

WELSH PORTS GROUP

BRITISH PORTS ASSOCIATION

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WELSH ASSEMBLY ENTERPRISE & BUSINESS COMMITTEE INQUIRY INTO INTERNATIONAL CONNECTIVITY THROUGH WELSH PORTS AND AIRPORTS

This submission is made on behalf of the Welsh Ports Group which represents the overwhelming majority of cargo and passengers passing through Welsh ports.

1. *The Welsh Ports Sector*

- 1.1 Welsh ports are fundamentally important to the Welsh and indeed the UK economies. The total cargo throughput for 2010 (the latest recorded year) was 60m tonnes which was equivalent to 12% of UK total throughput. 2010 was in fact a record year for traffic in Wales in spite of the economic difficulties. Bearing in mind that the UK has, by some way, the largest ports industry in the EU, 12% of the total is a very significant figure and represents a greater throughput than that of the whole of the Republic of Ireland. Passenger throughput for 2010 was 2.9 million representing 14% of the UK total.
- 1.2 Taking the UK as a whole, over 95% of UK imports and exports by volume pass through its ports which support an estimated 362,000 jobs throughout the UK. Although it would be simplistic to allocate 12% of the benefits generated throughout the UK to ports in Wales based on their throughput, nevertheless the economic contribution is hugely significant in terms of employment, the value of connected services and other impacts such as tax receipts.
- 1.3 The Welsh ports industry services four main markets. There is ro-ro and passenger traffic with links to the Republic of Ireland handled by Holyhead, Fishguard, Milford Haven and Swansea; there is major oil and energy sector traffic handled by Milford Haven (and offshore renewable energy facilities at the Port of Mostyn); there are the markets served by the ports owned and operated by Associated British Ports at Newport, Cardiff, Port Talbot and Swansea handling dry and liquid bulk, forest products, iron and steel products and some container traffic; there is a range of smaller ports where there is a mixture of general cargo, significant leisure activity and some local fishing activity. These include Neath, Anglesey and Aberystwyth.
- 1.4 There are two other sectors of note. A growing sector which is dependent on port facilities is offshore renewables. Renewables growth contributes to the Welsh Government's and the UK's carbon reduction objectives. The other sector of note is the cruise industry which has been subject to strong promotional activity mainly through Cruise Wales, which is a co-operation between the ports of Swansea, Newport, Cardiff, Holyhead, Milford Haven and the Welsh Government.

- 1.5 Welsh ports policy is not devolved, although the Welsh Government has significant areas of autonomy which will impact on the sector. UK national ports policy is the subject of a National Ports Policy Statement (NPPS) which was designated on 26 January 2012. This confirms the market led nature of the industry and its strategic and financial independence. The government has no day to day, operational or strategic involvement in ports in Wales. The NPPS contains traffic forecasts, indicating strong growth for ro-ro and container traffic up till 2030 and acknowledging that to meet new capacity demands, new infrastructure will need to be provided. There is a general presumption in favour of sustainable development both within the NPPS and throughout government policy; the Chancellor in his Autumn Statement identified a presumption in favour of sustainable development and the current review of the implementation of the Habitats Directive is another example of the government's ambition to ensure that the legislative and planning framework does not unduly inhibit growth and regeneration.
 - 1.6 The National Framework for ports policy is delivered through three port models, namely privatised, trust and municipal, all of which are strongly represented in Wales. Whatever their ownership status, none receives any systematic government subsidy. Collectively the industry strongly supports the policy of no subsidy whereby each port has to respond to users and market demand. In contrast to airports, sea ports have a lighter regulatory regime, to a large extent acting under powers granted through their own Acts.
 - 1.7 Although ports policy is non devolved, relationships with Westminster can be complex. For example, Welsh ports will be subject to the NPPS, but an important part of delivery of the NPPS, namely the marine licensing system, is devolved to the Marine Consents Unit (MCU) in Cardiff. In applying for a development, a port in Wales would promote a Harbour Revision Order through the Marine Management Organisation (MMO) based in Newcastle (which deals with all applications in England and Wales) and would submit a licensing application, for example a dredging licence, to the MCU. An English port going through the same process would make a single application through the MMO. There is potential here for a disjointed approach; in Scotland, all consents are handled by one section of the Scottish Government, Marine Scotland.
2. *What role do the Welsh Government and local authorities play in facilitating the development of Welsh ports?*
 - 2.1 Although the Welsh Government and local authorities play no direct role in the development of Welsh ports as the sector is independent and market led, they nevertheless have a hugely significant influence through decisions on investment in connecting infrastructure and through the land planning and marine licensing systems which they operate. Planning policy has to be placed in the context of the UK Marine Policy Statement (UKMPS) published in 2011, the NPPS published this year as well as, for example, the statement made by the Chancellor that there should be a presumption in favour of sustainable development. Such a presumption, and an acknowledgement that more ro-ro and container capacity will be required to meet demand over the next 20 years, combine to create the context within which planning decisions are required for Welsh ports.

