

55. As the Tourism College Killybegs is recognised as a campus of LyIT could submit an application for Campus Incubation Space and research facilities.

Step-up Programme

56. A new Step-Up Programme has been introduced specifically aimed at Irish companies engaged in both primary and secondary seafood processing. There are four key objectives of the Programme:

- Prioritise and accelerate support for developing seafood businesses where there is good potential for creation of sustainable long-term value.
- Encourage and incentivise restructuring within the seafood processing sector.
- Increase the value generated within the sector in accordance with the overall national strategy target of €911 million in sales value by 2015.
- Improve the profitability and competitiveness levels across the sector in pursuing efficiencies in operational processes and fast-tracking technology transfer.

Within the National Seafood Strategy, €30 million is earmarked to implement the Step-Up Programme over the duration of the NDP 2007-2013.

Central to the Step-Up Programme is the joint approach by the three agencies involved in providing support to the sector - Enterprise Ireland, BIM and Údarás Na Gaeltachta. To date, the development of the Step-Up concept has been agreed by the agencies.

Key elements in the Programme comprise the following:

1. Industry Benchmarking Study and Determination of Health Check Model to Prioritise Support for Companies under the Programme

A study of approximately 50 seafood processing companies will be undertaken initially to assess performance generally at both company and sectoral level. This will form the basis for the setting up of a Business Benchmarking Model / Health Check to assist in the determination of companies with good potential for sustainable long term development which would be eligible for prioritised support under the Step-up Programme.

2. Establishment of Co-ordinated Business Options:

The Business Options element will encourage partnerships, joint ventures and where appropriate assist in the industry's restructuring process. It will incorporate a Management Development Programme and a Business Review Programme.

Management Development Programme

The objective of this element will be to improve competitiveness across the processing sector and in appropriate cases a business mentoring service will be provided to assist companies to address issues identified through the Health Check and to assist them where they may have potential to qualify for support under the Step - up Programme.

Business Review Programme

The purpose of the Business Review Programme is to provide advisory services to companies in difficulty or wishing to assess the future viability and direction of their



business. In most cases, access to the Programme will arise from failure to qualify for support under the Step-up Programme and where serious questions must be asked as to the future of the company.

Equally, this element will be designed to assist in the positive restructuring of the processing sector in identifying potential for mergers, acquisitions, joint ventures etc. and providing the necessary expertise to undertake such ventures.

It is proposed to sub-contract this Programme to an appropriate financial and business services consultancy. Companies will be directed to the Programme by the agencies and will have total confidentiality in their dealings with the appointed consultancy. The consultancy will in turn be required to report on progress and outcomes to the agencies.

Letterkenny Institute of Technology

57. Due to its existing presence and facilities in Killybegs, LyIT can play a key role in promoting development in Killybegs. It can act as a catalyst to stimulate projects where local practical knowledge can be coupled with more academic research to produce on the ground enterprises in new product areas. Further it can provide courses and curricula relevant to the marine that will bear fruit in the future, while at the same time providing graduates whose skills will be relevant to the marine sector, which has great potential in the areas covered in this report. Finally, it can help to get the players in Killybegs working together in partnership.



1. BACKGROUND

The Minister of State at the Department of Communications, Marine & Natural Resources announced in April 2007 the establishment of a Steering Group of key officials of State Agencies to develop a marketing strategy for Killybegs Fishery Harbour Centre - membership at Appendix 1. The aim of this marketing initiative was to help to maximise and re-position the Port as a hub of economic development in the region. The Port underpins a wide variety of economic activity in South West Donegal and the focus of the marketing initiative was to be on pursuing new business opportunities including attracting more shipping activity to the Port.

Killybegs is Ireland's premier fishing port, accounting for over one third of all the fish landings in the country. While fishing will remain the mainstay of the harbour, the development of the new €50 million sheltered, deepwater facility, which can accommodate the largest ships using Irish waters, has opened up opportunities to promote other types of business. It is important that this state-of-the-art facility in Killybegs is used to the optimum and that advantage is taken of the up-to-date technology and facilities that currently exist in the port. The new harbour can accommodate vessels up to 300 metres with a draft of 12 metres at low water springs.

