



David Rees AM
Chair
External Affairs and Additional Legislation Committee

19 June 2017

Dear David,

I very much welcome the External Affairs and Additional Legislation Committee's inquiry into the implications of Brexit for Welsh and Irish ports.

Our ports make a significant contribution to the Welsh economy, and I am pleased to see the committee's recognition of their importance to Wales' current and future prosperity, and the need to protect and enhance their role following the UK's exit from the European Union.

I am looking forward to discussing this matter in more detail with the committee later this month. Ahead of this, I have attached written evidence to this letter, which I trust you will find helpful.

A handwritten signature in black ink, appearing to read 'Ken', written over a light blue horizontal line.

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure

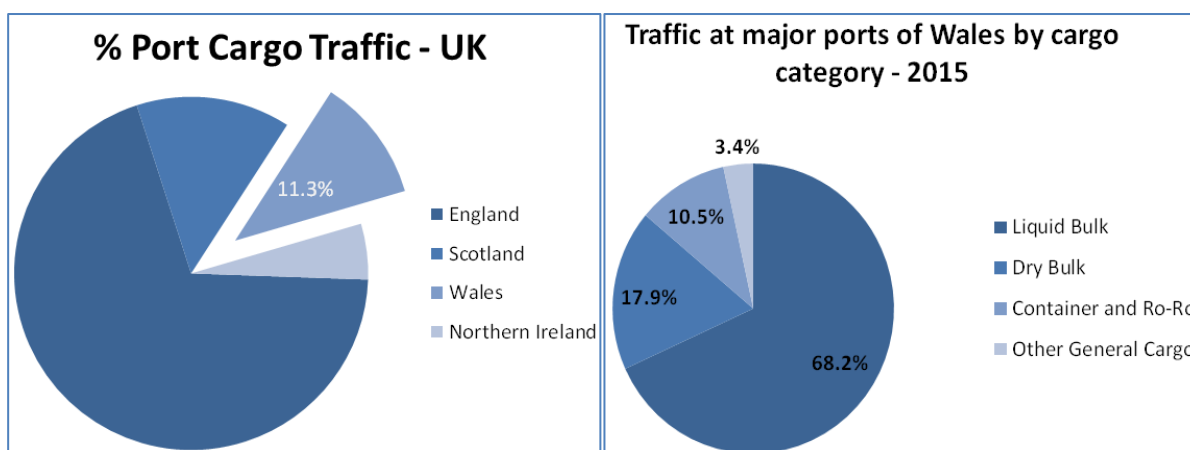
**EXTERNAL AFFAIRS AND ADDITIONAL LEGISLATION COMMITTEE
WRITTEN EVIDENCE
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Introduction

1. Welsh Government recognises the key role ports in Wales play in supporting a prosperous, united, secure and connected Wales. They are an important source of economic wealth and jobs at a national, regional and local level, and ensure Wales is internationally and sustainably connected for both the transport of people and goods.
2. Welsh ports are significant players nationally and internationally, servicing a wide range of specialised and general markets. They make important contributions to our economy, directly and indirectly, acting as a gateway to economic hubs in the Republic of Ireland, the UK, the rest of Europe and the world.

Context - Cargo

3. The Welsh port share of UK freight traffic for 2015 was 56.4 million tonnes (Mt) – around 11% of the UK total¹.
4. Of the total Welsh traffic, major ports² are responsible for handling 55.5 Mt, which is further broken down into
 - 37.8 Mt (68.2%) Liquid bulk³
 - 10 Mt (17.9%) Dry bulk⁴ (Ores, Coal, Agricultural products)
 - 5.8 Mt (10.5%) Container and roll-on/roll-off traffic
 - 1.9 Mt (3.4%) Other general cargo⁵
5. The busiest ports in Wales in terms of freight moved by weight are Milford Haven, Port Talbot and Holyhead.



¹ [Department for Transport – Port Freight Statistics 2015](#)

² Holyhead, Fishguard, Milford Haven, Swansea, Port Talbot, Cardiff and Newport

³ Liquefied gas, Crude oil, Oil products etc.

⁴ Ores, Coal, Agricultural products

⁵ Forestry products, Iron and steel products etc.

