

**Enterprise and Business Committee inquiry into international connectivity
through Welsh Ports and Airports**

Submission by Milford Haven Port Authority

5 March 2012

1.0 Introduction to Milford Haven Port

- 1.1 Milford Haven Port is the UK's third largest port as measured by cargo throughput, handling over 44m tonnes of cargo per annum. It is very much Wales' largest port handling over 70% of cargos moving into and out of Welsh ports.
- 1.2 It is a key strategic national enterprise meeting 20 to 30% of the UK's energy requirements and embraces manufacturing and throughput terminals owned and operated by some of the World's largest and most prestigious energy industries:
- | | | |
|-----------------|---|-------------------------|
| Exxon | - | South Hook LNG |
| Qatar Gas | - | South Hook LNG |
| Valero | - | Pembroke Refinery |
| Murphy Oil Corp | - | Murco |
| BG | - | Dragon LNG |
| Petronas | - | Dragon LNG |
| RWE n Power | - | Pembroke Power Station |
| SEM | - | SEM Logistics oil depot |
- 1.3 The Port also hosts the important twice daily ferry link to Southern Ireland operated by Irish Ferries, and encompasses two further important port assets in the form of Milford Docks – the largest fishing port in Wales and a substantial marina, and Pembroke Port, the base for a strong cluster of marine engineering businesses as well as the ferry service.
- 1.4 Milford Haven is in close proximity to one of the UK's six best tidal energy locations, and other marine renewable sites such as the proposed Atlantic Array.
- 1.5 The port area is served by high capacity oil and petroleum product pipelines, as well as a 5GW capacity 400kva electrical grid spur.
- 1.6 The port has attracted over £3bn of inward investment in the last 5 years, entirely private sector funded, due to the strengths of the port in terms of its deep water (the ability to handle the largest ships afloat conferring the scope for the energy industry to operate at the requisite scale to make it internationally competitive) the availability of sites, and the proximity to Atlantic trade routes.

- 1.7 Milford Haven Port Authority is a commercial business operating the port and managing the waterway, and as such is in competition with all other ports throughout the UK, Europe and beyond.
- 1.8 The economic cluster around the Haven waterway is directly responsible for over 5,000 jobs in Wales and £412m per annum of Gross Value Added. MHPA itself has 210 employees. Its turnover is £30m pa, it makes a profit before tax of £7.1m pa, and pays £2.0m of corporation tax per annum.
- 1.9 MHPA is developing a Masterplan for adding new deep water port activity to the port, and which will lay the ground for substantial new investment in the tourism, fishing, leisure and marine engineering sectors. Some of these plans will entail the need to secure development consents in due course, which will require the support of Welsh Government.

2.0 What role do the Welsh Government and local authorities play in facilitating the development of Welsh ports and airports?

- 2.1 The key requirement for the successful delivery of new investment plans within any port is policy and zoning that is fully and clearly supportive of development. This is considerably more important than the simple provision of money, which is usually only necessary to overcome the additional costs which are imposed, when a development proposal is made uneconomic through the imposition of Section 106 and other similar obligations.
- 2.2 The consenting framework places different pieces of legislation in competition with each other, and creates a level of complexity that is by any measure, daunting to deal with. It also leaves open too many channels for consenting processes to be subject to continuous challenge. If the formal decision on a development delivered at the end of a public inquiry in a connection with a proposed development is positive, and the development seems set to proceed, there is currently almost endless scope for those who lost at the public inquiry stage to take their fight forward by other means.
- 2.3 This overall framework, including as it does Marine Spatial Plans, environmental protection zoning, land-based planning and a plethora of other conflicting legislation and policies, has been put in place by government of all dimensions (local, regional, national, and supranational). A key role for the Welsh Government and local authorities is now to strip away this complexity and reduce the risk and timeframe associated with consenting processes. They will not do this without working closely with the UK and EU governments.

3.0 What factors have contributed to the decline in business through Cardiff Airport?

3.1 MHPA has no comment on this question

4.0 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 and Airports?

4.1 There is undoubtedly a growing political will to support even controversial developments, and this is a very welcome evolution. How this is translated into regulation and planning is often another matter, as planning documents tend to include wording that is not only supportive of development but gives equal comfort to those who want to resist development in their area.

4.2 We strongly advocate facilitating continuous development and investment where industries are already strong. In the case of Milford Haven, the port is pre-eminent in terms of volumes and involvement in the energy and engineering sectors. The businesses in these sectors are always going to need to invest to improve their productivity and to ensure they remain viable for the long term.

4.3 The concentration of trade routes on a successful port such as Milford Haven where 90% of all finished petroleum products is re-exported by sea to Europe, Africa, and the US, only serves to reinforce the area's productivity, and leads to the development and exploitation of synergies between operators.