The terms of reference for the Steering Group were to:

- Build on previous marketing initiatives for the harbour
- Consult with the various stakeholders in the harbour
- Examine the potential to attract new business to the harbour
- Draw up a marketing plan to target and attract new business
- Oversee the establishment of structures to drive the initiative forward

In summary, Steering Group's role was to develop a comprehensive marketing strategy and implementation plan to serve as a blueprint for the future expansion of activities in the Port.

The Department of Agriculture, Fisheries & Food manages the six designated Fishery Harbour Centres around the country. The Steering Group was to work closely with officials of the Department and other State Agencies in the North West and report on a regular basis.

Every opportunity to attract new business for the facility needs to be fully explored to ensure that the full potential of Killybegs is maximised. This can best be achieved by taking into account the perspectives of the various stakeholders including the fishing industry, local industry, offshore, commercial traffic and tourism.

The best outcome for Killybegs and the surrounding hinterland is for activities in each of these areas to complement each other, and the various businesses must show understanding of this fact and that cooperation is essential to ensure the best results.

Two other parallel initiatives

The results of the Steering Group's work were to dovetail with two other parallel initiatives which are currently being undertaken to enhance and promote the development of Killybegs FHC.

Firstly, a Harbour Users Forum was set up in Killybegs. Killybegs Fishery Harbour Centre (FHC) has to keep planning ahead to keep pace with the changing needs of harbour users and the local community. The Forum's role is to facilitate closer contact with stakeholders - fishing, shipping agents, tourism, agencies, etc. This dialogue will assist in anticipating and assessing opportunities for the future development of the Port. In summary, the Forum will have an important advisory role in identifying new business opportunities for the FHC, including opportunities for the further diversification of the activities in which the harbour is engaged.



Secondly, it was proposed to draw up business plans for each of the five Fishery Harbours Centres, including Killybegs, which will help in the identification of business opportunities over the medium-term. Consultants to develop Business Plans for the Fishery Harbour Centres have been appointed. The Business Plan will comprehensively cover the overall operation of the Fishery Harbour Centres in general while incorporating the operation of each individual Fishery Harbour Centre as a separate entity. In relation to Killybegs, the Business Plan will establish business development priorities, provide a roadmap for maximizing fish and fish processing opportunities and promoting marine related activities, the development of leisure or amenity facilities and facilitating or promoting the social or economic development of the area around Killybegs. It is envisaged that the Business Plan will cover a five year period and will enable Killybegs FHC to work to clear, strategic objectives.

New Business Emphasis

In terms of using the excellent harbour facilities in Killybegs to encourage and create extra activities in the town, what has to be involved in this marketing initiative must be the creation of new business and that is what is aimed for here - it would not make sense from a national point of view if all that was involved was displacement of existing activity from other ports.

Measured by volume, 99% of the island's foreign trade uses the maritime supply chain. Most recent capacity requirement predictions point to a lower than previously anticipated shortfall. Nonetheless, a shortfall of 12.2 million tonnes is predicted over the next decade - see 'Ports Policy Statement 2005' published by the Department of Communications, Marine and Natural Resources. There is therefore ample opportunity to create and encourage completely new business through the leveraging of local facilities to the maximum - the deep skill base, underutilised factories and warehousing, excellent tourism potential and of course the new harbour.

Benefit to Wider Area

Further it should be noted that, by improving the local economy in Killybegs and using the facilities which exist in the town and surrounding area, there exists the potential to improve living standards in a large region as far west as Glencolmcille, as far north as Dungloe and as far east as Ballybofey, Pettigo and Bundoran. This is a prize worth fighting for in an area where industrial development has proved difficult.

2. KILLYBEGS - EXISTING FACILITIES

Killybegs is a picturesque seaside port situated in South Donegal with a population of about 3000 people in the town and immediate surrounding area. It is in the centre of a scenic area spreading in an arc around it with the historic Glencolmcille and Sliabh Liag to the west, the rugged Sliabh Toey, Glengesh and Ardara to the North, the vast Bluestack mountains to the North-West, and Donegal Town, Ballyshannon and Bundoran to the East. To the South is Donegal Bay, providing access to the Atlantic and beyond.

