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***REPORT TO THE DEPARTMENT OF TRANSPORT:
A RE-ASSESSMENT OF IRELAND'S MARITIME
CONNECTIVITY IN THE CONTEXT OF BREXIT AND
COVID-19 CHALLENGES***



Irish Maritime
Development Office

INTRODUCTION

This Report responds to a request from The Department of Transport (DoT) to re-assess Ireland’s maritime connectivity in view of the combined challenges posed to the integrity of Ireland’s maritime trade links by Brexit and the Covid-19 Pandemic. The Report builds on and updates previous work carried out by the Irish Maritime Development (IMDO) in this area and updates the Landbridge Study, carried out by the IMDO in 2018. The Report takes account of important issues, including, but not limited to:

- Market conditions - trade and tourism volumes
- Capacity and utilization of maritime transport services
- Emerging trends

The Report considers the desirability of State intervention in the shipping industry, in light of the lessons learned in dealing with this question over the last two years, recent industry consultations, and emerging national and international influences. The Report concludes by updating previous advice and making a series of recommendations, laying emphasis on a contingency approach that recognizes the complexity and uncertainty of current circumstances and the value of scenario planning in preparing for the unexpected. The recommendations are cautious and prudent, cognizant of the very serious implications for the national economy and vulnerable sectors within it, of failing to protect maritime connectivity.

1. MARKET CONDITIONS - TRADE AND TOURISM VOLUMES

Trade through Irish ports has been growing steadily for more than 5 years and has recovered from the losses that followed the economic crash of 2007 / 2008, as measured by the IMDO’s iShip Index (Figure 1 below). Throughout the recovery phase, the maritime industry was proactive and responsive in the provision of capacity, within ports and in the maritime fleet. In Q1 and Q2 2020, freight volumes were adversely affected by the outbreak of the Covid-19 Pandemic. Initially, imports from Asian markets were affected, but as the Pandemic spread, Ireland’s trade volumes fell sharply across all maritime transport modes.

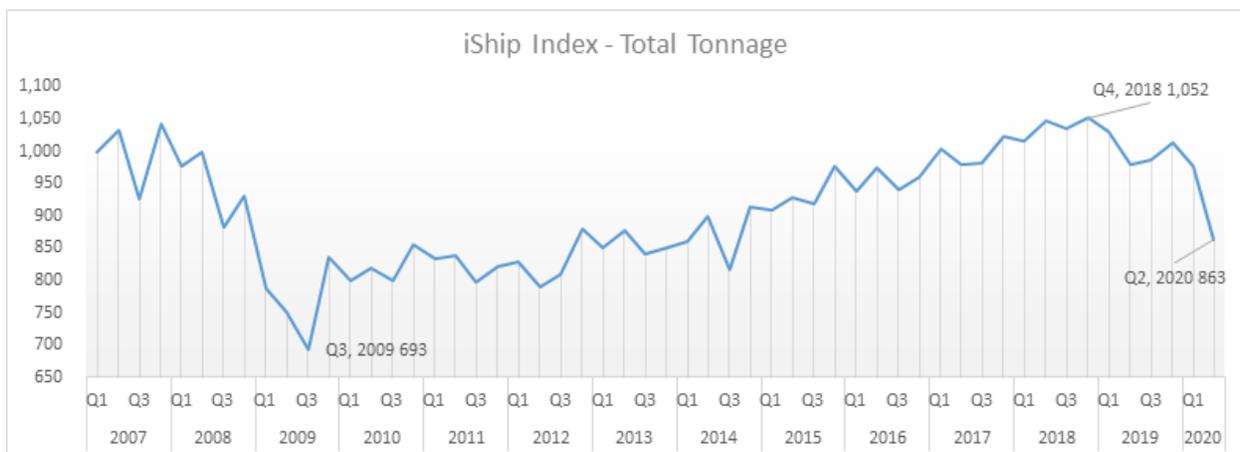


Figure 1: iShip Index 2007 to 2020

The responsiveness and competitiveness of Ireland’s maritime transport industry is underpinned by National Ports Policy that has driven competition between ports and created relatively low barriers to entry for shipping companies seeking to enter the Irish market. The Irish market is served by national and international shipping companies that have established strong positions and demonstrated an ability and appetite to invest in and develop their services, to meet the needs of the Irish economy. Driven by a desire to protect their market shares and to service the large investments in capital assets that characterize the industry, it is reasonable to expect these shipping companies to continue to be responsive to the needs of the market. Shipping companies will continue to follow demand and will seek to deploy their assets on routes that have the greatest volume and revenue potential.

