath and Ms. Lisa Walsh of the Department of the Marine & Natural Resources provided administrative assistance.

Appendix 2: List of References and Material Accessed

Department of the Environment and Local Government (2001) *National Spatial Strategy: Indications for the Way Ahead*. (2001) Public Consultation Paper by the Department of the Environment and Local Government

Department of the Marine and Natural Resources (2000) *Assessment of Irish Commercial Seaport Capacity (2000 Update)*. Report prepared by Baxter Eadie Ltd. in association with ORM Consulting.

Department of the Marine and Natural Resources (2000) *Assessment of Intermodal and Port Access Requirements*. Report by Ove Arup Consulting Engineers.

Department of the Marine and Natural Resources (1999) *Review of State Regional Ports and Harbours*. Report prepared by KPMG Consulting

Dublin Chamber of Commerce (2000) *Gateway to the World: Dublin Port 2000*. Report prepared by KPMG Consulting

Economic and Social Research Institute (2001) *Medium Term Review 2001-2007*. Dublin: ESRI

Government Publications (2000) *Ireland: National Development Plan 2000-2006*

Plymouth Enterprise Partnerships (2001) *Review of Practice Worldwide on the Development of Port Estates*. Report prepared for the Task Force by Dr. Richard Gray, University of Plymouth

Port of Cork Company (2000) *The Economic Value of the Port of Cork to the Irish Economy*. Report prepared by the Department of Economics, NUI, Cork in conjunction with Raymond Burke KPMG Consulting

The Task Force also accessed Annual Reports, Development Plans and other materials that have been prepared by or on behalf of Irish Ports.

Appendix 3: Submissions and Presentations

The following made submissions to the Task Force.

Aquaphoto Ltd.

BDO Simpson Xavier

Booz Allen & Hamilton Ltd.

Bord Fáilte

Cork Kerry Tourism

Department of Arts, Heritage, Gaeltacht and the Islands

Drogheda Port Company

Dublin Bay Watch

Ed. McDonald, Henry St. Mary St. Partnership

E.F. Energy (Developments) Ltd.

Erin Marine Consultants and Surveyors

Foynes Harbour Users Limited

Irish Dredging Company

James R. Kehoe, Consulting Actuary

New Ross Port Company

Reefercare Ltd.

Sean D. Dublin Bay – Rockall Loftus

Sean Haughey, T.D.

Tourism Development International

Presentations were made on behalf of the following organisations:

HOK Property Consultants

Dublin Port Company

Dublin Bay Watch

Galway Harbour Company

Dun Laoghaire Harbour Company

Port of Cork Company

Individual members of the Task Force also made presentations at the request of the Chairman on matters relevant to their areas of expertise.

Appendix 4: Questionnaire on Port Estates

Section 1: Land Resources and their Uses

1. What area of land does the port own in total?

   ____________acres

   Please indicate the title to these lands and use of land by title on a separate sheet.

2. What area of its land holding is not leased out by the port?

   ____________acres

3. Is there other land under the port's control?

   ____________acres

4. How much of the total land area (excluding leased areas) is used in the core trading activity of the port?

   ____________acres

5. Will additional space be required by the port to carry out its core trading activities in the next decade?

   ____________acres

6. How much land (excluding leased land) is used for activities other than the core trading activities within the port?

   ____________acres

7. How much of the land that is under the direct operational control of the port is unused or under-utilised?

   ____________acres

Section 2: Leased Property

8. How much of the port's land portfolio is leased to other operators in total?

____________acres

9. How much of this land is covered by leases that pre-date the 1946 Act, or by leases that do not include a resumption clause?

____________acres

10. What percentage of this leased land is used for business that is not concerned directly with the core trading activities of the port (include land that is unused in the total)?

____________%

Please provide further information on these businesses on a separate sheet of paper

11. To what extent would it be possible to bring all or any of this leased land back under the direct operational control of the port?