The town itself is situated in a type of amphitheatre, with the town itself rising up from the sea and the harbours right in the centre.

Due to its deep water and immediate access to the Atlantic, it became Ireland's number one fishing port, with very large pelagic landings over the years. In turn this has led to the build-up of ancillary services - stevedoring, electronics and substantial warehousing, processing and cold storage facilities. These facilities still exist in Killybegs in spite of the decline of the fishing industry. Landings have declined significantly in recent years due to tonnage and quota restrictions. SFPA figures below show a significant fall in tonnage from 2002 to 2004, but an increase in 2005 and 2006 over 2004. While many people have been forced to leave the industry and related services, fishing remains an important contributor to the local economy and will and must continue to act as a driver of prosperity.



The Sea Fisheries Protection Authority figures are as follows:

2001 - 2006	Killybegs Landings (Source SFPA)	
	Value €	Live Weight Tonnes
2006	33,639,925.00	87,036
2005	27,599,631.00	95,171
2004	21,957,310.23	77,765
2003	30,170,983.44	82,862
2002	32,221,934.37	80,593
2001	38,061,594.89	102,934

SFPA tonnage figures for 2007 and 2008 to date showed a further significant increase in landings at 106022 and 64976 tonnes respectively.

There are extensive berthing and landing facilities at the Old Piers and at the area in between, at the new pier extending to 300 metres with 12m depth, a further 150 metres contiguous to this but with less depth, and further berthing at the Blackrock pier. There are good stevedoring services available as well as fish processing facilities and cold storage. There is ample spare capacity of warehousing and cold storage due to the decline of fishing, and many vacant sites in the area to allow for further development. Support for the fishing industry has led to the development of extensive services and skills in marine-related activities such as engine and boat repair and marine electronics.

There are four licensed angling/diving boats in the harbour. There is room to further develop this business as part of Killybegs tourism offer.

The income from Harbour dues in 2007 up to August was €1.162m, having increased from €0.624m in 2005 and €1.014m in 2006.

The total number of Departmental staff in Killybegs FHC is 13:

Harbour Master, Assistant Harbour Master (vacant), 9 General Operatives and 2 Job Sharing Administration Staff with costs in terms of salaries:

2005 - € 511,594
2006 - € 500,588
2007 - € 419,538 (to September)

The total cost of running Killybegs FHC in 2006 was €1,537,119. Yearly income at the moment is about €1m.

If business in the harbour increases further, as it undoubtedly will, this will provide adequate income and resources to invest in further staff and infrastructure as recommended in this Report.

3. CONSULTATION

Meetings with local interests - see Appendix 2 - revealed frustration with progress in finding substitute activity for the loss of fishing and a general willingness to cooperate for the overall good of the area.

Chamber of Commerce

- The Chamber representatives said the harbour could be managed better. There should be Port Management Committee composed of competent business people.
- Old pier must be maintained.
- Killybegs must have status of full customs port and Border Inspection Post. Only one customs officer at moment.
- Port needs commercial manager and safety officer. There is uncertainty over the post



of Harbour Master.

- A port crane for loading and unloading is essential.
- Retraining of fishermen is essential.
- Markets include cruise vessels, alternative energy industry, offshore oil industry, raw materials for construction industry, oil, biofuel, coal, animal feeds, timber, stone and steel.
- Infrastructure needs to be improved.
- Opening hours of harbour need to be addressed.
- There is a need for the Government Departments concerned to be more responsive and speedy in decisions and there is a coordination problem as well.
- Vacant sites should be sold and Enterprise Ireland should seek investors.

