

Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig | Climate Change,
Environment and Rural Affairs Committee

Effaith Brexit ar bysgodfeydd yng Nghymru | The impact of Brexit on fisheries in
Wales

FW 06

Ymateb gan : Porthladd Aberdaugleddau
Evidence from : Port of Milford Haven

Summary

As Wales' largest fishing port, the Port of Milford Haven ("the Port" or "Milford Haven") welcomes the opportunity to contribute to the Climate Change, Environment and Rural Affairs Committee's inquiry into the impact of Brexit on fisheries in Wales.

The Port sees fisheries as a Brexit opportunity for Wales. Opportunities centre on maximising the value from existing economic clusters – whether engineering or fishing – particularly in manufacturing and processing.

Regaining control of access and the management of Wales' fishing resources will present the possibility to *incrementally* grow the domestic fishing fleet (over 10m vessels), increase domestic fish landings and facilitate more processing at Welsh ports to the benefit of coastal communities. This is not about supplanting foreign fleets but about being in control of the issue of licences and quotas to foreign and domestic vessels in a way that reinforces the economics of onshore logistics, service and processing centres.

This blue business growth would align with the aims of the Economic Action Plan and the Marine Plan for Wales, but will be dictated by the settlement forged between the UK Government and the European Union ("EU"), the content of the UK Fisheries Bill and the devolved framework agreed between the UK and Welsh governments.

Port of Milford Haven overview

The Port of Milford Haven is Wales' largest port and Britain's largest energy port. In 2017, approximately 32.1 million tonnes of cargo passed through the Port, comprising principally crude oil, fuel products and liquefied natural gas.

The Milford Haven Waterway constitutes the UK's single largest cluster of energy related businesses, handling or processing approximately 20% of the UK's energy requirements and supporting 4,000 jobs in Wales.

The Port also owns Pembroke Port where ferries, dry bulk, general, specialist and project cargoes are handled, and Milford Waterfront which is the central location on the Milford Haven Waterway for leisure, tourism and cruise.

The Milford Haven Waterway is at the heart of one of the largest industrial clusters in the UK, where major added value takes place across the oil and gas, marine engineering and fishing sectors, and equipment, skills and people are utilised collectively.

- **Pembroke Dock Marine** – the Port is progressing a base for wave, tidal and floating wind renewable energy developers. The aim is to attract developers who are leading a rapidly growing global industry to come and carry out comprehensive early stage fabrication and development of marine renewable energy devices in Pembrokeshire. The project is part of the Swansea Bay City Region Deal and is

expected to generate over £76m of investment. The eventual infrastructure will also have valuable application across a broad spectrum of maritime industries such as aquaculture and ship building.

- **Milford Waterfront development** – a 420,000 sq. ft. low-carbon, smart-living leisure, retail and tourism project in development. It will use advanced digital technology to create an exciting, next generation leisure and tourism experience.

Fishing and Aquaculture

Building on Milford Fish Docks’ status as the largest fishing port in Wales, Milford Waterfront will also act as a hub for an efficient fishing and aquaculture industry supporting the growth of an indigenous fishing fleet and the economy of coastal communities.

Investment, supported by the EU and Welsh Government funding, continues at Milford Haven – from new lock gates and infrastructure, research with Swansea University and Irish partners into aquaculture, and the creation of processing units demonstrate the Port’s ongoing commitment.

However, fundamental challenges in each sector are inhibiting growth and this needs to be addressed. The table (right) highlights the economic contribution of these industries - if the fishing industry is left unaddressed and structured against Welsh interests, then the impact in revenue and employment will be significant.

Income and employment generated in the UK from Fishing, Aquaculture and Fish Processing:				
2016	UK Turnover	UK Operating Profit	GVA	Employment
Fishing Fleet	£809m	£163m	£362m	12,107
Aquaculture	£800m	£185m	£275m	2,761 (FTE)
Processing*	£4,395m	£255m	£776m	31,553 (FTE)
* includes freshwater statistics				

The implications of Brexit for fisheries are highly uncertain and will depend upon the Brexit 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. 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. If no agreement is reached, the World Trade Organisation (WTO) tariff on fish and seafood will be up to 20%.