The outbreak of the Covid-19 Pandemic at the beginning of 2020 and the restrictions that followed had the most immediate and dramatic effects on RoPax operators. Ro/Ro freight volumes for 2020 fell behind 2019 levels from the beginning of the year, as shown in Figure 2 below. The largest losses were recorded in April and May, when stringent Government restrictions were put in place to curb the spread of the virus. As restrictions were gradually lifted, Ro/Ro freight volumes recovered. Restocking after the period of lockdown resulted in very strong growth in Ro/Ro freight in July, exceeding 2019 levels, and since then, Ro/Ro volumes have stabilized, marginally above the levels recorded in the previous year.

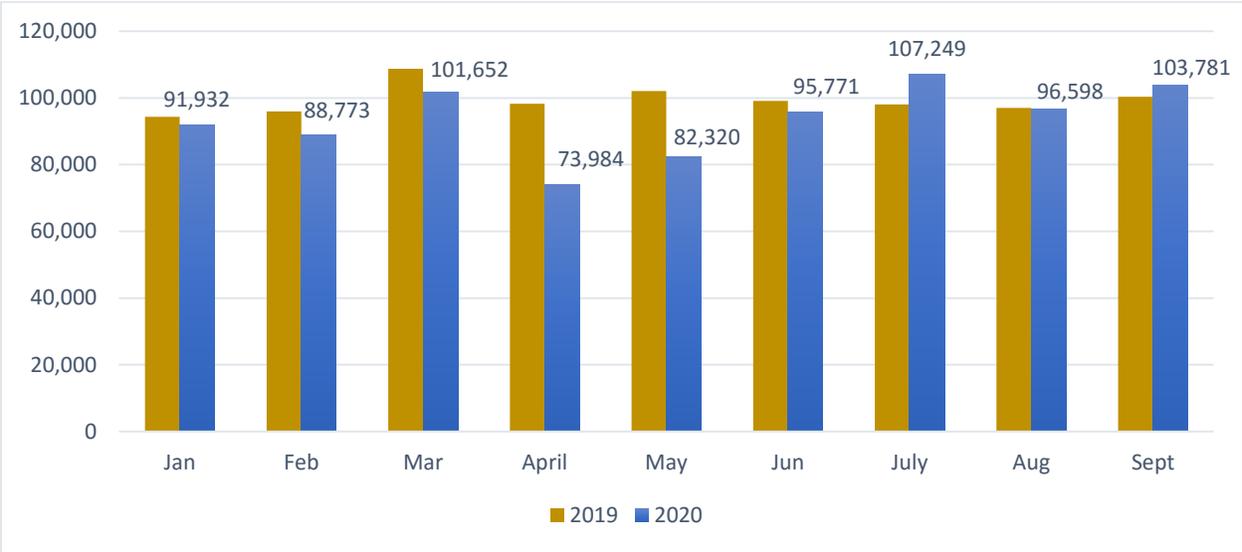


Figure 2: Monthly Ro/Ro Volumes - All Corridors

The fall in passenger traffic on RoPax services since the onset of the Pandemic has been even more pronounced. During Q2 2020, the period of the most severe travel restrictions, passenger volumes in the Irish market fell by 91% and by 83% on routes between Northern Ireland and Great Britain, as shown in Table 1 below.