Shipping Companies/Stevedores

- Shipping Companies and Stevedores wanted a clear view on what commodities can be exported and imported. There was a strong view that there was demand in the area for commodities such as iron, stone, timber, fertilizer and coal.
- There is a clear difference of opinion in the harbour as to whether bulk cargoes are suitable and particularly on coal. Coal has the ability above all other products to pollute, particularly in windy conditions. If left on the pier for any time, the possibility of pollution increases and there is the added problem that, in a town that aims to be a tourist centre, it is visually unattractive. It could also cause problems for fishing boats landing fish.
- Those in favour of coal imports pointed to the relative inactivity of the harbour from March to September and also argued that coal could be discharged at night, with reefers being discharged during the day.

Killybegs Fishermen's Organisation

- The KFO wished to see Killybegs developed further and would cooperate with worthwhile initiatives which did not interfere with fishing activity.
- KFO felt the management of the harbour could be improved. Killybegs needs to state openly and for all to see and hear that it is open for new business - that is not the case at the moment. A more positive attitude is necessary. Devolved management with a small commercially oriented Board was the way forward. There was need for a commercial harbour manager, apart from the harbour master. The harbour should be open for business 24 x 7 x 365.
- A helipad was essential and the sandbank in the middle of the harbour needed to be dredged.
- Bulk cargo such as coal would cause problems and would not be acceptable in a fishing harbour.
- A veterinary inspection post was necessary, for fish only, not a full Border Inspection Post.
- Three-phase electricity was essential at the Blackrock pier.
- Incubation units were necessary for start-up companies using the marine base for higher value products such as fish oil and tablets.
- As Ireland's largest port, Killybegs should be a one stop shop for the fishing industry, including regulation, licenses and fishery protection.
- Infrastructure needed improvement - roads, electricity and sewage. Broadband was needed outside the town and was not available at present.

Cruise Committee

The Cruise Committee was set up two years ago and has done excellent work in organising entertainment and activities for visiting passengers. There were nine cruise visits in 2007, five of which were return visits. Up to twelve visits are expected this year, which could bring 10000 passengers to the town. The Committee carried out surveys of what passengers wanted - the main result was that they do not want to sit for hours on tour



buses - they would prefer to stay local. The most popular local attraction with passengers was Sliabh Liag.

The Committee had no funding of any kind and had approached Fáilte Ireland without result.

Day trippers to Killybegs to see the ships created extra business for the town.

Problems that existed at the moment were:

- signage at Harbour i.e. "Welcome to Killybegs"
- tourist information
- toilets
- taxis
- rain shelter
- public phones and internet access
- Committee members were not allowed access to Harbour.

A new visitor's guide to Killybegs was also needed.

Tourism Group

- a rail service into the North West Region from the Dublin, Derry or Sligo directions, would make a significant contribution to attracting further visitors to our region
- a unique branding could be developed for this region called "**The Hidden Treasures of Donegal**" and a website designed showing an icon 'treasure chest' to open the themed 'treasure trail' of a network of attractions, activities and accommodation
- project worker (Marketing person) for the Cruise Ships to promote and market Killybegs as a Cruise destination is required
- The marina and add-on services must be developed as part of an overall strategy for developing Killybegs as a maritime centre of excellence. The town needs to develop an out-door pursuits centre for activities such as water sports i.e. sailing, diving and related activities. FAS training in these areas could be developed which would upskill unemployed persons.
- A new Tourist Information office on the Shore road. This should be a permanent structure custom built to attract visitors
- A designated town park with an indoor sports arena which could double as an all-weather centre for exhibitions with an indoor children's activities/play area.

Parish Council

The Parish Council raised many of the issues above, in particular the need for facilities to be open round the clock, the need to ensure the new pier is kept clean and tidy and better sewage and roads.

4. ECONOMIC DEVELOPMENT OF KILLYBEGS

Challenge

The biggest challenge facing Killybegs is its over-dependency on the fishing industry. Fish landings had been in decline for a number of years but the situation has improved with 106,000 Tonnes landed in 2007 and 65,000 Tonnes landed to date in 2008. A new spirit of enterprise and opportunity needs to be fostered. The reality is that Killybegs has a town and hinterland which have superb natural advantages, including an important fishing industry, which can be leveraged to bring back the air of prosperity and hope which Killybegs once had. Key to this is cooperation by all concerned who live and work in the area to cooperate with each other for the sake of the overall good.

