

Summary

The Port of Milford Haven (“the Port” or “Milford Haven”) believes that the private and public sectors must be proactive to ensure Wales remains an attractive place to do business. During a long period of public policy uncertainty maintaining business confidence through a competitive regulatory and fiscal system is key.

A commitment to greater skills training and infrastructure spending, while delivering measures to enable access to finance and a supportive terrestrial and marine planning framework, are paramount. Opportunities will emerge in the event of a more pragmatic approach to commercial activity undertaken in environmentally sensitive areas.

Key issues of concern post-Brexit surround potential changes to the customs regime and the border with the Republic of Ireland. Opportunities centre on maximising the value from existing economic clusters – energy, engineering and fishing – particularly in manufacturing and processing.

The Port of Milford Haven

The Port of Milford Haven is Wales’ largest port and Britain’s largest energy port. It is an independent commercial business providing marine and port services and facilities to its customers. The port and the cluster of energy facilities operating within the Milford Haven Waterway support around 5,000 jobs in Wales.

In 2016, approximately 35 million tonnes of cargo passed through the Port, comprising principally crude oil, fuel products and liquefied natural gas (LNG). The Port of Milford Haven also owns and operates South Wales’ largest ferry port – Pembroke Dock Ferry Terminal, handling around 70,000 freight units and 350,000 passenger movements each year.

The fluctuating nature of the energy industry, heavily influenced by world energy prices, has steered the Port towards an asset-based diversification strategy which is maintaining a financially strong business through volatilities in cargo volumes. Having obtained outline planning consent for its Milford Waterfront development in 2015, the Port is moving ahead with the first phase to build and let new commercial and leisure space, with a view ultimately to developing over 380,000 square feet of lettable space and over 160 new flats and houses to turn Milford Waterfront into one of Pembrokeshire’s most vibrant waterfront destinations encompassing tourism, marine leisure and professional fishing activity as Wales’ largest fishing port. When completed, the Milford Waterfront development is expected to create a significant number of jobs. Investment is already well under way thanks to European funding. In 2015, with financial assistance from Visit Wales’ Coastal Tourism project, part funded by the European Regional Development Fund through the Welsh Government, the Port installed new lock gates to create one of the most

accessible and secure marinas in the country. The Port also built new food processing facilities specifically for the fishing industry which saw the return, after more than a decade of absence, of a commercial fish smokery. This investment was heavily supported by the European Fisheries Fund through the Welsh Government.

For traffic using the south Wales corridor, Pembroke Dock Ferry Terminal is by far the busiest and most accessible sea-trade route to Ireland for international commercial traffic. Around 100,000 lorries pass through this corridor, with two thirds of that traffic passing through Pembroke.

At Pembroke Port, the Port of Milford Haven is leading the way in engagement with the wave and tidal renewable energy sector. Pembroke Port is also home to shipbuilding, engineering and fabrication with deep water access and close proximity to one of the best areas in the UK for wave and tidal energy resources. The Port is partnering with other key organisations to develop an Offshore Demonstration Zone for commercial arrays – a key project within the Swansea Bay City Region Deal expected to generate over £76m of investment.

As an organisation, in 2016 the Port of Milford Haven generated a turnover of £25.3m, profit before tax of £5.6m and paid corporation tax of £1.1m.

Overview

Competitive position – Welsh ports handle almost 12% of UK trade by volume and support 0.9% of Welsh employment across a wide range of trades. In spite of Brexit, there is capacity and an appetite amongst Welsh ports for increased traffic and to fulfil their potential as a natural focused zone for investment and employment.

Key to realising this potential is the maintenance of the competitive position of the Welsh ports industry, broadly in line with ports in other parts of the UK and globally. Ports, and more recently airports, are drivers of economic activity, as evidenced by the fact most of the UK's successful city regions were founded on the basis of being ports.

Customs interventions – large ports such as Milford Haven and Holyhead are vital international gateways for the British economy, sitting at the centre of pan-European supply chains and dependent on the rapid transit of goods through their ferry terminals.