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. 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.

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 safety focused fishing fleet, with good access to finance, landing product at key Welsh ports
- 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,
- link up with Ireland to create a commercially viable supply chain, including processing, and

- action positive fiscal and funding policies to facilitate the growth of the domestic market, coupled with other grant allocations and licensing measures.

Tariff-free access to EU markets – and *vice versa* – is essential and of utmost importance. Norway and Iceland manage their own fisheries, have healthy fish stocks and trade with the EU. We would like to see a similar arrangement for the UK.

We firmly believe the Welsh Government is best suited to react to local need and, therefore, the Port calls for fisheries to remain a devolved matter.

What the Port of Milford Haven is doing

Continual investment in the fishing zone is focused on creating the appropriate facilities for the current fleet, as well as creating space for food processing – a key element to adding value locally. Investment includes:

piSCES – an Interreg funded initiative – the Port is working closely with Cardiff University and partners in Ireland to aid the development and testing of a new ‘smart grid’ electricity network within fish processing sites. In the short term, our role is to enable intelligent monitoring of our energy consumption and renewable electricity generation. Longer term, the aspiration is that this data gathering will inform the development of new software designed to increase energy efficiency and reduce the cost of energy consumption for fish processors. It is part of the Port’s wider plan to deliver a Smart Grid system in Milford Haven bringing the piSCES technology together with energy generation (e.g. the Liddeston Ridge output and an anaerobic digestion project) and consumer demand (Milford Waterfront) to create an efficient localised energy relationship. As well as delivering cost benefits, such projects also deliver lower carbon outputs. A technical study, funded by the Welsh Government’s Ports Development Fund, for the first phase of the Smart Grid is currently underway.

Milford Haven Shellfish Supply Hub - Ports Development Fund approved project – commissioning of a study that will research opportunities, develop models and produce a business plan to support the potential establishment of the Port as a hub for the supply of live seafood from Wales and Ireland to major European Markets.

How can Welsh Government help?

COMMERCIAL FISHING

Quota

Issue: England and Scotland will both lobby hard to gain the maximum possible post-Brexit fisheries quota. In the absence of a significant fishing fleet, Wales may not be seen as having any demand or capacity. And, with home nations increasingly seeking to ensure that the majority of landed catch stays in the home nation for processing, Wales has much to lose.

Proposal: Wales must secure its quota and the right to grant fishing licences to protect Welsh fishermen and the ongoing delivery of fish to the Welsh supply chain and grow the Welsh fish processing economy for the benefit of coastal communities and the wider regional economy. While Wales invests in its fleet (see below), the quota can be leased to other nations on the *proviso* that – at the very least – a portion of the catch is landed in Wales. Resulting revenue should be reinvested in the sector.

Finally, any future quota assignment should be based on *potential* not *historic* catch. Wales has been historically strong on shellfish rather than fin fish, but would seek to ensure this is redressed and quota is available for both, subject to sustainability.

Fleet expansion

Issue: The number of fishing vessels in the UK fleet has fallen by 28% since 1996 – and Welsh fleet numbers do not buck this trend. Increasingly tough conditions have caused people to leave the industry with fewer new entrants.

Proposal: National investment is needed to:

- *Strengthen the fleet* – a modern fleet will ensure the best possible catch happens in the most efficient and sustainable manner with the least by-catch. Better technology, vessels and up-to-date nets will be key. Low rate business loans and funding should be accessible for existing fleet to upgrade, as well as for new entrants.
- *Reskilling/Attracting new entrants to the market* – the fishing industry operates in harsh conditions and is largely reliant on hands-on learning. The skill drain needs to be reversed, which would create new jobs in coastal communities and reinvigorate regional economies.

Species research

Issue: One of the key ways to widen the fishing economy is to introduce quota for species which are in abundance in our fishing waters, but have not been quota for e.g. mackerel, sprats and razor clams. This means that commercial fishermen are unable to catch these potentially valuable species.

