NAfWEntBusCtteePortsQ’s

NATIONAL ASSEMBLY FOR WALES

ENTERPRISE AND BUSINESS COMMITTEE

PORTS AND AIRPORTS INQUIRY

Additional Questions on Ports

Question 1A - Opportunities for Welsh ports in supporting the renewable energy sector

Not really one for me in detail.

In general terms there are opportunities to use any steel / coal port facilities. The Port Talbot Tidal Harbour (the outer dock) is used extensively for deep water ore and steel movements. There is a plan for a jetty development. (ABP will be able to give the present construction position)

This is a high capacity facility which would be ideal for importing bulk bio-fuel material.

Swansea docks have been used to import coal and I recall a plan to import coal and biomass. However I have been unable to locate the detailed papers. Margaret Llewellyn might be able to help you

Question 1B – What action should the Welsh Government to support those opportunities

There is a difficulty here in terms of the split responsibility of the Welsh Government (WG) and the UK Government, Department for Transport (DfT).(Please see my original brief to the Committee)

The Welsh Government commissioned the Wales Freight Strategy (2008) which set out a series of objectives and steps to delivery. I referred to this in my evidence.

The Welsh Government is responsible for managing the Freight Facilities Grant and also I believe the Ports Facilities Grant (a DfT funded grant). However the WG is not responsible for investment in ports and receives no black grant element for so doing. As I explained in my evidence the DfT (acting in its capacity as the ‘English Government’) does not see any rationale for funding ports in England. It bases this on the Southampton / Felixstowe model. The Welsh Government do not in my view share that approach and would see intervention as a possibility within EU state aid regulations.

While many English ports are profitable and working at capacity the latter is not true for Welsh ports. Intervention might then be considered by the WG but the funding although within its powers is not accounted for in the Block Grant.

The WG is of course responsible for the national highway / motorway network and can give priority to roads serving main port throughputs both existing and potential. It does not however have responsibility for rail track investment, a factor inherent in the current discussion on electrification to Swansea which beyond Cardiff would affect ports such as Port Talbot and Swansea both of which are situated alongside the Great Western Main Line.

Please see my response in terms of cruise operations regarding the form of WG assistance or investment intervention in that sector (in evidence and below)

Question 2A- Effectiveness of Welsh Government (WG) economic development / tourism policy to support the cruise market

The cruising market is the fastest growing tourism segment with financial and economic characteristics making it essential for Wales to acquire a greater part of that global market currently dominated by the Caribbean, Mediterranean and Baltic seas. The Celtic Sea (we have to have it renamed from the Irish Sea if we are to get cruise companies to understand there are two sides to the Celtic Sea) provides a significant tourism opportunity for Wales

We do receive visits into Milford Haven and Holyhead from smaller cruise ships (fewer than 800 passengers) – including the Marco Polo, the luxurious Silver Cloud and Fred Olsen Cruises, ironically a Scandinavian line. They could be (and to a limited extent, have been) attracted to Cardiff but the tidal docks do present an operational challenge. For those cruise lines who wish to have a regular timing for ports of call that is not always possible with a tidal dock whose movements to enter and exit the port are limited to high tide times.

But in the big cruise ship (with over 3,500 passengers) market, Welsh ports have but two ships booked in for 2012. Tallinn in Estonia had over one hundred and fifty such ships in 2011. Dublin had 63 cruise ships calling back in 2004. Thus it is not only that the Celtic Sea has not attracted a similar number to the Baltic Sea. Far worse is that Wales has not attracted a significant share of the Celtic Sea business

Wales seems to be almost invisible in the big ship market. Indeed the map of the British Isles in a Royal Caribbean brochure (2011) shows the name 'England' stretching across from Pembrokeshire to Norfolk. This puts one of our prime potential calling ports in the wrong country and thus makes the use of Welsh culture, food, history and a unique bilingual land with Brand Cymru – Wales as a marketing tool quite very difficult for those trying to attract cruise lines.

This apparent invisibility remains a problem Wales and for our Celtic neighbours. Is it because our Visit Wales teams are not pushing hard enough or is it that we have not enough to offer the cruise companies?

Question 2B – Additional action required by the WG

Only those promotional bodies e.g. Visit Wales can answer the question – is there is a robust plan?