- 2.2 The UKMPS stresses the need for a sustainable marine economy where “infrastructure is in place to support and promote safe, profitable and efficient marine businesses”. It goes on to state that the marine environment and resources should be used “to maximise sustainable activity, prosperity and opportunities for all, now and in the future”. Equally important within the UKMPS is the stress on the need for integration between marine and the terrestrial planning regimes. This integration will depend on consistency of policy and guidance, proper liaison over plan development so that, in the words of the UKMPS, “developments in the marine environment are supported by the appropriate infrastructure on land and reflected in terrestrial development plans”.
- 2.3 Another important part of the planning framework which will play an increasingly important role in decision making on developments and new activities will be marine plans, the requirement for which was introduced under the 2009 Marine and Coastal Access Act. The preparation of marine plans is just getting underway in Wales, but this will provide a further context for decision making, providing more data about the coast and, if it works as it is intended to, providing more certainty for developers as proposals can be set against the need for more port capacity and the marine plans themselves. Both the Welsh Government and local authorities will need to be aware of all these developments and their impact on the ports sector. Greater clarity on how these requirements can be achieved, especially implementing the presumption in favour of sustainable development, is a necessary next step. We hope that one of the results of this inquiry will be a focus on this planning framework, recent changes and how they can deliver for ports.
- 2.4 Referred to in para 1.7 above is the split between the MMO and the MCU in their responsibilities for consents associated with Harbour Revision Orders. The MMO is a relatively new organisation and is still in the process of preparing performance standards for dealing with licence and planning applications; our experience of its efficiency so far is mixed. We suggest that one of the results of this inquiry could be close scrutiny of current arrangements and whether, for example, there could be any advantages in transferring some MMO responsibilities to the MCU or vice versa. We have no fixed views on this at present; we simply want to promote the best and most efficient outcomes.
- 2.5 Examples of the way in which the planning regime operates have been the subject of a review of the Habitats Directive. This is a Defra exercise aimed at England, but examples from Wales have been used in our discussions with Defra. In one case, there had been a delay of 8 years before a dredging licence could be granted and there are examples of prohibitive costs of appropriate assessments (paid for by the port) and then the subsequent monitoring of a Natura 2000 site. We have made a number of proposals to Defra which might ease the burden for ports and others in implementing the Habitats Directive and which could equally be adapted in Wales. Implementing legislation based on environmental protection principles always runs the risk that the business case can be overlooked. In the light of the new policy statements, regimes such as those introduced under the Habitats Directive need re-examination in a Welsh context to ensure that they are compatible with sustainable development.
- 2.6 There are changes proposed in Wales for the integration of the Countryside Commission for Wales (CCW), the Environment Agency Wales and Forestry Commission Wales into

a single environment body. In principle we can support the reasoning behind this integration and the need for efficiency, but at the same time we are concerned that the mixing of advisory and regulatory functions within a new body could be problematic; one of the main issues with the MMO and its advisor, Natural England, is the relationship between the two and the ability of the MMO to make judgements properly influenced by, but not directed by, Natural England. Also to bear in mind are the impacts of the provisions of the Water Framework Directive, especially on maintenance dredging activity, and the emerging requirements of the Marine Strategy Framework Directive. It can be seen from this formidable list that implementation of this array of legislative and policy requirements will put pressure on resources. Our interest is to ensure that all these elements can combine together in a way which does not constrain broader development, growth and regeneration needs.

3. *How effectively does Welsh Government policy, primarily in the areas of transport, economic development, and land use planning policy, support the development of Welsh ports?*

3.1 We have discussed land use planning policy in answer to Question 2 above. As regards transport policy, our main interest is in the adequacy of rail and especially road links, particularly the East/West corridors in North and South Wales. The National Transport Plan published in 2010 rightly identified the shortcomings in both corridors. We supported its proposals for targeted investment in improved infrastructure, reiterated in the Minister's statement in February 2011. In South Wales, the emphasis has tended to be on the South East corner and the M4; we support this, but also of vital importance is ensuring connections west of Swansea to Milford Haven, Pembroke Dock and Fishguard.