	Q2 2019	Q2 2020	Year-over-Year Change	
	Pax No.	Pax No.	%	Pax No.
Central	427,843	47,000	-89%	-380,843
Southern	145,556	10,119	-93%	-135,437
Continental	137,769	9,612	-93%	-128,157
Northern	498,867	83,799	-83%	-415,068
Total Ireland	711,168	66,731	-91%	-644,437
Total All – Island	1,210,035	150,530	-88%	-1,059,505

Table 1: Q2 Passenger carryings (2019 v 2020)

Passenger volumes, driven by seasonal factors, increased during the peak tourism period in Q3, as shown in Figure 3 below. This recovery in passenger numbers coincided with that of the Ro/Ro freight market. However, passenger volumes were still circa 70% below those of a typical summer period.

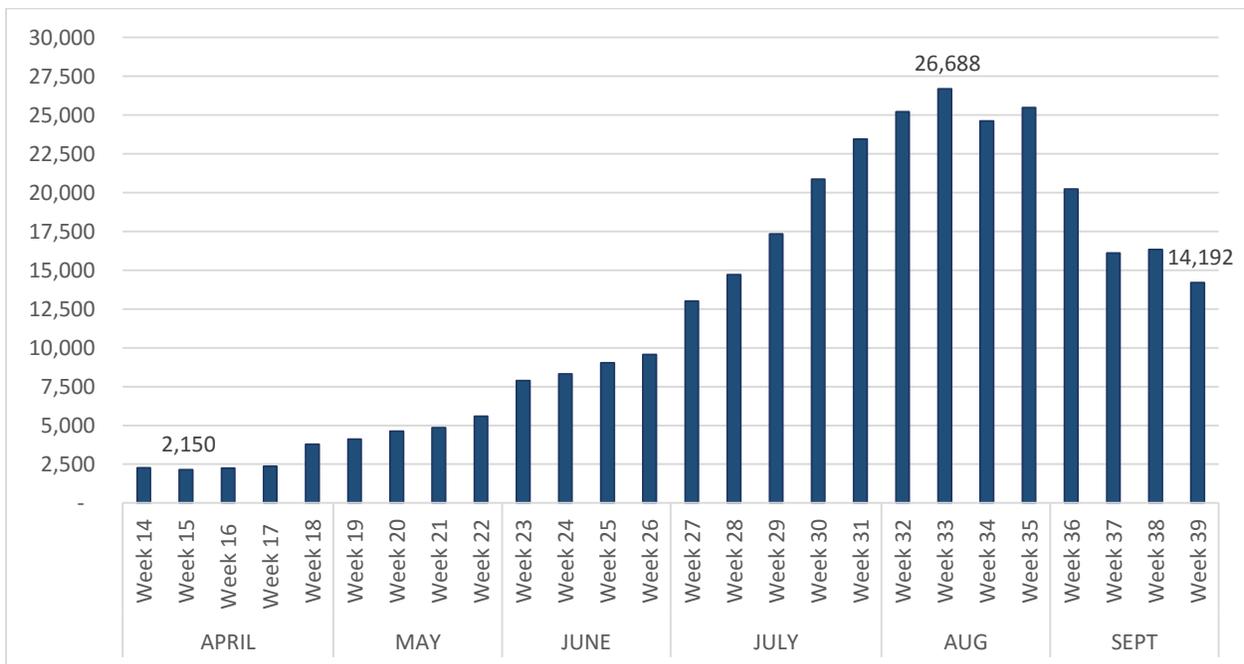


Figure 3: Weekly Passenger Volumes - All Routes

The net effect of the reduction in Ro/Ro freight traffic and passenger traffic has been to reduce the utilization of RoPax vessels. This reduction in utilization, brought about by the Covid-19 Pandemic, will endure into 2021. While this will have negative financial repercussions for the RoPax sector, the surplus capacity created will improve the sector's flexibility to address changes in demand that materialize at the end of the transition period.