____

____

____

____

12. Has the port attempted to buy back or otherwise regain control of any leased land in recent years, or does it have plans to do so? Give details

____

____

____

____

13. What would be the major problem to be overcome in regaining control?

____

____

____

Section 3: Estate Development

14. Does the port have any plans for the development of additional revenue streams that would utilise land not currently used in the core activities of the port?

____

____

____

____

15. Would access be a problem in developing revenue streams from the port's property?

____

____

____

16. Is any part of the port's property portfolio zoned for amenity, retail or residential development?

____________acres

17. How much of this is under the control of the port?

____________acres

18. Does the port have ownership of its foreshore?

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____

____

19. Has the port any plans for reclaiming or otherwise developing its foreshore?

____

____

____

____

20. Is the foreshore suitable for amenity or similar developments?

21. Is the port or any part of its property holding in a strategic planning area? Please provide details.

22. Has the port considered or pursued options for the use of Public Private Partnerships in the development of its property?

If you believe you have additional information, for example previous research, maps, registers of property holding and leases, that would be of assistance to the Task Force in carrying out its work, please enclose it or inform the facilitator or the Chairman of this information.

Appendix 5: Detailed Results of Questionnaire

A: Main Trading Ports

Bantry Harbour

Bantry Harbour owns no land. The core activity of the port is the transhipment of oil and the export of stone from Leahill Super-quarry. Bantry is of national importance as a trading port as a result of the Whiddy Island Oil Terminal. The land associated with these activities is privately owned by B.T.A./I.N.P.C [State owned companies] and Tarmac Fleming PLC. Land adjoining the inner harbour and new pier is in a Strategic Planning Area and is partly owned by Cork County Council. The Inner Harbour and the lee of the new pier are suitable for the development of marine leisure and tourism activities in Bantry Bay. It is estimated that an additional 2 acres will be required in the near future for these developments.

The Foreshore in and around the town of Bantry is privately owned by Bantry Estate. Bantry Bay Harbour Commissioners are currently negotiating the purchase of sufficient foreshore to enable them to build a new pier, but private ownership of the foreshore in Bantry Bay is seen as an obstruction to the development generally.

Port of Cork

Cork is the third largest port (after Dublin and the combined total for Shannon Foynes) accounting for 8.5 million tonnes of trade (17.9% of Irish imports and 24.7% of exports). The port owns 432 acres in a number of separate block around the harbour. For trading purposes, the main locations are 160 acres at Tivoli and 181 acres at Ringaskiddy. In total, 312.7 acres are used in core trading activity of which 179.5 acres are leased out to operators. All leases have a recovery clause. Some customers were moved at Tivoli to make way for the container terminal and negotiation to recover bonded warehouses in the city is underway. It is estimated that an additional 60 to 80 acres will be required for future core activity. Reclamation at Dunkettle will supply 33 acres. The port owns 205 acres of foreshore in total, but all except the 33 acres of foreshore at Dunkettle are developed.

It is estimated by the port that, given the port's own requirements to expand in the future, only 2.3 acres are available for the generation of new revenues. However, currently a total of 119.3 acres is not leased and is not used for core activity. Tivoli accounts for 6 acres with the remainder at Ringaskiddy (including 20 acres IDA land and 15.8 acres at ISPAT site. These figures do not include properties at City Quays, Cobh Quays, Lower Harbour Quays (at Crosshaven, Monkstown, Currabinny, East Ferry and Passage West) and Customs House Quay. A number of these are potentially valuable, and under utilised at present in some cases.

Drogheda Port

Trade in Drogheda in 1999 amounted to just under 900,000 tonnes and accounted for 2.5% of imports and 1.1% of exports. Core activity has moved downstream with the opening of the new Tom Roes Point terminal and there are plans for the development of the old town quays. Access remains through the town and this is a potential difficulty for any growth of trading.

The total area owned/controlled is 101 acres, but only 38 acres are currently used in core activity. An additional 5 acres are used for other non-core activities. However, it is estimated that an additional 70 acres will be used for core activities in the future as the port moves downstream. A total of 24 acres are leased out and up to 63 acres are potentially available for the development of new revenues. Existing sites are suitable for residential and retail developments. The port leases 50 acres of foreshore from the DMNR but estimates that 100 or more acres of foreshore are suitable for development.