3.2 The majority of port traffic is handled by road, but development of important rail services, especially to encourage container traffic, is another requirement, and again we support national measures, so far as they go, for investment in the rail network. The plan does however tend to focus on passenger transport and there are few references to the needs of the freight industry; future plans should take into account freight movements. The Transport Plan also refers to the potential for modal shift, although this is in the context of road to rail. There is equally some potential for a shift from road to coastal transport. The winding up of the Freight Facilities Grant (FFG) in England and Wales last year could undermine the potential for new schemes (in Scotland the FFG scheme has been continued). Consideration could be given to targeted assistance in Wales for modal shift involving new coastal services which genuinely reduces the level of road traffic and can contribute to carbon reduction targets.

4. *How can the Welsh Government develop economic opportunities, for example from tourism, international trade, freight and, in the case of ports, opportunities including the energy and renewable energy industries?*

4.1 The main contribution the Welsh Government can make to the development of international trade and freight is by ensuring that the right investment goes into the transport network so that Wales can be better connected to the rest of the UK and, as a result, to Ireland and the Continent. Our comments on the National Transport Plan apply.

4.2 Offshore renewables present hugely important opportunities for ports in Wales, for the Welsh economy and for carbon reduction targets. The sector is faster growing and continued investment will depend on the speed with which the planning system can deliver decisions. Offshore renewables developers have a wide choice of locations throughout the UK and there is scope for close co-operation between the Welsh Government and Welsh ports to ensure that there are no barriers to new investment.

4.3 As far as tourism is concerned, ports are always able to liaise with the various Welsh promotional bodies, but it is a matter of commercial judgement for individual ports on how they wish to invest. Leisure business in particular can be an issue for smaller ports and the way in which the planning system applies to such ports with their more limited resources will be critical. Tourism is affected by many different factors. For example, the continuation of the Common Travel Area arrangements with Ireland is important both for tourists and freight trade in that it keeps (or should keep) immigration and other border controls proportionate.

5 *How effective is Welsh transport infrastructure and interconnectivity in supporting the development of Welsh ports?*

5.1 We have already referred to the adequacy of connecting infrastructure. There is no doubt that new investment is needed and we were pleased to see the announcement on the Local Government Borrowing Initiative and the £170m of additional capital funding to invest in highways. However, the lack of emphasis on freight is a concern and we feel somewhat isolated from the decision making process. For example, the Welsh Freight Group has not been able to meet for over 2 years and this was a very useful point of contact for us with the Welsh Government. We do now have an active Welsh Ports Group which officials regularly attend, but we would have greater confidence in the future of investment in connectivity in Wales if we were able to have more significant input into decision making, possibly through the Welsh Ports Group as a standard bearer for the requirements of the freight industry.

6 *Given that ports policy is a reserved matter, how effectively does the Welsh Government engage with the UK Government in the interests of Wales?*

6.1 As an industry sector we cannot comment in great detail on the effectiveness of the Welsh Government's engagement with the UK government on a day to day basis. From our point of view, it is sometimes difficult to gauge where the true decision making takes place. This is partly because of the complexities of financial arrangements and the extent to which, for example, the Welsh Government can control transport spending. As can be seen from other parts of this response, there is a mixed planning system with the MCU and CCW, for example, operating separately from their English counterparts, with the potential for deviations in policy and implementation. Marine planning is a further example of an exercise resulting from a Westminster Act, but which will be handled entirely within Wales. This could be contrasted with Scotland where there are clearer cut divisions in responsibility. As a highly competitive industry, Welsh ports are concerned that, at the every least, the regime in Wales is equivalent to regimes in other parts of the UK and that they are in no way disadvantaged.

7 *What impact do EU State Aid regulations have on the ability of the Welsh Government to provide support, and what opportunities are presented by EU ports policy to support development in Wales?*

7.1 EU State Aid Regulations would impact on the ability of the Welsh Government to provide direct support, but there is no expectation or wish within the industry for this support to be available and, in any case, it has been confirmed through the NPPS that ports will continue to be financially independent and without subsidy. This puts extra reliance on the efficiency of transport networks and the planning system as already described. However, through EU programmes such as Trans-European Networks (TEN-T), there are opportunities for ports in Wales to benefit from funding, particularly for rail connections. The Welsh Government acting with the UK Government should take every opportunity to ensure that the full benefit of TEN-T funding is received. There may be similar schemes such as Motorways of the Seas which could benefit Welsh ports. This is an area that could be improved with a proactive stance from the Welsh Government in identifying opportunities which could benefit the transport network and promote modal shift.



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