2. CAPACITY AND UTILIZATION

The Covid-19 Pandemic has resulted in a reduction in Ro/Ro freight traffic and a decline in passenger volumes, as discussed above. In moves that might be regarded as counter cyclical, it has also resulted in the introduction of additional capacity and the commencement of new services, as rivals in the shipping industry vie for position in a very dynamic market. The new services, existing and proposed, are set out in Table 2 below

Operator	Route	Start Date
CLDN	Cork – Zeebrugge	May-20
CLDN	Santander – Liverpool – Dublin	Jun-20
ICL (LOLO)	Cork to USA	Jun-20
BG/Hapag Lloyd (LOLO)	Waterford -Liverpool Rotterdam	Jul-20
CLDN	Leixoes – Dublin – Liverpool	Sep-20
Brittany Ferries	Rosslare to Cherbourg	New service from March 2021
Brittany Ferries	Additional Cork-Roscoff Service	New service from March 2021

Table 2: Additional Capacity and New Services (some commenced and some proposed)

A comprehensive analysis of existing capacity and demand on the Central, Southern and Continental corridors was carried out and established that surplus capacity exists on all three corridors. Demand in Q1 2021 will fall significantly from current levels, driven by economic and seasonal factors. In the event of a shift in demand away from Landbridge routes to direct services to the Continent, the industry is well positioned to respond and where required, increase capacity on Continental services.

This conclusion is supported by the views expressed in consultations with the shipping industry, which is confident in its ability to service current and future demand. Current capacity was put in place in anticipation of a continuation of the growth trajectory of the past five year. The contraction experienced in 2020 was not anticipated and has increased the over-capacity that exists in the market. A number of shipping companies referred to the current demand profile as a temporary disruption rather than a new and enduring equilibrium.

3. EMERGING TRENDS

Increased reliance on unaccompanied trailers and Lo/Lo services

Since the outbreak of the Covid-19 Pandemic and the imposition of travel restrictions, there has been a discernible shift in the Ro/Ro sector to the unaccompanied mode. As Ro/Ro freight volumes began to recover through May and June, it was apparent that unaccompanied traffic recovered at a faster pace than accompanied traffic, as shown in Figure 4 below. In June 2020, unaccompanied traffic exceeded the levels recorded in the previous year. As a result, unaccompanied traffic represents a growing percentage of the Ro/Ro market in Ireland. The same was true in Northern Ireland, where unaccompanied traffic was 2% higher in June than the same month in 2019. This shift is noteworthy, because it obviates the need for a driver to travel and mitigates Covid-19 related risks.

