

7 July 2011

Dear Consultee,

**City Of Liverpool cruise terminal: Turnaround operations
Consultation on proposal to withdraw DfT objection to removal of a grant condition**

The City of Liverpool Cruise Terminal ("CLCT") is owned by Liverpool City Council ("LCC") and operated on its behalf by Peel Ports.

At present, CLCT is subject to a grant condition which precludes its use for "turnaround" operations: that is, the beginning and/or end of cruise voyages. It is thus limited to use for port of call cruises only.

This condition was set at the request of the Department for Transport in order to safeguard fair competition with other terminals that had not benefited from public subsidy, either at all, or at least in recent years. Previous requests to remove this condition (or more strictly, for DfT to remove its objection to so doing), without any offer of grant repayment, have been declined.

Following a recent request by LCC, including an offer of partial grant repayment, the Department considers this can be justified taking into account the prospective regeneration and other benefits to the Merseyside area and, on this basis, we are consulting on the possibility of removing the objection.

We are inviting comments by 15 September and will then consider responses carefully before arriving at a final decision. Please contact the address given below (portsconsult@dft.gsi.gov.uk if by e-mail) if you are unable to meet this deadline but do wish to respond, explaining why you are unable to respond by then and when you would be able to do so.

The original grants and proposed repayment

Grants awarded to the CLCT (which opened in 2007) were approximately as follows:

	£M
North West Development Agency	7.16
Single Regeneration Budget	1.88
European Regional Development Fund	8.62
Mersey Waterfront Regional Park	0.16

The proposed repayment is approximately £5.327 million, spread evenly over 15 years.

Reasons for accepting only partial repayment

We are consulting on the possibility of removing the prohibition on turnaround operations in return for this partial repayment of grant, not full repayment. The Department has had regard to the following factors:

- the facility will have operated for some years subject to the prohibition on turnaround before such vessels will be permitted and able to use it;
- turnaround operations will only occur on a limited number of days each year (estimated by LCC at 21% of days in the year but allowing for 42% when discounting for this in the repayment offer);
- the facility will continue to accept port-of-call traffic and its hinterland will continue to derive the tourism and regeneration benefits for which the grants were originally paid;
- turnaround operations are expected to add to these benefits rather than detract from them;
- it is possible that Peel Ports will contribute private sector investment to help upgrade the Terminal and berth pocket;
- the UK should continue to accept the benefit of European Regional Development Funding (ERDF) in this case, especially in view of the fact that the benefits for which this grant was paid should continue to accrue, the importance of regeneration in the Liverpool city-region and that the no-turnaround condition was a UK stipulation;
- an assessment of competition impacts as set out below.

Competition

The Department is mindful that turnaround cruise is subject to actual and potential competition across a range of terminals, which have not enjoyed public subsidy in recent times, if ever. It is for this reason that we are strongly inclined not to allow turnaround without any repayment of grant.

However, in proposing to accept partial repayment only, we also take into account the limited capacity of CLCT, the accessibility benefits it offers to passengers in the North West England catchment region, and the limitations of the existing turnaround facility at Langton Dock, Liverpool.

In this regard we note that Peel Ports has not, so far, objected to the prospect of allowing turnaround at CLCT, while being at the same time mindful that Peel may find alternative port operational use for Langton.

We also take into account that there has been a trend growth in the cruise passenger market which may be expected to continue, so that terminals are competing for a growing total of passengers.

We are of the view that the turnaround market share at Liverpool is likely to remain modest by comparison with Harwich, Dover and in particular Southampton, which is likely to remain by far the dominant port in this market for the foreseeable future; but also that there are other terminals, with more comparable scale of operations, in competition with Liverpool.

Staged repayment

Liverpool City Council has proposed a staged repayment over 15 years, partly for budgetary reasons. The repayment would accrue to the Exchequer.

The Minister is minded to accept repayment on these terms, having regard to the fact that the facility is expected to continue in operation over this period. He has taken account of the interest element implicit in the repayment.

LCC, in proposing staged repayment, requested that the liability for repayments should cease in the event that turnaround use is terminated at some date within the 15 year period. The Minister is **not** minded to agree to this condition, because it would in his view amount to an element of risk-sharing that has no counterpart for non-subsidised ports.

State Aids

It is proposed that LCC shall accept all financial risk associated with any subsequent finding that these arrangements contravene EU State Aid rules, including responsibility for any additional repayment of any grants.

Reasons for an abbreviated consultation

The standard period for Government consultations is 12 weeks or more. In this case, our view is that ten weeks should be sufficient because:

- the questions we are asking are relatively narrow and straightforward;
- they should, in the Department's view, be directly answerable by any consultee without reference back to a board or committee structure;
- interested parties have already been aware for some time that this matter was under consideration and many have already made clear their views; and
- if the restriction is to be removed as proposed, the Government would prefer this to happen without undue delay, taking account of the seasonality of the cruise business.

However, any reasonable request for a limited extension of time will be considered.

Consultation questions

Q1 Do you agree that, in return for the phased repayment the DfT should remove its objection to lifting the prohibition against turnaround operations at CLCT?

Q1a If you disagree, what level of grant repayment, or method of calculating such a repayment, if any, *would* you regard as acceptable in order to allow turnaround at CLCT, and why?

Q2 Do you agree that repayment of the grant should be staged over 15 years as proposed?

Q2a If not, why not? For example, do you oppose staged repayment in principle, or would you regard it as acceptable if the amount to be repaid were higher?

Q2b Do you agree that the staged payments should continue to be required, even if turnaround operations cease at CLCT during the 15-year period?

Q3 Are you involved in a business that you believe could be significantly affected by permitting cruise turnaround at CLCT? If so, what would you estimate that effect to be?

Q4 Do you have a personal interest in the matter, whether as a prospective passenger at Liverpool or elsewhere, as an employee or for other reasons? Please give brief details.

How to respond

Responses should be sent by 15 September, by e-mail or in letter form, to:

Mr Gerard Mackay
Maritime Commerce & Infrastructure Division
Zone 2/34
Department for Transport
76 Marsham Street
LONDON
SW1P 4DR

or

portsconsult@dft.gsi.gov.uk

Following closure of this consultation, all responses will be carefully considered and the Minister will come as quickly as possible to a final decision.

Yours sincerely,

Gerard Mackay
Maritime Commerce and Infrastructure Division

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality

disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation criteria from Government Code Of Practice

- When to consult: Formal consultation should take place at a stage where there is scope to influence the policy outcome.
- Duration of consultation exercises: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
- Clarity of scope and impact: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.
- Accessibility of consultation exercises: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.
- The burden of consultation: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
- Responsiveness of consultation exercises: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.
- Capacity to consult: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.