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Freight Traffic (weight) through Welsh cargo ports - by direction 2015				
Weight: Thousand Tonnes				
Port	Inward	Outward	Total	Rank in Wales
Milford Haven	26,433	11,251	37,684	1
Port Talbot	7,732	381	8,113	2
Holyhead	2,214	2,241	4,455	3
Newport	1,517	1,055	2,571	4
Cardiff	1,499	292	1,791	5
Swansea	386	132	518	6
Fishguard	239	139	378	7
Barry	207	93	300	8
Llandulas	0	197	197	9
Neath	61	132	192	10
Burry Port	110	0	110	11
Port Penrhyn	33	3	35	12
Mostyn	7	6	13	13

Cargo type at main Welsh ports, 2015⁶						
Port	Liquid bulk	Dry bulk	Other general cargo	Lift-on / Lift off Containers	Roll-on / Roll-off Containers	Total (thousand tonnes)
Milford Haven	97.51%	0.16%	0.04%		2.29%	37,684
Port Talbot		99.98%	0.02%			8,113
Holyhead	0.37%				99.63%	4,455
Newport		41.02%	58.98%			2,571
Cardiff	60.02%	17.92%	14.35%	7.71%		1,791
Swansea		79.46%	20.54%			518
Fishguard	2.75%				97.25%	378

6. An important role for Welsh ports is as the principal route for lorry traffic between Ireland and Great Britain (and on to the rest of Europe). Over three quarters of goods taken by Heavy Goods Vehicle (HGV) to GB and the rest of the EU goes through Wales, the majority of which is through Holyhead.

Context - Passengers

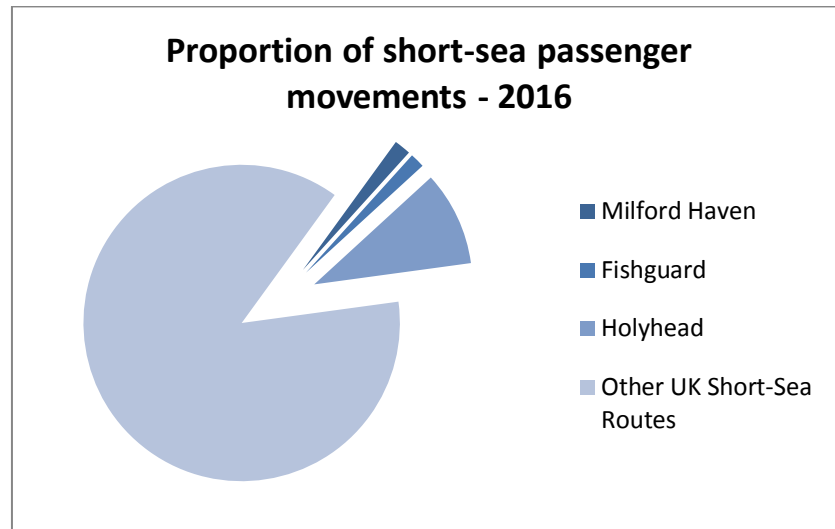
7. In respect of passengers movements, the market in Wales is focused on short-sea, international movements primarily between the UK and Ireland. In 2016, at total of 2.6 million passengers moved through the main Welsh cruise ports -

⁶ [Department for Transport – Port Freight Statistics 2015](#)

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Holyhead, Milford Haven and Fishguard.⁷ This represented 13% of the total UK short sea passenger movements (around 20 million).

8. Cruise calls in Wales are one of the fastest growing sectors in tourism and have increased on average by 30 to 35% year on year since 2013. 2017 will see 88 cruise calls - a potential 53,000 passengers and crew visiting Wales. This equates to approx. £5 million in economic impact.



Supporting Activity

9. In recognition of this position, the Welsh Government continues to provide direct and indirect support for the ports sector. Our ambition is to help the sector further enhance the significant economic contribution it makes to Wales. To that end, we have:
- Provided funding to help ports develop their wider economic potential, for example as tourism gateways/hubs, which includes the allocation of £2 million for the Ports Development Fund
 - Established industry led Freight Task and Finish and Working Groups to advise on strategic issues affecting the freight transport sector's ability to support economic development which recognise the core role of ports for intermodal freight
 - Further developed major road enhancements and improvements which will improve surface connectivity to ports, including the M4, A55, and A40.
10. We have pressed for and welcome the further devolution of ports and harbours that will be delivered through the Wales Act 2017⁸. This will allow us to better connect ports in Wales with wider policy areas – such as energy and tourism. It is disappointing that the UK Government did not agree that Wales' largest port - Milford Haven – should be devolved. We recognise the importance of Milford

⁷ [Department for Transport – Provisional Sea Passenger Statistics 2016](#)

⁸ [Wales Act 2017 – Legislation.gov.uk](#)

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Haven to Wales's regional and national economy, and will continue to work in partnership with the port.