Need to promote Wales

The need to promote Wales globally more vigorously as a nation is reflected in recent comments by the First Minister and in the report on Inward Investment from the House of Commons Welsh Affairs Committee

Setting cruise ship targets

There has been some support in the cruise arena but one can only comment that the Cruise Wales Scoping Report 2007 identified targets for 2007 - 2013 which would indicate our success in building up the cruise market. These have not been achieved.

Investment

The attraction for cruise companies is the ability to berth alongside the quay rather than out in the bay. Alongside berthing has several advantages.

The economics of the cruise liner prefers quayside mooring to anchoring in the bay. This provides for loading food, water and drinks, for refuelling, for disposal of waste and for routine maintenance. It also enables passengers to disembark easily to join the excursions which are an important income source.

Non – tidal docking is required to achieve a regular calling pattern (arrive 6am; depart 6pm) for ships carrying 3,500 passengers. Capital investment of £5m (2012 prices; £3m at 2009 prices) can achieve that at Holyhead using an extension to the Anglesey Aluminium jetty. This is called a 'dolphin' – a long concrete slab with mooring points to accommodate larger and longer ships. This gives Wales is the opportunity with relatively low government investment to test and grow the market. The jetty required at Milford Haven is a larger construction estimated to cost £40m.

It is important to note that cruise operations are not particularly profitable for port operating companies. The major income is spread throughout the surrounding region. In north Wales this could be within the two hour journey time area. Consequently the need for WG intervention on the basis of employment generation would be required and be justified under state aid rules. The issue of Convergence Funding would also be a part of the final cost to the WG

Promotional examples

The Baltic Sea has been very successful as the third biggest cruise market. It has developed a classic cruise area with ships calling at Gothenburg, Travemunde (where?), Copenhagen, Helsinki and Tallinn. But the Celtic Sea can match them.

The weather cannot be a factor as there is little difference between Celtic and Baltic seas.

On St David's Day when the best of Welsh gastronomy was celebrated at the Senedd where for this experienced international traveller were some of the finest fish, meat and vegetable dishes. We have historic houses and castles, gardens of high repute, scenery unrivalled along the Baltic coasts, and narrow gauge railways all of which hold a great attraction for the North American market. Question: were cruise operators invited to that event and if not why not?

There was also on St David's Day a rail excursion '*The Cathedral's Express*' to Cardiff from London. This serves a similar income and demographic market to that of the cruise ship in terms of cost and style. This is often referred to as the nostalgia market and reflects a part of the population with adequate optional consumer expenditure funds. The Pullman service costing £210 provides breakfast with champagne and a five course dinner. The lowest adult cost is £95 for the journey in second class.

Cardiff clearly has many attractions for cruise ship type clientele. Most of the promotional work so far has been undertaken by Cardiff City Council and Cardiff & Co. Now considerable work and funding has to be carried out by the Welsh Government / Visit Wales to make Cardiff a calling port. The capital city cannot deliver the development alone.

WG intervention certainly applies to provision for ships calling at Ynys Mon. North Wales cannot have so few attractions that it cannot compete with Estonia (flat country with not particularly interesting countryside).

That is the challenge facing Welsh Government / Visit Wales

Promotional Plan

A major joint promotional plan has to be put together for the Celtic Sea by the Government tourism bodies in:

- Wales
- Ireland
- Northern Ireland
- Scotland
- The Lake District
- Cornwall

This step change in big ship 'calling' cruises will require extensive joint marketing (in all four elements: product, price, place promotion) of the Celtic Sea as an alternative to the Baltic Sea to the big five cruise companies – Princess, P&), Royal Caribbean, Carnival and Costa and also to the operators of the smaller vessels referred to above. Based on Dublin as the terminal port the calling ports can then be Belfast, Greenock (for Glasgow). Barrow in Furness (for the Lakes), Holyhead (for north Wales and anywhere Liverpool currently serves), Milford Haven (for south Wales), at anchor of Cornwall, Cork and Dublin. - A journey covering 7 days with all but one quayside port.

The Baltic is beginning to become saturated in terms of destinations not yet visited by travellers. So the time is right to attract up to 40% of that market over the next ten years. There is already some activity lead time of three years applies to most cruise operator itineraries. The routes, calling ports and turnaround ports for 2015 will currently be in the planning stage. This will require the Celtic Sea countries to attract the cruise lines in greater numbers. Wales in particular is being left out and one major reason for that is our lack of quayside mooring facilities at either Holyhead or Milford Haven.