Dublin Port

The 15.2 million tonnes of goods handled by Dublin Port in 1999 amounted to 35.5% of Ireland's international trade. The Port owns 639 acres of which 477 acres are used in core trading activities. An additional 52 acres are sought through reclamation and the port owns 1,400 acres of its foreshore with the state retaining some ownership on the south side. Some of this is leased to the port. In total, 356 acres of the port estate is leased out. Of the total estate, 162 acres are not used for core activities with 29.4 leased acres used in non-core activities. The132 acres of land that is not leased but is not in core use in Dublin Port includes roads, and lands at North Bull and the South Wall that are unsuitable for the development of commercial operations. Given this, the preliminary audit indicates that there are 13 acres available for the development of new revenue streams in the port.

Land use in the port is changing with the migration of some container operations to new facilities on the southside. A strategic review of port properties is underway to outline property strategy and it is port policy to maintain control of critical quayside facilities. There are resumption clauses in relation to all leased property, but the high current value of land in the port area makes this difficult to implement. Leases have been repurchased in respect of two sites and legal proceedings are in train in relation to two others. The port has experience of PPPs and is bordered by strategic planning zones.

Dun Laoghaire Harbour

Trade through Dun Laoghaire amounts to about 0.5% of Ireland's total. This is unlikely to grow and there are pressures for the Harbour to see its future as a property company protecting an important heritage. However, commercial requirements mean that Dun Laoghaire is likely to continue as a commercial port. The Harbour owns 56.8 acres of which 9.6 are used in core activities and 4.2 acres are leased for non-core activity. Only 9.3 acres of the remaining 43 acres are available for redevelopment as most is taken up by public access areas. The Harbour Company also owns a number of valuable properties in the vicinity and is in the process of initiating development of property adjacent to the Harbour Offices. The harbour does not own its foreshore. Marine leisure and amenity are a major possibility and the Harbour has developed a Waterfront Strategy towards this end. However, commercial development of the location is hampered by its heritage value and long term public access to the property.

Galway Harbour

Tonnage at Galway Port accounts for 1.5% of the total at Ireland's ports, almost all of which is accounted for by oil. The port owns 70 acres, 31.8 acres of which is used in core trading activity. An additional 12.6 acres are used in non-core activity. Options have recently been given on an additional 15 acres for the construction of a bus depot and oil terminals. A total of 25.9 acres is leased out, 5.1 acres of which is used in non-core activities. All leases have resumption clauses, but the Port considers that it would be very difficult and very expensive to bring any of this land back under the control of the Port. The Port has previously tried to break a lease and prevent the sale of a lease from B.I.M. to Galway Bay Sea Foods but was unsuccessful.

The Company has a valuable site close to the city centre part of which is leased to Irish Shell as a tank farm. A small holding by CIE divides the site but if it can be integrated as one unit and connected, the Company believes that it would have a value in the region of £14 million for office development. The Company also owns a large reclaimed area that is being developed as an enterprise park and as an area for relocated activity. Galway Corporation have ruled out non-port related activity on this area. Developing the oil farm in this area would be expensive but would help to release value elsewhere.

No area is considered to be under utilised or unused and the port estimates that an additional 50 acres will be required over the next decade for core trading activity. However, there are currently 10.6 acres available for the development of new revenues. The port does not own its foreshore but has plans to develop an additional 50 acres as a back-up area for a new port facility under the NDP. Property in the area is currently trading for in the region of £1 to £2 million per acre and the Company is concerned that residential development on could impact on port activity.

New Ross Port

New Ross handled just over 1.1 million tonnes in 1999 making it the 5th largest port in the country. It owns 29 acres but only 2 acres are currently utilised. 0.6 acres is used in core activities and a further 1.4 acres in non-core activity out of a total of 1.75 acres that are leased. All the remaining 27 acres are available for development. However, 19 acres of this are reclaimed land and are remote from the port at Pink Rock. The port has not attempted to develop PPPs and the weakness of the local economy would appear to be a difficulty in developing revenues.

