

NATIONAL ASSEMBLY FOR WALES
ENTERPRISE AND BUSINESS COMMITTEE
INQUIRY INTO EU FUNDING OPPORTUNITIES 2014-2020

Submission by Port of Milford Haven

17 March 2014

1. Introduction to Port of Milford Haven

1.1. Milford Haven is the UK's third largest port as measured by cargo throughput, handling over 41m tonnes of cargo per annum. It is very much Wales' largest port handling over 70% of cargos moving into and out of Welsh ports. It is a "Core" port in the EU's TEN-T network.

1.2. It is a key strategic national enterprise meeting around 25% of the of the UK's ground and aviation fuels and up to 30% of the UK's gas requirements embracing manufacturing and throughput terminals owned and operated by some of the World's largest and most prestigious energy companies:

Exxon	-	South Hook LNG
Qatar Gas	-	South Hook LNG
South Hook CHP	-	South Hook Power Station (in planning)
Valero	-	Pembroke Refinery
Murphy Oil Corp	-	Milford Haven Refinery
BG	-	Dragon LNG
PETRONAS	-	Dragon LNG
RWE n Power	-	Pembroke Power Station
SemLogistics	-	Oil Storage depot

1.3. The Port also hosts the important twice daily ferry link to Southern Ireland operated by Irish Ferries, and encompasses two further important port assets in the form of Milford Docks – the largest fishing port in Wales and a substantial marina, and Pembroke Port, the base for a strong cluster of marine engineering businesses as well as the ferry service.

1.4. Around 8 cruise vessels call at the port each year.

1.5. Milford Haven is in close proximity to one of the UK's six best tidal energy locations, and other potential marine renewable sites such as the Atlantic Array.

1.6. The port area is served by high capacity oil and petroleum product pipelines, as well a 5GW capacity 400kva electrical grid spur.

- 1.7. The port has attracted over £3bn of inward investment in the last 7 years, entirely private sector funded, due to the strengths of the port in terms of its deep water (the ability to handle the largest ships afloat conferring the scope for the energy industry to operate at the requisite scale to make it internationally competitive) the availability of sites, and the proximity to Atlantic trade routes.
- 1.8. The Port of Milford Haven is an independent commercial business operating the port and managing the waterway, and as such is in competition with all other ports throughout the UK, Europe and beyond.
- 1.9. The economic cluster around the Haven waterway is directly responsible for over 5,000 jobs in Wales and £412m per annum of Gross Value Added. The Port itself has 186 employees. Its turnover is £24m pa, it makes a profit before tax of around £4m pa, and pays around £1m of corporation tax per annum.
- 1.10. The Port is developing a series of Masterplans for adding new deep water port activity to the port, and which will lay the ground for substantial new investment in the tourism, fishing, leisure and marine engineering sectors. The Milford Dock Masterplan (£70m private sector investment and 600 jobs) is close to a stage of needing to secure development consents.
- 1.11. The designation of the Milford Haven Waterway as an enterprise zone is very much welcomed by the Port. We have worked closely with local energy companies through the Milford Haven Energy Forum, Pembrokeshire Business Panel and Pembrokeshire County Council to promote this opportunity. We have engaged with the Enterprise Zone Board over potential projects that could deliver economic benefits to Pembrokeshire.
- .

2. Current Engagement with EU Funding Programmes?

- 2.1. Over the last 10 years the Port has been successful in attracting EU funding for a number of projects including:
- a. Rising Tide – ERDF Ireland Wales - €1,517,000 2009-2012
 - b. Seafair Haven– WG The European Agricultural Fund for Rural Development - £251,193 - 2008-2010

- c. Customs House – Pembroke Dock Townscape Heritage Initiative - £169,750 – 2011
- d. Dock Lock – West Wales and the Valleys Convergence Programme 2007-2013 £800,000 - 2010-2014
- e. Pier House - Objective I ERDF - £169,512 - 2006-2008
- f. Western Hangar - Objective I ERDF - £480,463 - 2006-2008
- g. Eastern Hangar - Objective I ERDF - £379,755 - 2004-2006
- h. Havens Head - Objective I ERDF - £1,374,686 - 2006-2008
- i. Sunderland House – Objective I ERDF - £134,662 – 2004-2006

2.2. These projects have been a mix of Port infrastructure, social inclusion and cultural events. The former very much focussed on improving the commercial offering that we as a port can provide thereby attracting additional revenue streams as well as both increasing and safeguarding employment. The latter being designed to enhance the well being of the local communities involved and increase tourism.

2.3. In our experience the latter has also been much more complex to administer and quantifying the benefits less straightforward, particularly so for any legacy.

3. To what extent has Port worked with the same partners inside/outside Wales? Has port established long-term contacts with other parts of the EU?