There is a need for one call per week (preferably more) if a ship's agent is to be established at Holyhead with regular employment for suppliers, coach operators and attraction owners can then gear themselves to the cruise market which in turn provides jobs.

Liverpool is specifically omitted. The authority there has been funded for a calling port facility by the EU. It is now attempting to develop a turnaround cruise port facility. However that is in competition with Holyhead as the latter can serve along the A55 Expressway many places such as Chester which Liverpool will attempt to serve.

The action by Liverpool in achieving EU funding for its cruise facility has to be replicated by the WG.

Building an extension dolphin at Holyhead is a low cost investment with which to rest the market. If this works then the next step for the Celtic Sea direct market is to evaluate the same provision at Milford Haven

Cardiff's cruise market has a different base but can be part of the Celtic Sea operations for smaller ships

But this has to be a plan which is implemented rather than with so many others, including the Cruise Wales 2007 report allowed to remain inactivated. Achieving the Celtic Sea cruise market concept outlined here will not be easy and is not for fainthearted governments.

Question 3A – Welsh ports contribution to the economy of their own region and Wales as a whole

Cruise Market

In 2008 each passenger on a large cruise ship (2500 passengers) was expected to spend directly or indirectly £100 each. This would generate £250,000 per visit. Direct income includes excursions retail purchases and catering. Indirect income relates to servicing the ship with water, fuel, food and drink and removing waste materials.

One ship per month (12 per annum) would generate £3m per annum

One ship per week could inject £12m each year into the local economy of which thirty per cent (£4m) represents labour costs or 90 jobs (based on one full time equivalent job being created for each £44.400 of labour income. Three ships each week could create 270 jobs in north Wales and make Wales, Ireland, Scotland, Cumbria and Cornwall a part of the fourth biggest cruise location.

The key element is creating a, market which makes setting up a port agent operation profitable. The port agent represents several cruise companies and will have an incentive to develop the business at the port. In our case this is initially Holyhead

Turnaround services generate even more employment. This is where the passengers are boarded and landed at the beginning and end of their cruise. We should seek to promote Dublin with its regular air services between its airport and North America as the Celtic Sea turnaround port. It has ease of access and is already established as a calling port. There is also a large Irish American market to be tapped.

Freight market

I have no current numerical data of the jobs created by freight operations at ports. However the SWOT analysis in the Wales Freight Strategy gives a clear indication of this potential.

There are several types of port operation in Wales dealing with freight. For example

- Ro-ro ferry (Holyhead, Pembroke, Swansea)
- Heavy bulk freight (Port Talbot, Milford Haven)
- General cargo (Swansea, Barry, Cardiff, Newport, Port Talbot inner harbour)

Question 3B Opportunities for port development offering greatest economic benefits to ports and to Wales (by which is meant the Welsh economy).

Question 3C how far do the benefits to Welsh ports and the Welsh economy coincide

(***Shan -These two questions appear to point to the same analysis. If I have missed something please let me know- Stuart)***

As suggested above the cruise market offers a significant economic benefit to Wales but does not contribute highly enough to the port companies rate of return

General cargo and associated functions such as stevedoring provide the best combination of employment (at the docks and for onward freight transport) and thus economic benefit and profitability for the company.

Bulk movement such as liquid gas provide employment in the construction phase but as much of the operations are mechanised few employees per tonne moved are required. Compare the employment with throughput at Milford Haven and at Cardiff to understand the difference

It is therefore not always easy to determine where government intervention is applicable. However in my view the cruise market is one justifiable case.

Interventions for the Enterprise zones on the Haven and the energy Enterprise Zone on Ynys Mon Anglesey to support the ports market

The energy proposals on Ynys Mon as I understand them and they are not my area of expertise will generate energy in situ and thence distribute electricity elsewhere.

The EU Motorways of the Sea concept has a role in both enterprise zones. The potential for high levels of freight tonnage but with a possibility of their not requiring long distance haulage is an attraction. Normally the use of Welsh ports in the context of the Motorways of the Sea would also road or rail freight to its destination or point of origin in the British / Irish islands.

This latter in engineering distribution terms is relatively easy compared with land side road / rail movement. It also has a comparatively low marginal distribution cost.

In the case of Wales the offer to the rest of the British main land is relatively uncongested connections to significant population centres avoiding the economically over active (overheated) economy of the south east of England with its associated higher congestion costs.

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