

GD 2025/0015



Isle of Man
Government

Reiltys Ellan Vannin

**Council of Ministers' Response –
Report of the Select Committee of Tynwald on
the regulation of the Steam Packet Company
2024-25**

February 2025

To the President of Tynwald, and the Hon Council and Keys in Tynwald assembled

The Council of Ministers would like to thank the Committee for its work and observations on Government's relationship with the Isle of Man Steam Packet Company.

The reasons for the acquisition of the Steam Packet Company are well rehearsed and were the subject of debate in Tynwald in May 2018. A key element of that debate was in respect of the relationship between Government and the Company, that being that it should be run at arm's length and not be subsidised by the taxpayer. This has determined the manor of the Treasury oversight and role of Shareholder as reflected in the Shareholder Agreement.

The objectives of the company are of course determined by the shareholder, but its operations are heavily influenced by the Sea Services Agreement which determines much of what the company does.

The financial objectives that have been set by the shareholder require the company to maintain profitability to enable it to plan for and implement its long term financing requirements, primarily in respect of vessel replacement. This investment and long term planning is essential in ensuring that a reliable lifeline provided by the ferry service is maintained into the future.

Since the acquisition of the Company, these objectives have served our Island well, with benefits being passed back the users. For example, due to the manner in which the new vessel was commissioned and financed, the cost was substantially lower than it could have been. The company has recently undertaken a review of its pricing strategy with benefits being passed on to passengers as well as freight customers.

In the view of Council, the operation of the Company at arm's length, as it is currently, is a key tenet of the rationale for the acquisition of the company and remains appropriate. However, Council also recognises that the detailed mechanisms and key documentation would in all likelihood benefit from a refresh and welcomes the Committee's suggestion that they are reviewed.

Hon A L Cannan MHK
Chief Minister

Government Response by Recommendation

R1	That the Department for Enterprise should establish a working group to develop a new framework for sea services. The working group should include representatives from the Isle of Man Steam Packet Company, the Treasury, the Department of Infrastructure, the Department for Enterprise, and the Department for Environment, Food and Agriculture, and may include other relevant bodies. The working group should develop a new sea services framework by the end of 2025.
Commentary	The current Sea Services agreement is effectively a licence issued by the Department of Infrastructure which allows the IOMSPC to use both Linkspans in return for it providing certain guaranteed services to the Isle of Man. This provides an income to DOI for IOMSPC's exclusive use of the linkspans Both Linkspans are owned by the Department of Infrastructure and are situated in the harbour which is under its control. Although it is appreciated that the Department for Enterprise will have useful input into what services may be required to properly support the economy of the Island, it would not be appropriate for it to be the body who establishes the working group as the resulting contract will be entered into by the Department of Infrastructure. Given this Council does not recognise the conflict of interest identified in paragraph 35 of the report and considers that DOI is best placed to lead the work in revising the SSA. Council is supportive of the proposal that a working group should be formed, recognising of course the conflicting priorities of the different members proposed, however given the contractual relationship this should be led by and be the ultimate responsibility of the DOI. The Sea Services Agreement would remain a defined pillar within the proposed framework for sea services to ensure that the needs of the IOM are met.
Response	Amend That the Department of Infrastructure should establish a working group to develop a new framework for sea services. The working group should include representatives from the Isle of Man Steam Packet Company, the Treasury, the Department of Infrastructure, the Department for Enterprise, and the Department for Environment, Food and Agriculture, and may include other relevant bodies. The working group should develop a new sea services framework by the end of 2025.
Lead	DOI

R2	That, when developing the new framework for sea services, the working group established by the Department for Enterprise should ensure that the framework a) provides services that support the Island's socio-economic needs, and b) holds the Isle of Man Steam Packet Company to the same high standards expected of all public services. The working group should take into account the findings of this Report, the evidence published with this Report, the headings set out at Annex 1 of this Report, and any comments made in the debate on this Report.
Commentary	As above this should be amended to be established by the DOI. The current Sea Services Agreement includes service level provisions that the Isle of Man Steam Packet must comply with and any replacement framework should address these when considering the Island's socio-economic needs. Outside of this, the responsibility for the management of the company is with the Company's Board and directors who should maintain the same high standards of all public services. Oversight of the directors and Board is the responsibility of the Shareholder and the working group is not the appropriate body to carry out this function.
Response	Amend That, when developing the new framework for sea services, the working group established by the Department of Infrastructure should ensure that the framework a) provides services that support the Island's socio-economic needs, and b) continues to comply with international standards. The working group should take into account the findings of this Report, the evidence published with this Report, the headings set out at Annex 1 of this Report, and any comments made in the debate on this Report.
Lead	DOI

R3	a) That the Council of Ministers should consider the practicalities of transitioning the Isle of Man Steam Packet Company to a Statutory Board; and report back to Tynwald by the end of 2025. or, in the alternative, if the above Recommendation fails b) That, as part of its ongoing work on developing a policy on Government-owned companies, the Treasury should consider how to enhance its oversight of the Isle of Man Steam Packet Company; and report back to Tynwald by the end of 2025.
Commentary	The Council of Ministers is of the view that the key tenet that the Steam Packet Company should be run at arm's length remains valid, and sees no benefit in moving to a Statutory Board.

	Whilst there are no obvious deficiencies in the existing governance and oversight by the Treasury, Council also recognises that the detailed mechanisms and key documentation would in all likelihood benefit from a refresh and welcomes the Committee's suggestion that they are reviewed.
Response	Reject a) Accept b) That, as part of its ongoing work on developing a policy on Government-owned companies, the Treasury should consider how to enhance its oversight of the Isle of Man Steam Packet Company; and report back to Tynwald by the end of 2025.
Lead	Treasury