Shannon Foynes (Foynes)

Shannon Foynes Port Company owns 126 acres at Foynes, 96.7 of which are used in core trading activity. With Limerick, the port's trade in 1999 amounted to 10.4 million tonnes, 27.5% of the state's imports and 15.5% of exports. A total of 29.3 acres are not used in core activities, and an additional 60 acres will be required for trade growth in the future. Of the total, 86 acres are leased, of which only 1.5 acres are used for core activities. All leases have resumption clauses and resumption is being sought in relation to areas not being used for port-related activities. The port does not own its foreshore.

It is estimated that there are 40 acres available that could be developed for new revenues in the medium term. These development sites are available for lease but have not been utilised. The port has experience of PPPs and some of its lands are included in Council development plans as being of strategic importance.

Shannon Foynes (Limerick Docks)

Shannon Foynes Port Company owns 91.5 acres at Limerick Docks. Currently, 31.5 acres are used in core activities and 31.5 acres are leased out. None of the leased area is used for core activity and no additional land is required for trading in the future. As a result, the port estimates that all the 60 acres that is not used for trading is available for the development of new revenues. A portion of the leases, covering 8.3 acres, predate the 1946 Act. Some leased land has been recovered without buying them back. Land adjacent to the port's holdings have been developed for hotels and residential and the port believes there is further potential in this direction.

Port of Waterford

The Port of Waterford owns 204.3 acres in total in two main blocks: the town quays and Belview container terminal. The Belview area is part of an SDZ that has accelerated planning, although this does not extend to port development. In total, 40.1 acres are used in core activities and 102.2 acres in other activities. Car parks have proven to be a valuable cash generator in the town. It is estimated that an additional 76 acres will be required for development in the future. The port leases 62 acres, all but 1.9 acres of which is used in core activities.

Just over 6 acres of the Port's property has been zoned for retail and residential development and the port is considering PPPs for the development of the North Quays in the city. It is estimated that in total there are 97.9 acres of the port's property available for the development of new revenues, between both the City and Belview areas.

B: Smaller Trading Ports

Dundalk Harbour

Trading volumes in Dundalk at 269,000 tonnes account for less than 1% of Ireland's international trade. The port owns 331 acres, in a number of locations, of which only 6 acres are used in the core activity of the port. 5 acres of this is operated by leaseholders.

The port estimates that 325 acres that is directly under its control is currently unused or under-utilised. However, almost all of this land is either tidal, awaiting reclamation or non-accessible from the landside. Most would appear to have no commercial value. Of the remainder, totalling about 2 acres, the port is currently looking at the possibility of developing unzoned sites that are under their control.

The port owns the foreshore and some plans for reclamation exist. Amenity development would be suitable on the foreshore and some suggestions for PPPs have been considered but not pursued in relation to the more accessible sites.

Fenit and Tralee Pier

Fenit and Tralee Pier owns 10.5 acres, of which 0.25 acres is used in core trading. An additional 4.5 acres is used for non-core purposes. Leased areas amount to 3.5 acres, 1 acres of which is used for core purposes. Most of the leased areas are on short-term leases and control will revert to the port. The port authority estimates that 7.75 acres are available for the development of new revenue streams.

The port currently plans to sell most of its land holding to raise money to invest in the core port facilities, particularly in buildings for leasing. The comprises a fish plant and a mixed development at High Field. PPPs are being considered for this. A considerable portion of the property is zoned for residential and amenity development. Some of the foreshore is owned and there are plans to reclaim an acre for truck parking.

Sligo Harbour

Sligo Harbour owns 90 acres of which only 3.25 leased acres are used for core activities. An additional 72.25 acres are leased and are used for a variety of non-port related purposes. Most of these leases do not include a resumption clause. The Commissioners are trying to regain control of these lands but can only do so through agreement thus implying large costs. The remaining 14.5 acres are used for other purposes. The harbour authorities have estimated that 33.6 acres are available for the development of new revenue streams.