Proposal: Research is needed into the potential of such stock and, if the research supports it, the relevant species could be proposed for quota.

Scallop ground rotation

Issue: A localised issue, but significant. Currently three scallop grounds have been designated for rotation fishing off the Pembrokeshire coast. Rotation was the method agreed by the Welsh Government to ensure a well-managed fishing area. However, each year the same ground is announced open, which is resulting in an over-fished zone and poorer catch.

Proposal: Correct rotation should be re-introduced, with the current location not returned to for another two years.

Basis for size divisions

Issue: The fleet is currently divided into under 10m and over 10m. These classifications are used within quota allocation which is now considered to limit the potential of smaller vessels. It is, in many ways, an arbitrary figure, but one that could be reviewed as part of retaining control of Welsh waters.

Proposal: Research into the relevance of such a division in a modern fleet is recommended.

AQUACULTURE

Peer Review Aquaculture Licencing Board

Issue: The current licencing system is broken. Natural Resources Wales (“NRW”) is under intense strain; handling all licencing applications regardless of realistic commercial potential.

Proposal: The Port believes there is an opportunity to instate a Peer Review Aquaculture Licencing Board (“the Board”) to undertake a first round of assessments. Comprised of the industrial, academic and licensing community, the Board would assess proposals to ensure viability. Only applications that pass this scrutiny level would be allowed to approach NRW for licencing assessment. At this stage, a fee would be payable, which could fund the work of the Board and contribute to NRW costs. This would ensure resource allocation is managed effectively without the need for increased central funding.

Industry Focused Steering Committee

Issue: Aquaculture derived produce has been identified by the World Bank as likely to be the primary source of food fish by 2030, with applications also in pharmaceuticals and cosmetics, too. While there are some good examples in Wales which have benefitted from Welsh Government support, it is still an immature industry and more support is needed in order to reach similar levels of industrial growth as evidenced internationally.

Proposal: A Welsh Government led Steering Committee (“the Committee”) would help ensure the sector generates the focus needed to move towards full scale, environmentally valid commercialisation. The Committee would be comprise of representatives from the Welsh Government, regulation, industry and academia. Equally, investment in skills, an efficient regulatory system and the advancement of technology would help position Wales to take full advantage of this growing sector.

FISH PROCESSING

Landings regulations

Issue: Scotland is seeking to amend existing legislation and lock 55% of Scottish quota into Scottish landings. This is to maximise the economic potential of the Scottish processing sector and deliver an extra 65 pence in the pound. In Wales, the landings are typically exported to the continental Europe, which minimises the potential for adding value in Wales.

Proposal: Scrutiny is needed by Welsh Government into the possibility of a similar structure, which has the ability to deliver benefits to both the fishing fleet and for processors – by creating a stable market. Consideration could include whether legislation or

contract is the correct approach, how cost agreements would be structured and whether capped Government subsidies should be available during periods of pricing irregularities.

Facilities promotion

Issue: Milford Haven has four new, EU and Welsh Government funded incubator units for the fish processing industry.

Proposal: We would like to work closer with Welsh Government to maximise their value to the Welsh economy. Signposting by Finance Wales and the Inward Investment team would be beneficial.

WIDER ISSUES

Branding

Issue: Milford Haven was once known as 'where the fish comes from'. The ongoing public interest in traceable food providence offers an opportunity to re-establish the relationship between fish and place.

Proposal: We would wish to work with Welsh Government to establish local brands and quality stamps – such as 'Landed in Milford Haven' – that can be cross promoted at national level to showcase the best of Welsh produce.

Skills gap

Issue: Skills development will affect all three industries to varying degrees and some issues have already been identified.

Proposal: We believe there is room for industry academies and training centres to focus on collaboration and training throughout the value chain. A learning process that covers, in some form, the full sea/farm to plate journey. We do include the 'hospitality' end of this spectrum – it is a key component in 'selling in' the primary product which helps create demand. The Port, as part of its Milford Waterfront investment, is looking to attract an international calibre fish restaurant, which will help tell our story, and we recognise the value in linking with a regional academy.