3.1. The Port has established effective working relationships with European Officers and officials in Pembrokeshire County Council, WEFO, South East Regional Authority (counties Carlow, Kilkenny, South Tipperary, Waterford City, Waterford County and Wexford) and the Trans-European Transport Network Executive Agency based in Brussels. It takes time –several years in some cases – to build up and maintain such relationships.

3.2. We have established links particularly with Rosslare and Dublin in Ireland. Zeebrugge, Ostend, Brussels in Belgium and Vigo in Spain. The benefit has been our ability to maintain existing business (ferries and fishing) and develop new opportunities particularly added value seafood industry, additional ferry services and a tentative but growing interest in respect of tidal energy with the construction of Tidal Energy Limited's demonstrator unit for deployment in Ramsey Sound off Pembrokeshire later this year.

3.3. An important economic study undertaken independently by Cardiff University in 2012 demonstrates the far reaching linkages between the business around the Haven Waterway spreading into Wales and beyond. The key findings being;

- The Milford Haven Waterway supports 4000 jobs in Pembrokeshire
- The biggest contributor to jobs is the energy sector
- Gas, oil and power generation activities around the Haven are strategically important for the UK's future energy security
- The Waterway is judged to hold considerable potential for the development of low carbon energy
- Confidence among the largest operators in the Haven to invest is being affected by regulation and planning issues
- The area's largest investors need support and purposeful regulation to help them compete internationally, and better engage with economic and global supply issues

3.4. The study also identified high skill employment clusters in energy, engineering, fishing and marine leisure within the Haven's mainstream economic activities.

4. View on support available in Wales and elsewhere to raise awareness of EU funding opportunities? What more might be done?

- 4.1. The investment priorities established by the EU include development of the Trans-European Networks for Transport (TEN-T) and crucially enhancing connections to the network to "support a multimodal Single European Transport Area". In essence supporting infrastructure developments in, around and between ports.
- 4.2. Low carbon transport systems are another priority and LNG is specifically identified as being utilised as a fuel for transport particularly in the marine context but once the infrastructure has been established this could be extended to include road and agriculture.
- 4.3. There is a strong requirement by the EU for Core TEN-T ports to be able to provide LNG fuels to ships that require it.
- 4.4. We strongly advocate facilitating continuous development and investment where industries are already strong. In the case of Milford Haven, the port is pre-eminent in terms of volumes and involvement in the energy and engineering sectors. The businesses in these sectors are always going to need to invest to improve their productivity and to ensure they remain viable for the long term.
- 4.5. In particular the 2 LNG terminals provide an obvious opportunity for the port to be able to develop LNG bunkering for shipping and this facility could also supply other Core TEN-T Ports in the Atlantic region.

- 4.6. As a general observation, more could be done by government in Wales (principally WG, LAs and Welsh Council for Voluntary Action (WVCA)) to seek out private sector projects that could be supported by the available EU funding sources within the 2014-2020 Programming Period. Initial information to inform potential investment decisions is not that readily available in digestible form. Advice on the WG web-site appears to have a clear focus on Convergence Funding with little, if any, detail on the EU funding streams that are of interest to the Committee's current inquiry.
- 4.7. There is perhaps across business a sense that much of the emphasis and availability of EU funding has, historically, been geared to the needs of the public and third sectors; little thought appears to have been made to the value of engaging private sector interest and investment to identify and support potential projects. WG and its principal partners (LAs and WVCA) should re-visit existing advice, information and support to ensure that that currently available is actually fit-for-purpose. In the respect, is enough being done to publicise the (often complex) funding options; is the guidance available (electronically and written) in relatively plain language; are the support arrangements across Wales – at WG and the Specialist European Teams within WEFO and individual LAs – relevant to national/local needs as well as having appropriate levels of knowledge and experience?

5. What opportunities for EU funding have been identified for 2014-2020 Programming Period? How will these be taken forward?

- 5.1. The Port of Milford Haven has contributed a list of potential projects to WG that would need funding support. These cover Port, infrastructure, marketing and business start ups. The focus of many of the infrastructure projects is upon renewable energy and tidal energy particular. We understand that these are being combined with submissions from other Welsh ports. At this stage we have not given any indication of EU funding source (TEN-T, INTERREG, Creative Europe, COSME, ERASMUS and Motorways of the Sea).
- 5.2. In a global marketplace the need to present a clear, unambiguous and attractive offering is essential. Trade missions abroad are more likely to succeed if they can demonstrate succinctly the opportunities presented by welsh ports as gateways to both the UK and Europe. The strategy would be to set out the available and potential infrastructure as well as connections to UK and Europe eg pipelines (gas and oil), transmission lines, rail links, short sea and roads as well as the existing and potential additional capacities for each.
- 5.3. Investment in roads and railways is never bad, and always delivers economic growth. Pembrokeshire's tourism economy is something of a poor relation compared to the tourism economy of Cornwall and Devon, and yet the distances

from Swindon to Truro and Swindon to Tenby (the town in Pembrokeshire with over 50% of the County's holiday accommodation) are as follows:

Swindon/Truro	206 miles
Swindon/ Tenby	159 miles

5.4. Roads by themselves are not enough, however. The quality of tourist accommodation, the visual appeal of towns and villages, and the quality and number of activities on offer are all areas to be addressed. Investors will invest when they believe the growth will occur and, critically, provided it is easy and quick to get planning and development consents.

5.5. We are also actively involved in seeking to attract a larger part of a growing cruise market to Milford Haven. We are currently constrained by the absence of suitable infrastructure needed to berth the ever larger vessels that are being utilised to satisfy growth in demand. Tangible support towards the provision of such infrastructure would be very beneficial to the tourism industry.

6. What challenges might preclude projects from proceeding?

6.1. Given the state of the economy and the continued need for decisive co-ordinated action there is a potential risk that projects fail through insufficient collaboration in working with the Welsh and UK Governments.

6.2. What must be understood is that welsh ports are not only in competition with UK ports but also ports in Europe and beyond.

- There are over 30 LNG terminals in Europe and the undersea gas connections mean that there is no reason why LNG should automatically be channelled through Milford Haven.
- The Gulf refinery at Milford Haven ceased operating in 1998, and the key parts of the refinery were shipped to Bangladesh and re-built, where it continues to operate.
- Europe is currently faced with overcapacity in refining and is struggling against global competition including a resurgent USA driven by cheap shale gas as a fuel.

6.3. The key requirement for the successful delivery of new investment plans within any port is policy and zoning that is fully and clearly supportive of development. This is considerably more important than the simple provision of money, which is usually only necessary to overcome the additional costs which are imposed, when a development proposal is made uneconomic through the imposition of Section 106 and other similar obligations.

- 6.4. The consenting framework places different pieces of legislation in competition with each other, and creates a level of complexity that is by any measure, daunting to deal with. It also leaves open too many channels for consenting processes to be subject to continuous challenge. If the formal decision on a development delivered at the end of a public inquiry in a connection with a proposed development is positive, and the development seems set to proceed, there is currently almost endless scope for those who lost at the public inquiry stage to take their fight forward by other means.
- 6.5. This overall framework, including as it does Marine Spatial Plans, environmental protection zoning, land-based planning and a plethora of other conflicting legislation and policies, has been put in place by government of all dimensions (local, regional, national, and supranational). A key role for the Welsh Government and local authorities would be to continue to strip away this complexity and reduce the risk and timeframe associated with consenting processes. They will not achieve this without working closely with the UK and EU governments. In this regard we do welcome the recommendation by the Silk Commission to establish a Welsh intergovernmental committee.
- 6.6. Close working with the Welsh and UK Governments is required to;
- Ensure the entirety of Southern Corridor through to Pembrokeshire and on to Ireland is designated as part of the Core European Ten-T network
 - Ensure EU legislation is not gold plated, to the detriment of the Welsh economy
 - Ensure that UK transport and energy policy is supportive of the further development of Milford Haven as the UK's pre-eminent energy hub, by supporting the installation of additional gas and electricity grid connections as mentioned above, and to improve utilisation of existing berth, railway and distribution capacity.
 - Ensure that UK regulators do not drive away one of Wales' most important manufacturing and exporting industries (refining)
 - Ensure that the deficit is reduced so that interest costs in the UK are kept competitive with other jurisdictions
 - Ensure that the costs of government are controlled and kept competitive with international jurisdictions so that in turn the tax burden in the UK and hence Wales is reduced
 - Ensure that personal tax rates are lowered across the income spectrum so that the costs of employment in the UK including Wales can be competitive with other jurisdictions
 - Promote growth across the UK as being the key driver of growth for Welsh ports

7. Concluding Comments

- 7.1. The opportunities presented by the EU funding 2014-2020 are much more focussed on infrastructure than before and this is to be welcomed.
- 7.2. The Core TEN-T ports such as Milford Haven have a distinct advantage in attracting EU funding and submitted a range of potential projects to WG.
- 7.3. In 2012 Welsh Exports were valued at around £12billion. Exports from the 2 refineries of Valero and Murco amounted to more than £3billion of that total.
- 7.4. The primary requirement of all commercial operators in the area is that Government does everything within its power to make it;
- Easy to Invest
 - Easy to Operate
 - Easy to Employ

Port of Milford Haven