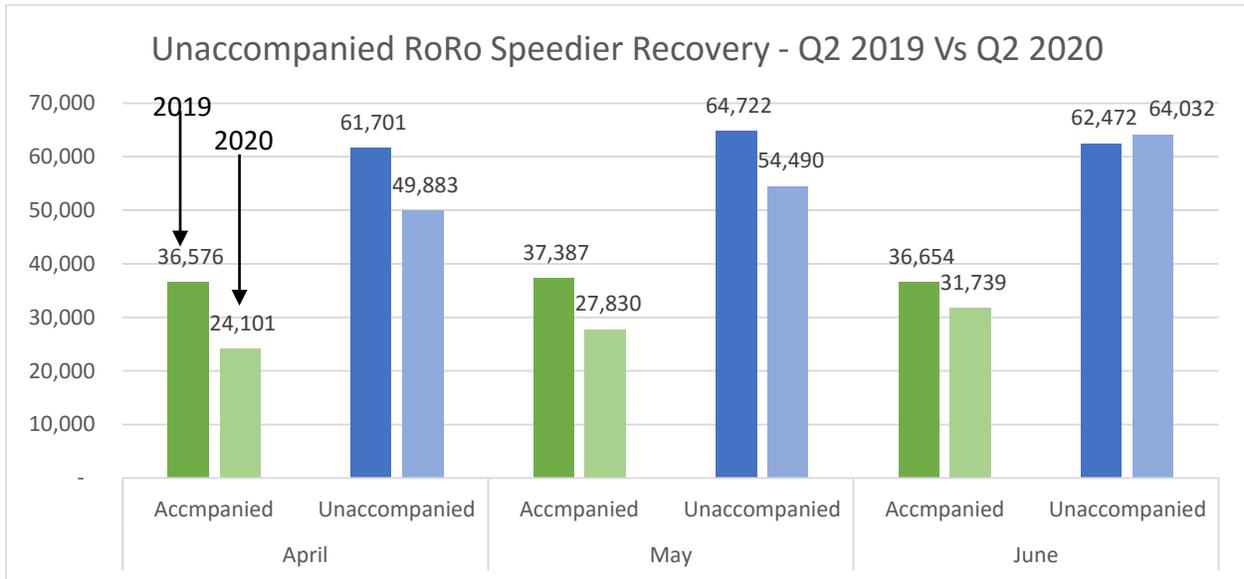


Figure 4: Recovery of Unaccompanied Traffic from April to June 2020

Increased use of Lo/Lo services

Ireland’s Lo/Lo volumes have grown steadily over the last six years as shown in Figure 5 below. Evidence gathered from Lo/Lo operators confirms that in the last two years there has been a shift to Lo/Lo services as importers and exporters trial alternatives to the Landbridge option. Lo/Lo throughput in Q2 2020 was 6% higher than the average Q2 volume between 2014 and 2019. Like other direct services to the Continent, Lo/Lo services have seen increased investment, both in ships and port infrastructure, with measurable improvements in the quality and reliability of the services. Lo/Lo services have a further advantage of being able to add and flex capacity with comparative ease. The Lo/Lo vessels that service the Irish market are generally in the 800 to 1,000 TEU range and are generally available on the charter market. Chartering is prevalent in the Lo/Lo sector, affording Lo/Lo operators greater flexibility to reconfigure their fleets in response to changes in market demand.

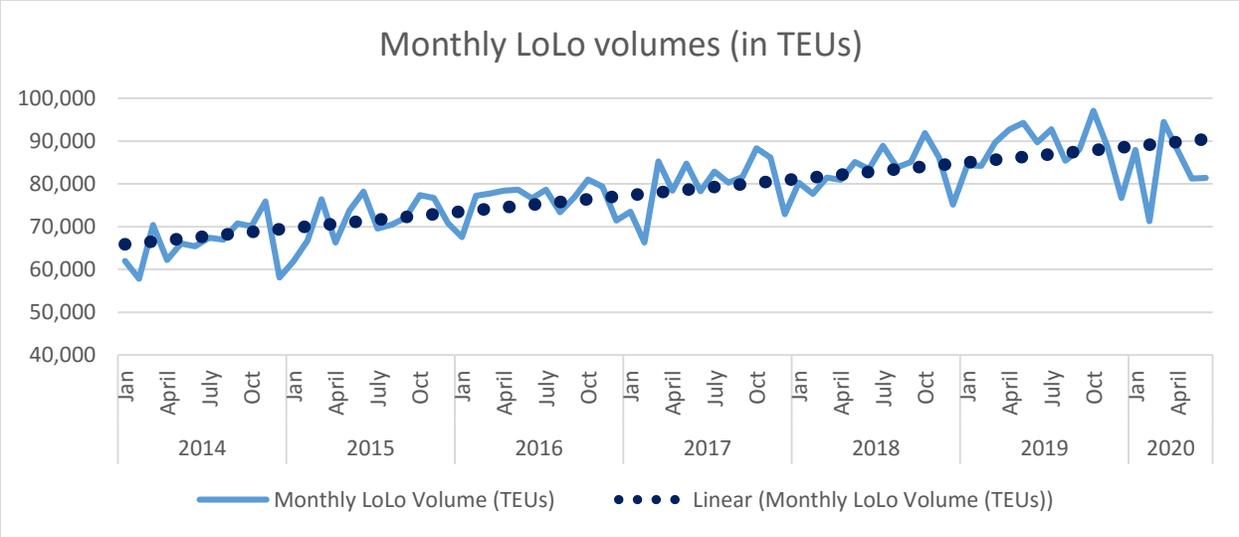


Figure 5 – Quarterly Lo/Lo Volumes (2014 to 2020)

Irish Lo/Lo volumes for the first six months of 2020 were just above 500,000 TEUs. This is 14% above the average H1 volume between 2014 and 2018. Lo/Lo volumes in Northern Ireland have not experienced the same level of growth since 2014, with annual volumes remaining constant at roughly 250,000 TEUs per year since 2014.