A development and regeneration plan has been prepared for the area. This includes plans for reclamation and amenity development of the foreshore towards the upper end of the quay. Tourism and commercial development is also included and the use of PPPs is being considered. However, the port does not own the foreshore and this is seen as a big problem.

Wicklow Harbour

Goods received by Wicklow amounted to 182,000 tonnes in 1999. The port owns 7.3 acres, 6.3 acres of which is used in this activity. Additional space will be required over the next decade. Leases account for 1.1 acres and this property will revert when the leases expire. This leaves just 1 acres available for new revenue streams. Access could be a problem and the port has no plans for the development of new sources of revenue. The port owns the foreshore and although it might be suitable for amenity there are no plans for development.

Youghal Harbour

Total property owed amounts to 1 acre which is used for non-port activity. Leases account for 0.5 acres. The leased land has 20 years of a 30-year lease left to run and no attempt is being made to regain control. The port currently has plans for the development of a marina at Market Dock but access could be a problem. The foreshore is suitable for amenity development but is not owned and there are no plans for development.

C: Non Trading Ports

Ballina/River Moy Harbour

River Moy Harbour at Ballina owns 1.6 acres, 1.1 acres of which is leased out. This is mostly used for warehousing. An additional 0.15 acres is used by the port leaving 0.35 acres available for new development. The port owns its foreshore.

Plans have been prepared for the development of sheltered moorings for leisure boating in the Harbour and an application has been made to the Department of the Marine and Natural Resources for grant aid.

Dingle Harbour

Dingle Harbour owns only 0.1 acres but has reclaimed an additional 10 acres of foreshore that is leased from DMNR. This is used for fish landings and marine leisure. This business is growing and it is estimated that another 5 acres will be required in the medium term. Because of this situation, there is no property available for additional revenues beyond what is currently being developed.

Westport Harbour

The port owns 12 acres, 10 acres of which are unused and 2 acres used as a football pitch. 10 acres have been zoned for residential and amenity use. The property is in a strategic planning area and there are options for the development of PPP investment. The port owns the foreshore and has plans for reclamation. The Harbour Board have entered into a joint venture with Mayo County Council and have employed consultants to prepare an integrated development plan for the Harbour.

Information from other sources on Annagassan, Arklow, Baltimore & Skibbereen, Dingle, Kilrush, Kinsale and Wexford is contained in the main text.

Appendix 6: International Experience

The international experience of dealing with the property base of ports presents a complex picture that is broad in scope, ranging from the development of working ports to the waterfront regeneration of ports in commercial decline or even derelict. Ports vary substantially in size and in the nature of ownership or organisational structure. A large range of factors has been found to determine the structure, organisation and management of ports internationally. These include:

- The socio-economic structure of a country (e.g., market economy, open borders)
- Historical developments (e.g., former colonial trading structure)
- Location of the port (e.g., within an urban area, in isolated regions)
- Types of cargoes handled (e.g., liquid and dry bulk, containers)
- Public, private or mixed provision of service
- Local, regional or global orientation
- Ownership of infrastructure (including port land)
- Ownership of superstructure and equipment (in particular ship-to-shore handling equipment and warehouses)
- Status of dock labour and management.

These factors will also be important in influencing the options that may be exercised for development. Ports are also connected to a hinterland, a wider coastal zone and, in the case of many older ports, to a port city or town. Any development of available port estates may have to take all of these factors into account. In addition, the nature of land use in port areas will depend on the nature of control of the port estates.

Internationally, redevelopment strategies have varied greatly, including new operations and services in:

- Commercial freight transport-related
- Non-transport logistics
- Other industrial (e.g. refinery)
- Other commercial (e.g. offices, retailing)
- Passenger transport-related (e.g. cruise ships)
- Water-related leisure (e.g. marina)
- Other leisure services (e.g. heritage trail)
- Residential

Port ownership structures vary but some degree of public sector involvement is the norm. The landlord port where the port authority acts as landlord, leasing infrastructure to the private sector, which undertakes port operations, is the prevailing form for the larger ports in developed countries. As a result, there is a widely acknowledged need for a national port policy in relation to assets and operations. In its policy, Government needs to take into account a range of objectives and interests, for example social versus commercial requirements, or conservation versus redevelopment issues and will need to resolve many conflicting demands on the use of port estates.