The successful economic development of Killybegs will depend on a series of actions in different areas which will complement each other and as a whole lead to a vibrant and prosperous town and hinterland.



The economics of ports and shipping industry require that ships are loaded and unloaded as efficiently as possible as to maintain the ships revenue earning capability and to minimise the time spent occupying port capacity. In an ever increasing globalised economy, Irish importers and exporters want to achieve the lowest transport costs possible. The port of Killybegs must present itself as a credible customer focused and responsive port with the ability to utilise its infrastructure investment and facilities to maximum capacity that will provide locally based logistics and transport solutions for companies within its hinterland.

The universally accepted determinants of port competitiveness include:-

- Port operation efficiency
- Competitive pricing /Port cargo handling charges
- Reliability
- Port selection preferences by shippers/receivers/carriers
- The depth of channel and shelter.
- Landside accessibility and supporting ancillary services
- Product differentiation.

Killybegs can break into new markets or increase its shares in its existing markets based on its flexibility and cost advantages. These cost advantages are usually relevant in the price conscious market that we have in Ireland today, but quality also plays a significant role in exporters/importers logistics decisions. There are firms who will sacrifice quality for a lower price, but this preference for a lower price at the expense of quality, has certain limits. Killybegs needs to be at the upper end of the quality scale and competitively priced in the short to medium term.

Reliability is also one of the most consistent features that a firm will take into account when switching its port services or supply chain. If Killybegs is serious about growing its market share it must be able to provide a consistent product, i.e. availability to potential clients. If there are certain periods that the port cannot compete for trade, then this clearly needs to be upfront and included in any future marketing campaign, pitching the service expectation levels realistically will also be a key factor. To provide the impression that a port is available 365 x 24 x7, and a potential client then to find the reality is that it is available only 180 x 12 x 5, will destroy the service offering.

As regards landside accessibility and infrastructure, although the port has superb inner harbour facilities, a wider view of the hinterland connections and access to the port needs also to be taken into account. Any inefficiency in the regional or local connecting infrastructure to or about the port will ultimately undermine the port's potential. Other issues that might be considered are the development of ancillary services that will support the targeted niche markets, such as logistics centre and warehousing proximate to the port. There are a number of local service providers who will need to adapt to the changing environment and seek to exploit this potential, i.e. mechanical and engineering plants, cold stores/warehouses etc. A co-ordinated local approach to these issues driven by the Port and stakeholders could see the port to develop itself as a strategic logistics hub centre for the whole of the North West, expanding its services beyond its primary foreground of port activity. While the Port might not be in the business of handling containers, it could establish itself as a strategic storage container depot for the north west for ports in the south and east coast, whereby reducing double runs of empty container equipment unnecessarily. However, container storage is a hungry beast within a ports landside footprint and as such this would need to be carefully balanced in what it could realistically be done.

Another potential issue is the potential for Killybegs to act as a regional gateway port that reduces the amount of traffic that potentially travels unnecessarily by road around the country, incurring additional expense and also pollution. The EC are aggressively pursuing a policy of shifting goods from road to sea.



Infrastructure

As mentioned above, the sine qua non of economic development is good infrastructure and access. The main priorities in so far as Killybegs is concerned in this area are electricity, sewage and access roads.

The quality of electricity in West Donegal remains a major issue when it comes to economic development and investment. West Donegal, including Killybegs, needs a better electricity supply and this should be remedied as soon as possible. Business in West Donegal needs to be more vocal in ensuring the improvements planned by the ESB are implemented. In general it must be accepted that the trade-off in terms of economic development and the environment is a reasonable one and that if the quality of electricity is not improved jobs will be lost - both existing and potential.