In short, Lo/Lo services have been expanding. They offer a reliable alternative to the Landbridge option, and with appropriate restructuring of supply chains, have been used successfully by importers and exporters as a reliable route to market. Lo/Lo capacity can be increased with relative ease and schedules can be flexed to meet specific market requirements.

Increased concern about the future efficacy of the UK Landbridge after the transition period

The manner in which EU / UK trade discussions have developed in recent months has caused increased concern about the future efficacy of the UK Landbridge. The working assumption is now that there will be very significant delays at cross channel ports and that Irish importers and exporters should have alternative arrangements in place to ensure reliable routes to market. The Landbridge Report assessed the elasticity of demand of Landbridge traffic over delays of up to 12 hours. Within this range, the demand was relatively inelastic. However, if delays extend beyond this range, or if the Landbridge is no longer an effective route to market for certain users, a greater migration of traffic from the Landbridge to alternative routes can be expected.

A communications campaign that DoT, DFA and IMDO will lead, in conjunction with other relevant Departments, will be undertaken immediately, encouraging Landbridge users, working with shipping companies, to assess and trial alternative routings and to be prepared to switch to alternative modes.

There is a strongly held view in the shipping industry that Dover / Calais will remain a vitally important artery for UK trade and that the operational and administrative delays that are likely from 1 January 2021, will be overcome. The shipping industry is confident in the future of the UK Landbridge as a route to market for Irish businesses.

Enduring nature of the Covid-19 Pandemic

It is assumed that the Covid-19 Pandemic will continue to have an impact on international travel for much of 2021 and that passenger volumes will continue to be significantly below the levels recorded in recent years. The pandemic has had less of an effect on freight volumes. Nonetheless, it is expected that freight volumes will be marginally below 2019 levels for the remainder of 2020 and for much of 2021. It is clear from previous experience in preparing for earlier Brexit deadlines that freight volumes will be subject to surges in demand as companies increase buffer stocks. Equally, freight volumes may increase temporarily as pent-up consumer demand is satisfied, following periods of travel restrictions or lockdown that may be imposed to curb the spread of the Covid-19 Pandemic.

4. UPDATED ADVICE & RECOMMENDATIONS

This section brings our analysis together in a series of updates and recommendations.

Updates

1. Previous advice to DoT in relation to connectivity was based, inter alia, on the 2018 Landbridge Study that quantified demand for Landbridge services and evaluated its elasticity. In short, the Study found that less than 150,000 HGVs use the Landbridge each year. Demand was relatively inelastic over the range of disruptive factors considered. Demand was driven by perishable and high value goods that rely heavily on the superior speed of the Landbridge option. This remains the case. However, in more extreme circumstances, where the effectiveness of the Landbridge breaks down, greater numbers of Landbridge users can be expected to move to alternative routes. A recently updated analysis of Landbridge traffic shows that Landbridge volumes have not grown significantly since the Landbridge Study was published in 2018, while Ro/Ro freight volumes on direct routes to the Continent grew by 9% in 2019, as shown in Figure 6 below.

