

P.E.S.T Analysis: Irish Ports

The importance of Irish ports is due to the domination of maritime trade flow between Ireland and England and also the strategic location of Ireland. The Irish ports play a vital role in the national economy. In the last decade alone, the traffic through Ireland's ports has grown considerably. A PEST analysis (PEST is an acronym for: political, economic, social and technology) can help us understand the environmental forces which affect the Irish ports.

Political factors:

The first significant policy which affected the Irish port sector came in 1991 when the Government established a review group to examine the policy and the legislation governing commercial ports in Ireland. The review group's report noted that "Ireland's ports have been severely constrained in their ability to respond commercially because of the restricted legislation under which they operate". In 1996, thanks to the Harbours Act, the main commercial ports were corporatised. This gave them "the commercial freedom they need to be able to operate as modern, customer oriented service industries" (*Report of the Review Group on Commercial Harbours and Pilotage Policy and Legislation, Government of Ireland, 1992*). Moreover, the deregulation of European Airlines on April 1st 1997 and the success of the homegrown airline, Ryanair, have given consumers more choice and introduced stiff competition for the Irish ferries.

Economic factors:

Ports have an important impact in facilitating economic activity in their hinterland. A ports hinterland can typically extend much further beyond what could be deemed to be its "natural hinterland" (*See, for example, Gripaos, P. and R. Gripaos, 'The impact of the port on its local economy: the case of Plymouth,' Maritime Policy and*

Management, Vol. 22, No.1 (1995), 13-23. They showed that inter alia ports often serve industry in areas distant from their location.

Furthermore, in the Irish port sector, there is not enough competition; probably because of the high barriers to entry that exist (*See, for example, Tansey, Webster, Stewart and Company (2003) Dublin Port: a vital link to Irish cost competitiveness. In their report they argue that 'competition between the major ports in Ireland is weak and price competition between the major ports has been found to be almost "non-existent" (p5)*

Social factors:

The social factors which influence the Irish Port industry involve many environmental issues. With regard to pollution - the enormous ships with engines running on the dirtiest fuel available, the thousands of diesel truck visits per day, mile-long diesel locomotives hauling cargo and other polluting equipment, and activities at marine ports cause an array of environmental impacts. These can seriously affect local communities and their surrounding environment. The impacts range from the increases in regional smog, and the degradation of water quality, all to the detriment of local communities and public lands.

Another social factor to consider is tourism. Due to the various lifestyle changes and increased level of disposable income, a greater number of the population are traveling abroad and using the ports and airports to do so. In the monthly economic bulletin by the Department of Finance it is possible to notice that "There were 1,478,000 overseas visits to Ireland in January to March 2007,

an increase of 6% in the same quarter last year.

The number of visits abroad by Irish residents was 1,575,000 in January to March 2007, an increase of 17% on the same quarter last year. Earnings from visitors to Ireland in 2006 amounted to €4,693 million, an increase of 9.9% over

2005. Expenditure by Irish visitors abroad amounted to €5,318 million in 2006, an increase of 11.4%

over 2005” (<http://www.finance.gov.ie/documents/publications/meb2007/September07.pdf>)

Technological factors:

Thanks to the new Vessel Traffic Information Management System (VTIMS), it is possible to monitor and record vessel movements and approaches, which increases vessel safety. So the operational efficiency of a number of ports has been improved.

The continuous growth of the Internet influence and its importance has opened up a great possibility for Irish ports to advertise and sell their services. Developing a web site, all ferry companies are able to offer information about lines, time, price and so on, to all the customers, and also, allows the customers to book the ticket on-line sometimes giving them discounts on price.

In my opinion, the main drives of change are mostly as a result of the various political issues discussed earlier. So the principal drive of change for the Irish ports has to be the Harbours Act.

The Department of the Marine and Natural resources aim is “to enhance the effectiveness of Irish maritime transport infrastructure and services”, to ensure the availability of efficient and viable sea transportation. The purpose of corporatised Irish ports is to improve, modernize and provide better port services in a commercial culture.

The other driver of change is the deregulation of European airline that has enforced a change upon the ports. So port authorities have to examine how to increase their profits because of the growth of demand of both business and leisure customers for low cost and fast transport from Ireland and the UK and the other way round.

In regards to the five forces analysis, I already introduced some factors.

Rivalry & threat of new entrance:

Talking about the economic factors, the entry barriers are high because of the cost and funds that exists to enter the market. So the commercial freedom given to Irish ports, under a five forces point of view, could be interpreted as a factor that increase the competition between ports in the Ireland Republic and also the ports of Northern Ireland.

Threat of substitutes:

The highest threat of substitute to the ports are essentially the airports. The aeroplanes are able to carry both passengers and to handle cargo although they do not have the same tonnage of vessels. Also the costs of air transportation are high and as a result switching cost could be seen as a disincentive.

Power of buyers:

The buyers, or customers, for a port are all the ferry companies that interact and operate out of it. So if there are a number of ferry companies operating for a port, this makes the power of the buyer more moderate; otherwise the power of just one company can monopolise the port.

Power of suppliers:

The suppliers of the Irish Port Industry have comparatively little power. These are the companies and firms that build and look after the amenities and utilities of the port. Their power is weak.

Applying the five forces analysis in some cases can help a management understand that sometimes we do not have focus our attention on the immediate competitors. We can also take into consideration the external environment in which the companies operate. The PEST analysis enables us to evaluate the possible future influence of the different factors (economic, social, technological and political). The five forces analysis can give us a key to understand how a business can overcome these issues in the future. It is possible to build different scenarios as an expression of future changes in the market. According to Lynch (2003, p. 93-94), "scenario are detailed and plausible views of how the business environment of an organization might develop in the future based on grouping of important environment influences and drivers of change about which there is a high level of uncertainty". However, when the business environment encounters a high level of uncertainty, which occurs from either complexity or rapid change or both, this may make it impossible to build a single view of how environment influences might affect an organization's strategy.

Reading the article, titled "Irish ports" by J.Mangan and J. Cunningham, we are able to identify some different scenarios. "Over the last decade many multinational companies have located high-tech manufacturing facilities in Ireland..... In recent years there has been significant growth, in particular in exports of high-value products such as electronics and pharmaceuticals which are exported to diverse overseas location". New foreign companies will be attracted to Ireland in the services and technology sub-sectors. Port infrastructure will be fit for this purpose and operate efficiently; supported by technology investments.

As I have already stated above, pollution will be an uncertain factor that can modify the future scenario. The pollution levels vary from the noise of cargo handling that disturb local communities, to the change of marine ecosystems. “Ireland will be fully compliant with the requirements of EU marine legislation and international conventions to which it is a contracting party, and will be able to demonstrate, through the compilation and regular publication of a suite of appropriate environmental assessments, the maintenance of a high quality marine environment.

Ireland will have developed a marine brand identity, with a high quality environment and robust economy. This brand will form part of a marketing program for the seafood, tourism and other marine sectors” (https://marine.ie/NR/rdonlyres/82F7FDC4-A017-4EF6-BBE9-DDC308FB7155/0/section4_1_Environment.pdf).