Options for Development

Public policy needs to address a number of difficult decisions. One commonly found dichotomy is between ‘traditional port functions’ and ‘non-port activities’. This is usually resolved by a decline in demand for the traditional port functions in a specific port, when the port is either left derelict or used for other activities. Another dichotomy is between waterfront uses where the presence of water is essential (e.g. a marina) and those that could be situated anywhere, including inland and away from water (e.g. an office development). Often there will be lobbying in the face of development proposals to defend waterfront sites for ‘waterfront uses’. Some governments are adopting or investigating new approaches to port or coastal zone projects. In the UK the New Approach to Appraisal (NATA) provides criteria for all transport projects, including new port developments. The British government is consulting the ports industry and other interests about more detailed guidance for appraisal under the five broad headings of environment, safety, economy, accessibility and integration.

Experience with revitalising estates in old ports that have fallen into disrepair or are derelict is of particular relevance to Ireland. Such sites often find it difficult to attract private investment because they are not associated with the city core, although they may be proximate. Typical new uses for such sites are light industry, warehousing and associated activities. A good example of where this type of land use change has occurred is the Distripark Botlek in Rotterdam where a large oil storage yard was converted into a distribution centre of 100 hectares. Although such new uses are often transport-related, they may not be maritime-related and therefore perceived by the port authority as ‘non-port activities’ or ‘non-waterfront uses’. It is not uncommon for the port authority to be unwilling to invest in such ventures, or it may be prevented from doing so by constraints imposed by government.

A range of water-related leisure activities can also be undertaken in a port area. However, there appears to be no general consensus on the impact of water-related leisure activities on coastal areas, and in any given region there is probably a need for coordination of the various agencies associated with regulation and planning. Leisure activities such as marinas create their own pollution (e.g. oil spills from marina fuel stations), and may have an impact on other marine industries, particularly aquaculture. On the other hand, long established practices (e.g. disposal of fish waste) may have a negative impact on new leisure activities. Some water-related leisure activities may conflict with each other (e.g. power boats and swimmers). In summary, many schemes for leisure development have been or are being created throughout the world and it is difficult to generalise about such a diversity of activities in so many different contexts.

Residential development has also been widely used for waterfront regeneration. However, this approach is not without its problems and may have to confront the choice of provision of public, social or ‘affordable’ housing or of luxury provision, the latter often linked to water-related leisure developments such as a marina. It has been found in the UK that many waterfront regeneration projects are in danger of becoming short-term answers to economic development problems rather than long-term solutions to rehabilitation of run-down urban areas. Schemes usually aim to attract young, relatively wealthy professionals to settle in waterfront developments in an effort to ensure the early commercial success of a project, and therefore attract other private developers, rather than the provision of housing for the existing, usually low income residents..

Financing and Governance

There are three basic categories of port assets:

- Long-lived, high cost infrastructure (e.g., breakwaters, channels and turning basins) that cannot be precisely assigned to individual port users;
- Long-lived, high cost infrastructure (e.g., quays and terminals) that can be assigned to individual users or service delivery systems; and
- Superstructure and equipment linked to specific users or service delivery systems.

When a port is developed, the authority must decide which type of organisation will be responsible for specific assets and associated services. It may be necessary to undertake asset restructuring, meaning the rearrangement of asset provision. This will depend on the extent to which the port authority or owner wants to provide its own assets, the amount of competition it wishes to see in the provision of specific assets, and the extent to which it will 'bundle' assets together when asset provision is put out to tender to the private sector. Although the private sector could provide all classes of assets, it may wish to avoid the high risk and long-term returns of the first category.