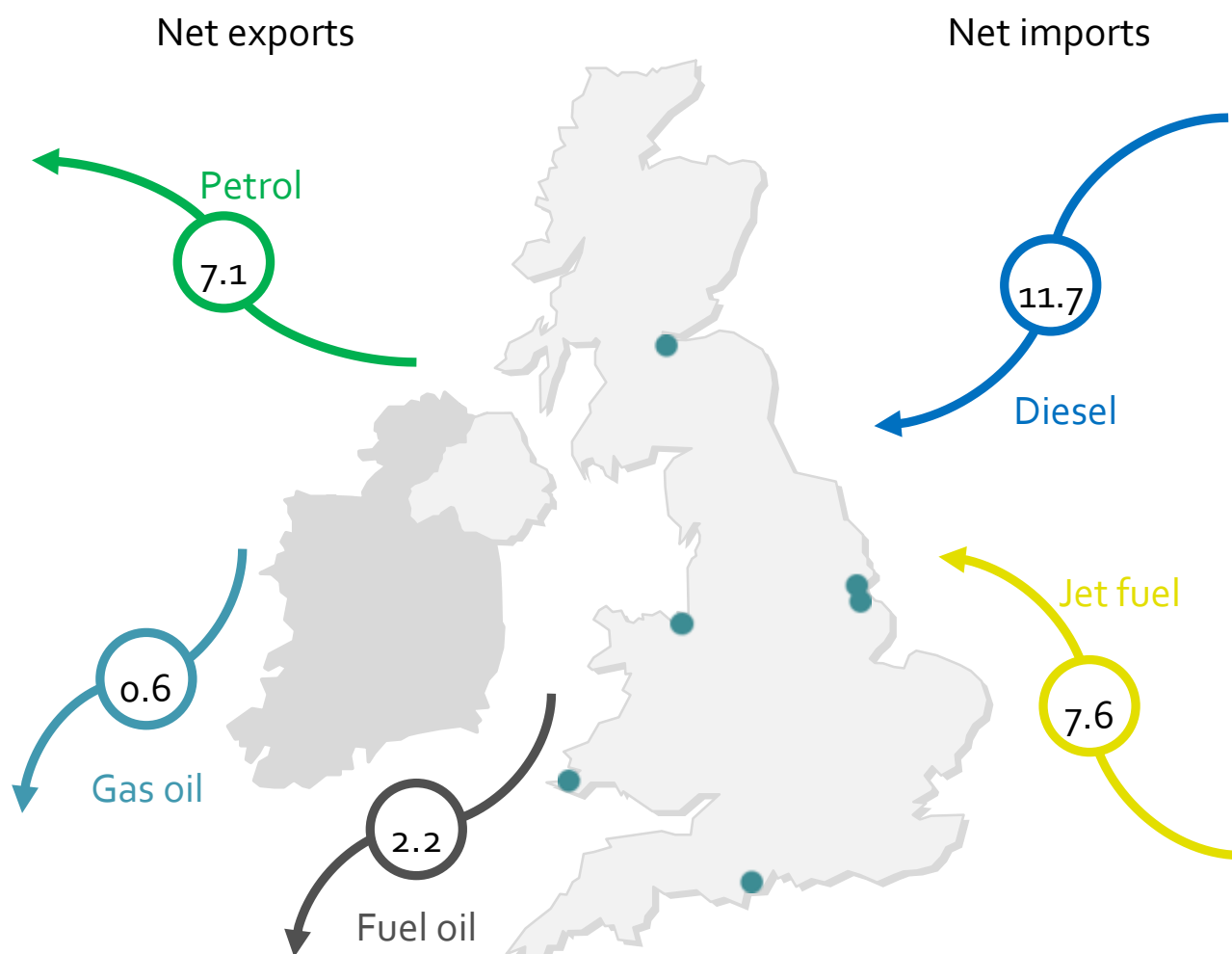
In 2015, exports to Ireland stood at £15.1bn, while imports from Ireland were £11.2bn.¹ With much of Irish trade transiting through the M4 corridor and with limited holding space available in the Port for customs clearance; it is clear that any increase in the level and time taken to undertake border controls would have severe consequences for port operations, hinterland connections and trade.