Establishing demand for a diverse range of fish

Issue: There is a need to create demand for a wider species of fish than the UK market currently supports.

Proposal: It is possible to look toward the school curriculum in telling the sea-to- plate story and learning about different species. This could be continued into the canteens where alternate catches could be incorporated into the menu. Beyond schools, national and local initiatives could take place which promote species where catch is high but demand is low. A good example of such a programme can be found in Vigo,

Spain. This wider focus on fish in the diet would also have a positive contribution towards obesity in children and adults.

Investigate new markets

Issue: Over-reliance on established trade routes can create trade vulnerability.

Proposal: Explore new trade routes with the expansion of services at Cardiff Airport. With a new service to Qatar, swift air transportation of seafood to the Middle Eastern markets creates new possibilities for Welsh fishermen and processors.

Investment in regulation

Issue: Current fines are not deterring illegal fishing because the value of the catch is often substantially higher than the fine.

Proposal: Fines must be appropriate to the potential catch value.

Clustering

Issue: Industrial clusters are increasingly becoming associated with operational efficiency. The Fisheries, Aquaculture and Fish Processing industries have shared needs and an obvious desire to reduce the amount of time lost to transit and are ideal candidates for clustering.

Proposal: Signposting by Finance Wales and the Inward Investment team would be beneficial.

Simplified value chains

Issue: The journey from sea-to-plate has multiple transaction points. It is based on an historic system and would be seen by many as burdensome, overly complicated and not in the interests for the primary producer. Vigo is a superb example of how the fisheries, fish processing and national and local governments work together for maximum efficiency.

Proposal: It would be timely to visit such a location to see what lessons could be learnt and introduced into the Welsh value chain.

Soft Irish-Welsh border (impacts multiple industries and the ferry town communities)

Issue: A significant proportion of live Irish seafood passes through the Ferry Terminal at Pembroke Port i.e. in excess of 2,000 tonnes destined for the French and Spanish markets. A hard border between Wales and Ireland will dis-incentivise this key transportation route. Instead, goods could be shipped to ports outside of Wales using the proposed internal soft Irish border.

Proposal: Maintain focus on securing a soft Irish-Welsh border.

Port Economic Area designation (impacts multiple industries and the port town communities)

Issue: The fishing zone in Milford Haven is not included in the Haven Enterprise Zone (“EZ”) and misses out on the ability to use EZ incentives to attract new business. Inclusion in the zone would be a valuable short term solution.

Looking at the wider possibilities of designated zones, the upcoming changes brought about by Brexit, present interesting opportunities. There is significant value in designating air and sea ports as special sites – either within the current EZ structure or in addition to – to create ideal conditions for business growth. Either using a ‘Free Port’ structure (a tightly defined space where goods in transit are exempt from customs duty), or a more widely drawn ‘Port Zone’ that maximises the potential for industry to cluster and add value to the economy with, for instance, simplified or fast-tracked planning and licensing, or a hybrid of the two.

Manufacturers want to be located at the nexus of transport nodes. Ports and airports thrive and drive economic growth by being able to respond quickly to market need. Being mindful of the need to balance the three pillars of sustainability – economic, environmental and social – the Port would like to see ports, airports and other major economic centres in Wales prioritised as economic zones with a greatly strengthened presumption in favour of development. This offers the market lower development risk by shortening the development timeframe and upfront costs.

Proposal: Extend Haven Enterprise Zone to include Milford Haven. Investigate the application of combining ‘Free Ports’ and ‘Port Zones’, with simplified and accelerated consenting and development regimes.

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 Economic Action Plan and the Marine Plan for Wales, the Port proposes creating a taskforce to look at compliance, health and safety, skills, quotas and supply chain opportunities as mapped out above. As Wales’ largest fishing port, we would be happy to play a part in such a taskforce.