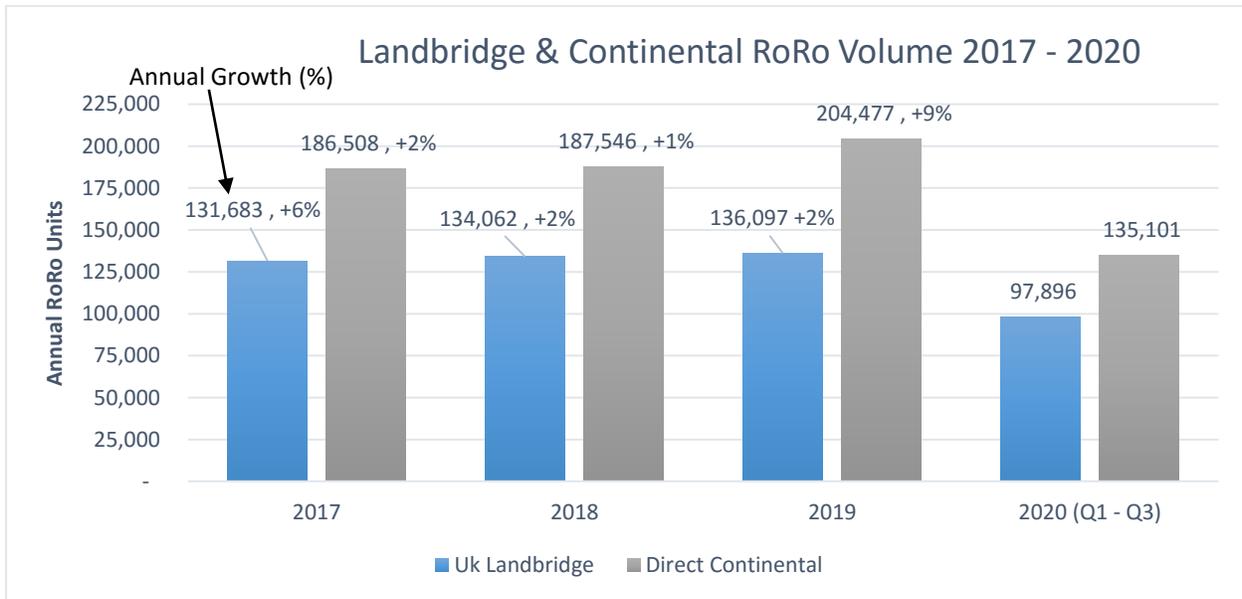


Figure 6: Landbridge and Direct Ro/Ro Continental Volumes

2. Given the uncertainty that currently surrounds the trade negotiations between the EU and the UK, there is greater risk to the efficacy of the Landbridge option. Importers and exporters should be aware of this increased risk and take steps to mitigate it.
3. Importers and exporters of highly time-sensitive goods, who rely on the speed to market offered by the Landbridge option, must evaluate all alternative options, and where possible, re-engineer supply chains to make the alternative options workable. The speed offered by the Landbridge option cannot be achieved on other routes or modalities and changes to supply chains will be necessary.
4. There is sufficient capacity on direct Ro/Ro services to handle diverted Landbridge traffic. Shipping companies may be required to adjust current schedules and routings, but there is good

reason, based on previous experience and industry consultation, to be confident that Ro/Ro operators will adjust their service offerings to meet changing demands. Importers and exporters must communicate immediately with shipping companies in relation to future needs. Appendix 1 outlines current Ro/Ro services to and from Continental ports.

5. Lo/Lo services offer a reliable and robust alternative to the Landbridge option, and with some restructuring of supply chains, can provide the means by which Irish importers and exporters avoid the difficulties and delays that may be associated with transiting through the UK from 1 January 2021.
6. Despite calls for State intervention in the provision of direct, daily shipping services to the Continent, there is no evidence to suggest that the current supply of capacity is inadequate or that the shipping industry is incapable or unwilling to adjust existing services to meet emerging demands.
7. Current demand for Ro/Ro services is suppressed. The volume increases expected in 2020 have been lost and Ro/Ro volumes will be marginally below 2019 levels, mainly because of Covid-19 effects. When the transition period ends on 1st January 2021, freight volumes will be suppressed by seasonal factors and may be as much as 20% lower than peak volumes. Furthermore, it is likely that restrictions on international travel will persist into 2021, freeing up additional capacity for freight on RoPax services.