Irish-UK border – the Common Travel Area agreement with Ireland and the free movement of goods across the Irish-UK border is of vital importance to the Welsh ferry sector. It is imperative that the eventual EU-UK agreement ensures there is no difference between the land and sea border with Ireland to ensure that trade flows are not disrupted

¹ British Chambers of Commerce - <http://www.britishirishchamber.com/value-of-goods-1996-2015/>

(i.e. vehicles simply using other services from ports in England to travel ‘domestically’ via Northern Ireland). Such a move would directly undermine the prospects for bringing together sectors and creating a sense of place for a more successful economic cluster around Pembroke Dock, whose supply chain is currently heavily dependent on one of Wales’ core anchor businesses, Valero.

Tariffs – The major trade flows to and from the EU are a result of the gasoline/diesel imbalance demand in Europe. As a consequence, significant excess gasoline production capacity needs to be exported, while, to meet regional demand for diesel and jet fuel, Europe became heavily reliant on other countries for import, especially Russia, the Middle East & USA.²

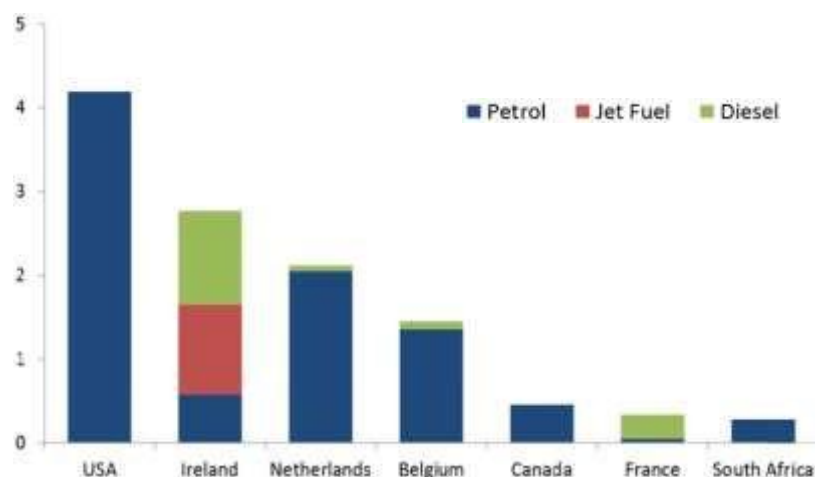


A significant amount of refined product is moved between Milford Haven and Ireland for onward distribution and beyond. Ireland imports a substantial volume of its products from the UK as it has no indigenous production of aviation fuel.³ Any tariffs imposed could have a

² FuelsEurope, Statistical Report, 2016 (as referenced by UKPIA Product Flows)

³ BEIS, DUKES, 2016 (as referenced by UKPIA Product Flows)

detrimental impact on this business model and significantly impact traffic using the Port of Milford Haven.



General Block Exemption – in May 2017, the 2014 General Block Exemption Regulation was extended to ports.⁴ The regulation exempts certain categories of state aid from the requirement of prior notification to the EU Commission, if these are unlikely to distort competition in the single market. The thresholds have been set at a level that means certain types of substantial port infrastructure and dredging grants will avoid scrutiny at an EU level. In a sector dominated by publicly owned ports, this change is likely to accelerate the subsidisation of port investment in EU member states. Post-Brexit, this is likely to undermine the competitive position of British ports unless a similar affirmative approach is taken by the UK government.

Fishing and aquaculture – the implications of Brexit for fisheries are highly uncertain and will depend upon the agreement forged over access rights and fishing quotas.

Currently, around 70% of all fish landed from British waters is done so by the non-UK fleet.⁵ In many areas, there are no indigenous vessels that could take up the quotas under the Common Fisheries Policy (CFP). The current fleet could fish the quotas and land it elsewhere in the UK or the EU. At present, the UK exports around 80% of its wild-caught seafood, with four of the top five destinations being European countries.⁶ If no agreement is reached, the World Trade Organisation (WTO) tariff on fish and seafood will be up to 20%.⁷

The CFP provides funding to fishers and fishing communities for a number of purposes, including supporting sustainable fishing. The UK was allocated €243.1m in fisheries funding from 2014-2020.⁸ A similar funding regime could be beneficial and may need to be increased if the country chooses to pursue an aspiration to replace non-UK fishing vessels with an indigenous fleet.