An adequate town sewage scheme is a requirement to promote tourism and development in general and must be provided as a matter of urgency. Advertisements are to be placed for tenders for sewerage works to serve the new fish processing plant to be located at the end of the new harbour. The new sewers, pumping station and sea outfall are part of the Killybegs Sewerage Scheme which is being funded by the Government to the tune of €20 million. It is understood that other elements of the Killybegs Sewerage Scheme are being advanced as quickly as possible with a new wastewater treatment plant to be provided for the town as part of a combined contract to include Bundoran and Glencolmcille. The new plant is expected to be operational by 2010 with Donegal County Council presently preparing tender documents for the work. The Killybegs Sewerage Scheme is part of the Government's *Water Services Investment Programme 2007-2009* which commits to investment in wastewater schemes to ensure that discharge into lakes, rivers and coastal water meet the highest international standards.

To enable the carriage of goods out of the harbour to other centres of population in the North-West and indeed elsewhere in the country, access roads to Killybegs need to be upgraded.

Broadband is essential for economic development and should be widely available in the surrounding hinterland and not just in the town.

Fishing facilities

Killybegs should aim to reaffirm itself as our number one fishing port with a reputation for efficiency and operational know-how. Every effort should be made to increase landings and onshore processing. Consideration should be given to the best way of achieving success here through marketing, attending fish fairs and otherwise.

This will involve introducing the most modern auction, landing and distribution systems based on up to the minute communication methods, as has been recommended in the Report of the Seafood Industry Strategy Review Group, December 2006. This in turn will insure a fair and transparent system is in operation, which also is of considerable benefit from a fishery protection point of view. This project has been discussed for years - it should be implemented now, without delay.

Although there has been a major investment in the new pier, this should not mean that existing facilities should not be improved. A programme of improvement works should be drawn up to be carried out over the next ten years as funding permits. In this connection, it would be logical that a priority would be to remove the drying area between the New Pier and the Blackrock Pier.



It is also unacceptable that the larger fishing boats should have to run their generators when tied up - electricity should be provided at the Blackrock pier at a minimum. In fishing as with other harbour activity, the greatest possible flexibility is required in the operation of the harbour. This will be even more necessary and important if and when the harbour has competing activities looking for space. Such flexibility also must apply to fishery protection staff. In the interest of the area and its development, all staff must act in a positive and flexible manner and the Department of Agriculture, Food and Fisheries should see to it that this is the case.

Whatever services are available elsewhere, all services used by fishing boats and fishermen (e.g. boat registration, name changes, licensing) should be available in Killybegs where most of the customers operate. If it is not possible from an administrative point of view to provide these facilities on a permanent basis in the short term, such services should at a minimum be available in Killybegs on at least one or two specific days a week.

A veterinary inspection post, at a minimum to deal with fish, should be established immediately as the laboratory facilities to enable this are already in place. Cold storage is also available. It is understood that consideration of this question is at an advanced stage by the Department of Agriculture, Food and Fisheries.

Killybegs should also have a helipad from both a safety point of view and also as an aid to the fishing and offshore oil business.

Fishing, Food Processing and By-Products

Every effort must be made to maximize the spin-off from fishing in terms of value and employment. Much of our fish is still exported fresh or in bulk as the following figures for 2005 illustrate

	Tons	Value €
Bulk Seafood Products	116,117	108,348
Fresh/Live Seafood Products	54,881	130,083
Prepared Seafood Products	27,625	115,621
Total Exports	198,623	354,052

Source: Report of the Seafood Industry Strategy Review Group

There therefore remains the capacity to add substantial value and create employment from the processing of landings as well as through aquaculture in the surrounding areas. The potential and possibilities here are well set out in the Report of the Seafood Industry Review Group (Cawley Report), December 2006.

United Fish Industries ("UFI") have received planning permission to construct a €50m fishmeal and fish oil manufacturing facility at Killybegs. It involves the construction of a modern, state-of-the-art facility, which will play a vital role in underpinning Killybegs as Ireland's premier fishing port. The workforce is expected to average over 70 during construction, which will take 2 years.

New Business

Table A, below, indicates the tonnages handled in Killybegs in recent years, with a considerable drop in 2006. For such facilities as exist at Killybegs, the trade involved is extremely small and less than small ports such as Sligo, Dundalk, Kinsale or Youghal - see Table B, below.

Table A

Tonnage '000 Handled 2002 - 2006			
	Liquid Bulk	Dry Bulk	Other