Recommendations

1. Taking all of the above factors into account, we do not believe that there is a need for the State to intervene to add Ro/Ro capacity at present. However, we acknowledge the volatility and uncertainty of the current situation and recommend that DoT continues to closely monitor demand, capacity and utilization in the Ro/Ro sector.
2. In view of the uncertainty inherent in any consideration of the effects of Brexit and the Covid 19 Pandemic on trade, we recommend that DoT adopts a contingency approach. Our assessment is that capacity needs will be met by the market, but that the lingering effects of the Covid 19 Pandemic will continue to suppress freight and tourism volumes for most of 2021. Under these circumstances, we consider it prudent for DoT to facilitate an assessment of a transition to more freight-orientated services, given the severe reduction in tourism traffic that has occurred, and is likely to continue. It would also be prudent for DoT to work with the shipping industry to optimize co-operation amongst industry players, to deliver benefits for consumers in terms of improved route coverage and frequency. This type of co-operation is well established in the deep-sea trade and allowable under **Regulation 4056 / 86**.
3. We recommend that DoT continues to engage in scenario planning, by considering the worst outcomes. This has been a defining feature of the Department's approach in dealing with Brexit and Covid-19 challenges from the outset. It requires all reasonable steps to be taken to deal with a deterioration in circumstances that would weaken Ireland's connectivity to international markets and threaten the Irish economy.
4. DoT should seek to renew the commitment that was previously given by the shipping industry to prioritize the shipment of vital medical supplies. The commitment should be accompanied by a protocol that lays out how related communications would be handled between the shipping companies and the relevant Government Department.

5. A further communications campaign should be undertaken immediately to alert importers and exporters again to the need to **Assess** their current routes to market, to **Communicate** their future needs clearly to shipping companies, and to **Trial** alternative services so that the failure of the Landbridge does not preclude Irish businesses from accessing foreign markets. The campaign will use the acronym **ACT** and will encourage importers and exporters, who have not already done so, to take sensible and necessary steps to prepare for Brexit and to establish workable alternatives to the UK Landbridge. The main messages contained in the campaign are shown in Appendix 2.
6. The Covid-19 Pandemic has had devastating impacts on the maritime transport sector, not only in Ireland, but throughout the world. Maritime transport is a global industry and competition within the industry recognizes no borders. For this reason, DoT should continue to monitor developments in other Member States, within the maritime industry and in rival industries such as aviation, to protect against measures that would undermine the competitiveness of maritime transport to and from Ireland.

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Director

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21 October 2020

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Appendix 1 – Direct sailings to the Continent

	Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Sunday	
	Depart	Arrive	Depart	Arrival	Depart	Arrival	Depart	Arrival	Depart	Arrival	Depart	Arrival	Depart	Arrival
Dublin - Cherbourg	1		1				1	1			1	1		
Rosslare - Cherbourg	1		1				1	1			1	1		
Dublin - Zeebrugge								1	1				1	1
Dublin - Liverpool Leixoes								1					1	1
Dublin - Santander Liverpool							1	2					1	1
Dublin - Rotterdam	1		1				1	1			1	1		
Cork - Zeebrugge													1	1
Rosslare - Bilbao	1				1					1	1			
Cork - Roscoff										1	1			
No. of sailings	0	4	3	0	1	0	4	7	1	2	5	3	4	4

Be Prepared for Brexit ACT and Prepare to Switch



ASSESS

- Assess your supply chain and avoid disruption on the UK landbridge from January 1st.
- Direct ro-ro and con-ro services with spare capacity are leaving daily from Irish ports and spare capacity is also available on direct lo-lo services.
- These existing and new services represent reliable alternatives to the UK landbridge and there are multiple options available.

COMMUNICATE

- Communicate now with shipping companies in relation to your requirements.
- There are multiple options to avail of new routes and new services.
- If there is a level of demand, shipping companies have demonstrated that they will respond to the needs of the market.

TRIAL

- Work now with your logistics provider or shipping companies to trial new options well in advance of any disruptions from January 1st.
- Now is the time to trial changes to your services.

PREPARE TO SWITCH

- If your supply chain needs a lead in time to make alternative arrangements on the Continent;
- If your produce is time sensitive;
- If customs procedures will cause unmanageable delays and costs to your business;
- If there is a risk to your business in switching routes and this needs to be trialled well in advance.

  **An Roinn Iompair**
Department of Transport

Find out more information at gov.ie/Brexit

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