⁴ http://europa.eu/rapid/press-release_MEMO-17-1342_en.htm

⁵ https://www.nafc.uhi.ac.uk/research/statistics/eez-landings/uk_eez_2016-10-11_final.pdf

⁶ <https://theconversation.com/what-would-brexit-really-mean-for-the-uks-fishing-industry-56312>

⁷ <https://www.worldfirst.com/uk/blog/international-business/world-trade-organization-rules-mean-uk/>

⁸

https://ec.europa.eu/fisheries/cfp_en

There is an opportunity to encourage more local fishing and processing. There are large gaps in the market which could be closed if we – the ports alongside the UK and Welsh governments and agencies – act now. Key matters to address to seize this opportunity are:

- ✓ grow a domestic, safety focused fishing fleet, with good access to finance
- ✓ attract young people into the industry, through promotion and better link up to existing training providers
- ✓ grow an aquaculture industry to break the monopoly held by Scotland, and
- ✓ link up with Ireland to create a commercially viable supply chain, including processing.

Industrial clusters – how we utilise the existing skills base clustered around Welsh ports is vital to productivity growth, both now in the future. Industry and academia need to work closer together to generate further high skilled employment, drive knowledge transfer, sharing of skills and equipment to add value in the supply chain. The Port would like to see ports, airports and other major economic centres in Wales prioritised as ‘economic zones’ – an environment with appropriate institutions and a regulatory environment which makes it easy for businesses to invest, operate and employ.

Regulatory framework – The Port of Milford Haven sits within a Special Area of Conservation and much of the Waterway is designated a Site of Special Scientific Interest. Whilst we recognise the special nature of the Haven’s environment and indeed, we will increasingly depend upon it for our diversified income, it is our view that some of the EU regulation has had some unintended consequences for businesses wanting to invest and operate in this area. We therefore see an opportunity post-Brexit to re-evaluate the regulatory framework, particularly within Port Zones/Enterprise Zones, in order to enable investment and growth in shorter timescales and based on pragmatic environmental assessments.

Conclusion

Harnessing Wales’ natural resources, promoting the blue economy and supporting existing industrial clusters are important focuses for the Welsh Government. Addressing regional economic disparities, driving up productivity and revitalising manufacturing are key tenets of an effective industrial strategy, which will need to be accelerated in the years to come.

To achieve significant gains in fishing and aquaculture, there needs to be a coordinated approach which is market led. Supported by the soon to be released Marine Plan for Wales, the Port proposes creating a taskforce to look at compliance, health and safety, skills, supply chain opportunities and quotas. As Wales’ largest fishing port, we would be happy to play a lead role in such a taskforce.

Swift processing of goods and passengers at ports is important and helps to contribute to a competitive and efficient economy – from border security, customs procedures, HGV safety enforcement to animal and plant health checks. The Port wholeheartedly supports the desire to achieve ‘frictionless’ trade between the UK and Ireland, with no return to the hard land border in the island of Ireland. It is imperative that the eventual EU-UK agreement ensures there is no difference between the land and sea border with Ireland to avoid any distortion of trade flows.

With 34 organisations able to intervene at the UK border, the Port welcomes any effort to achieve process rationalisation, fully automated customs clearance, enablement of transit cargoes and deliver 'trusted trader' schemes to minimise trade flow disruption, regardless of the eventual EU-UK agreement.

Being mindful of the need to balance the three pillars of sustainability – economic, environmental and social – the Port believes special 'economic zones' with expedited or deemed consent planning laws – can provide a competitive advantage and foster business growth.

The National Infrastructure Commission for Wales will provide a positive focus point in helping the Welsh Government to further prioritise energy, telecommunications, road and rail infrastructure, and super-charged investment zones. All are vital supporting components for port based growth. This should be done hand-in-hand with promoting indigenous businesses.

The public and private sectors must work together to promote business, consumer and investor confidence to ensure that whatever the eventual EU-UK agreement, there is both an appetite and the right conditions for economic growth.