Three major approaches have been identified for the development of surplus port land:

1. It is redeveloped by the port authority thus extending its function from that of a port into a property developer, which may require modifications to its statutes. Examples include Barcelona and the Port Authority of New York and New Jersey. In the UK, Associated British Ports (ABP) has undertaken the same role, but as a private company.

2. The port land is transferred to a local authority, municipality or local government for redevelopment. This requires the local government to have sufficient resources to realise the full value of the land. Successful examples of regeneration of port estates near the city centre are found in Baltimore and Rotterdam.

3. A development corporation may be created specifically to redevelop dock land that covers a large area, more than one authority and high costs. An example is the London Docklands Development Corporation (LDDC) which was created by the British central government and resulted from the failure of six waterfront authorities to develop a suitable docklands development plan. A further example of a separate development corporation is the Puerto Madera Corporation in Argentina, a joint venture by the City of Buenos Aires and the Argentine national government to convert old city docks into mixed commercial, residential and recreational use.

Each of these models will result in a particular financing structure and a wide range of structures has appeared.

Some conclusions about the financing process can also be drawn from four major waterfront projects of the 1970s and 1980s in New York (Battery Park City), London (Docklands), Boston (Charlestown Navy Yard) and Toronto (Harbourfront). These projects have shown that the key stages are:

- Finding start-up capital
- Attracting private investment
- Seeking early small successes
- Building momentum
- Soliciting development proposals
- Managing the development approval process
- The developer selection process
- The municipal development approval process
- Adjusting to changes in the property market
- Dealing with the economic cycle.

Each project required widely different start-up funding techniques. Harbourfront and LDDC (London Docklands Development Corporation) relied most on conventional government grants while the BPCA (Battery Park City Authority) negotiated credit from two banks to fund the first year's planning activity. However, both BPCA and the Boston Redevelopment Authority (BRA) both suffered some financial distress, as did Harbourfront. All these projects had to overcome major difficulties before they could attract significant private investment. The most important were physical problems of access, utilities and services resulting from the previous industrial activity and a poor image of urban decay. Markets were created by stressing the proximity to city centre, waterfront views, open space and historic buildings. Early redevelopment plans addressed the physical problems and transport investment. Parks and walkways with views were developed first.

Each of the four cities sought to attract young urban professionals as waterfront residents as early as possible in the development. As well as dwellings, marinas were established to diminish the previous derelict industrial atmosphere. Young professional people also required few social services. All the redevelopment agencies sought 'master developers' capable of raising the necessary funds and creating momentum or a 'snowball effect' of commitments from other developers, in particular to undertake smaller projects. Larger commercial developments took longer to get going because of the need for the redevelopment agency to establish credibility, which was done through the smaller projects, site improvements and the change of image. The state of the property market also played an important role.

In achieving this, the personalities of the agency heads were important since they had to personally solicit the attention of developers. Developers were sought who could move speedily, had credibility, were able to offer a suitable image for the site with a flagship project in a prime location, and able to conform to the agency's urban design objectives. However, evidence from other sites suggests that the concept of a flagship may not always be successful.

Some waterfront agencies established a streamlined development approval process to avoid delays. In general, it was found that the agencies' own procedures rather than those of local legislation determined the speed of selection of developers. The speed varied between projects. Faster selection was achieved by the LDDC, which gave the Travelstead Group an option on Canary Wharf after only one month. The BPCA took only four months to select developers for the World Financial Centre. In contrast, the BRA took more than two years to select developers for the Charlestown Navy Yard and missed out on opportunities.

The period between developer selection and construction depends on both the approval process and the state of the property market. A fast approval process allows the agency to meet the time in the cycle of the property market when construction financing is more readily available. During a recession, developers will extend negotiations to avoid commitment when finance is not available. Private investment is attracted most easily at or near the peak of a property market cycle. For example, the LDDC decentralised in 1984 at the beginning of a boom to sell as much property as possible. The BRA master developer did not build more than one property at a time even during Boston's greatest property boom in the mid-1980s. The only project went bankrupt in 1990 having missed the market peak. London and Toronto also missed market opportunity because they changed their approved plans when developers were seeking business in the mid-1980s on sites that had not flourished for a decade.