11. The port provisions under the Wales Act are scheduled to come into force from April 2018. In preparation for this, a dedicated ports team is being assembled within the Welsh Government to provide early collaboration and engagement with the sector.

Brexit – Threats and Opportunities

12. There are a range of common threats and opportunities for UK ports in respect of Brexit. Early discussion with the sector, wider industry, the UK Government and the other devolved administrations has surfaced key issues in respect of the implications for customs and immigration control, as well as changes to state aid, revised trade deals, and infrastructure investment.
13. The vital issue for the sector UK-wide is the importance of maintaining the efficient movement of goods and people via seamless customs arrangements that are, as a minimum, no more burdensome than the current Customs Union regime. Any changes to migration and/ or customs rules which add to costs, time, inconvenience and regulation could have an immediate and major impact, with negative consequences for both private and public sectors, and citizens.
14. Furthermore, there is a potential and unique threat for the sector in Wales because of its key role as the gateway for moving goods and people to and from the Republic of Ireland. Currently over 70% of cargo to and from Ireland, Great Britain and the wider EU pass through Welsh ports.
15. It will therefore be important to both ensure border check procedures are proportionate and effectively protect the interests of Wales and the wider UK, whilst also ensuring that land movements between the Republic and Northern Ireland remain as seamless as possible.
16. However, there is a significant risk that additional checks at mainland UK ports (a 'hard' sea border) could reduce the efficiency of traffic passing through the ports, especially in respect of roll-on / roll-off (Ro-Ro) freight movements. A more relaxed regime at the Irish land boundary (a 'soft' land border), in contrast to a stricter customs regime at UK mainland ports, could encourage movement via this land border through Northern Ireland ports into England and Scotland potentially at the expense of the current, well established direct routes from Ireland into Wales.
17. Whilst in general this might not be damaging to wider UK economy, as the same volume of trade could still move between the two countries, the potential for a marked reduction in throughput at the Welsh ports could disproportionately impact on the viability of moving goods through Wales and cause a major negative impact on the wider Welsh economy.

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18. Additionally, surface access is a key component of the effectiveness of ports in Wales, and infrastructure investment is an important part of any strategy to grow and develop Welsh ports. The Welsh Government is already making progress with a number of road schemes which will result in positive impacts for ports in Wales.
19. Our investment in roads supports the Trans-European Transport Network (TEN-T) regulations⁹ - the EU initiative designed to promote cohesion, interconnection and interoperability of national transport, including roads, railways, airports, ports and inland waterways. A number of ports and strategic surface routes in Wales are within the network, and a continued commitment from the UK Government to meet the standards set out by the TEN-T regulations - including electrification of the rail line to Milford Haven by 2030 - would strengthen opportunities for ports.
20. Wider changes to state aid policy could also present an opportunity for Government to invest more in the economic activity that can be generated by ports. Changes to the State Aid General Block Exemption Regulations (GBER) have been agreed by the Commission and will provide opportunities for further investment into ports infrastructure. However, the restrictions in place on these changes will not enable us to provide support to sustain the growth in the cruise sector, particularly in respect of accommodating longer cruise vessels.
21. There are also risks around the undesirable market distortion which could result from relaxing state aid rules. Particular care will be needed to ensure that any changes do not lead to unintended consequences of this nature.
22. In summary, Welsh Government considers the following as priorities:
- I. Ensure Welsh ports are not disadvantaged by inefficient border check regimes, and that sufficient resource is made available by the UK Government to enable new, efficient arrangements to be put in place as necessary.
 - II. Continue to support ports in Wales by promoting conditions and a regulatory environment which best enables all ports to contribute to economic growth and wider policy objectives
 - III. Ensure the UK Government continues to recognise the importance of the Trans-European Transport Network (TEN-T) , which features the major ports in Wales, and commits to meeting post-Brexit the standards for the network established by the TEN-T regulations
 - IV. That any modifications or replacement to state aid policy are carefully considered on a principle of avoiding undesirable market distortion
23. We will continue to engage closely with the UK Government to ensure the Brexit negotiations and post-Brexit arrangements result in a favourable outcome for Wales.

⁹ [REGULATION \(EU\) No 1315/2013](#)