All four waterfront developments grew slowly during an economic upturn but stopped suddenly in a downturn. All agencies had difficulty in getting building underway during a recession, since developers could not get financing. During an upturn, governments were supportive, and both Metro Toronto and the British government funded light railways during the 1984-85 upswing.

The conclusion from these experiences is that urban waterfront redevelopment is not a straightforward property investment. It requires large capital costs for land acquisition, site clearance and infrastructure years before attracting substantial private investment. It may initially require considerable government subsidies, although an effective redevelopment agency should be able to minimize such cash contributions. Nevertheless, it is imperative to attract private developers, although success in this regard will be determined to a considerable extent by fluctuations in the local property market. An accomplished redevelopment agency needs to overcome such fluctuations. Agencies making overly ambitious plans during a boom generate public unease about over-development of the waterfront. This can lead to more regulation and eliminate the necessary quick response to market opportunities.

The Dublin Docklands Development Authority

Single purpose development agencies are a product of urban renewal imperatives which occurred in the 1970s and 1980s. The changes in cargo handling and the decline of industry associated with ports created substantial areas of derelict, under-utilized land in traditional port areas in particular. This process was very evident in Dublin by the mid 1980s. The perception at the time that the renewal task was too difficult for the traditional local or regional authorities with their multifunctional role meant that it was decided to create a specific agency, with a single focus to carry out the work.

The Custom House Docks Development Authority (CHDDA) was the first such agency in Ireland. It had a single legislative mandate which was "to secure the redevelopment of the Custom House Docks Area". It had a Board that generally reflected business interests and staff recruited from specialist areas including administrators, property, urban planning, finance, legal, and social programmes specialists. Some funding was available through Government or EU grants, but the CHDDA relied virtually exclusively on tax incentives. Surpluses were generated by means of public private partnerships with developers and such surpluses were used as a rolling fund for future development.

As was the case with other such agencies, particularly in the UK, the CHDDA was criticised by local communities who tended to be socially disadvantaged. These agencies tended to be seen as autocratic and not engaged in improving the economic and social life of local communities. In Dublin, (despite quite proactive community development programmes), the Government decided that a fresh approach was required and it set up the Dublin Docklands Development Authority (DDDA) as successor to the CHDDA. This new body was designed to be much more socially inclusive. It not only has a Board but a Council of twenty five that sets policy. Its membership is drawn from Dublin Corporation councillors, community representatives, major State landowners and business interests.

The objectives of this new Authority, as set out in legislation, are threefold:

(i) to secure the social and economic regeneration of the Docklands on a sustainable basis.
(ii) improvements in the physical environment.
(iii) the continued development of financial services in the Custom House Docks Area.

The main policy document used by the Authority is its Master Plan. Special planning powers have been a feature of both docklands authorities in Dublin. They have been authorised to prepare Planning Schemes and if a development complies with such a scheme it can be deemed to be exempted development for the purposes of the Planning Act. The objective is to try to achieve a consensus view on the future development of land at an early stage and avoid costly planning appeals and delays on individual projects.

On the basis o experience with these authorities, a special agency, were to be set up to develop Port Estates, would need the following characteristics and powers:

- Defined functions including the ability to prepare a plan.
- An appropriately structured Board and/or Council.
- A staff of suitable experts.
- The ability to purchase, hold or dispose of land or development including CPO powers.
- A source of funding (at least in the initial stage) whether by grant, borrowing powers on land assets or tax incentives)
- Possibly special planning powers.

The main difficulty is that it is unlikely that such a special body would be given unfettered powers to develop land for the best possible financial return. The political climate in a general sense would not be sympathetic to this idea and a centralised body would likely meet with opposition from local interests where land may be required for other socially desirable purposes.

A better solution might be to go via the strategic development zone route as contained in the Planning Act. This would enforce a marriage between the objectives of the Port Authority and the local planning authority. While this would be unlikely to produce the maximum financial return for the Port, it would provide a means to maximise the returns to the economy from the publicly owned resources that are under the control of the port.