4.4 We believe policy too often serves to dissipate the core strengths of an industrial area by subsidising the preservation or creation of economic activity in small, remote, and inappropriate locations. Policy would be much better focused on improving commuter links to successful commercial centres, and itself investing in inland distribution and transportation networks rather than seeking to impose such costs on developers through section 106 obligations.

4.5 In this context we would like to see the Welsh Government advocate and bring forward plans for the following

- The creation of a high voltage link from Pembroke to Anglesey to create a ring main
- The installation of an electricity interconnector from Ireland to Pembrokeshire and support for additional power generation in Pembrokeshire. This will enhance industrial productivity by intensifying the utilisation of existing berth infrastructure and deep sea port services.
- The installation of high capacity high speed broadband links to Pembrokeshire
- Eventual investment in the dualling of road links which would improve commutability and have a substantial impact on the tourism economy.

5.0 How can the Welsh Government develop economic opportunities for example from tourism, international trade etc.?

5.1 Investment in roads and railways is never bad, and always delivers economic growth. Pembrokeshire's tourism economy is something of a poor relation compared to the tourism economy of Cornwall and Devon, and yet the distances from Swindon to Truro and Swindon to Tenby (the town in Pembrokeshire with over 50% of the County's holiday accommodation) are as follows:

Swindon/Truro	206 miles
Swindon/ Tenby	159 miles

5.2 Roads by themselves are not enough, however. The quality of tourist accommodation, the visual appeal of towns and villages, and the quality and number of activities on offer are all areas to be addressed. Investors will invest when they believe the growth will occur and, critically, provided it is easy and quick to get planning and development consents.

5.3 We are also actively involved in seeking to attract a larger part of a growing cruise market to Milford Haven. We are currently constrained by the absence of suitable infrastructure needed to berth the ever larger vessels that are being utilised to satisfy growth in demand. Tangible support towards the provision of such infrastructure would be very beneficial to the tourism industry.

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

6.1 Given the fragile state of the economy and the need for decisive co-ordinated action there is a potential risk that too much time and effort may be invested in trying to get these matters devolved, and not enough in working with the UK Government.

6.2 What must be understood is that ports are not only in competition with UK ports but also ports in Europe and beyond.

- There are over 30 LNG terminals in Europe and the undersea gas connections mean that there is no reason why LNG should be channelled through Milford Haven.
- The Gulf refinery at Milford Haven ceased operating in 1998, and the entire refinery was shipped to India and re-built, where it continues to operate to this day.

6.3 Close working with the UK government is required to

- Ensure the entirety of Southern Corridor through to Pembrokeshire and on to Ireland is designated as part of the Core European Ten-T network
- Ensure EU legislation is not gold plated, to the detriment of the Welsh economy
- Ensure that UK energy policy is supportive of the further development of Milford Haven as the UK's pre-eminent energy hub, by supporting the installation of additional gas and electricity grid connections as mentioned above, and supporting the construction of additional power generation capacity in the area to improve utilisation of existing berth railway and distribution capacity.
- Ensure that UK regulators do not drive away one of Wales' most important manufacturing and exporting industries (refining)
- Ensure that the deficit is reduced so that interest costs in the UK are kept competitive with other jurisdictions
- Ensure that the costs of government are controlled and kept competitive with international jurisdictions so that in turn the tax burden in the UK and hence Wales is reduced
- Ensure that personal tax rates are lowered across the income spectrum so that the costs of employment in the UK including Wales can be competitive with other jurisdictions
- Ensure that the principles of pensions saving are preserved and enhanced
- Promote growth across the UK as being the key driver of growth for Welsh ports

6.4 In this context the principle of achieving devolved responsibility for ports policy barely registers. There is nothing stopping the Welsh Government working intensely closely with Welsh ports to help achieve their investment plans, and if it is effective it is almost inevitable that devolution of powers will be well supported and will naturally follow.

6.5 For example we believe that the Marine Consents Unit is fast becoming an effective and supportive unit, to the extent that many already consider it preferable to the UK's Marine Management Organisation

7.0 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 and airports policy to support development in Wales?

7.1 Fundamentally the State Aid regulations are absolutely correct, and are designed to prevent damage to one viable business through the granting of government subsidy to another in a competing location.

7.2 Wales should instead seek to compete by creating a regulatory framework within the law which make it easier and faster to invest, with lower regulatory and taxation burdens relative to other competing jurisdictions. This includes reducing or eliminating the imposition of planning gain costs.

8.0 Concluding Comments

- 8.1 The possible designation of the Milford Haven Waterway as an enterprise zone is very much welcomed by MHPA. We have worked closely with local energy companies through the Milford Haven Energy Forum and Pembrokeshire County Council to promote this proposed designation.
- 8.2 The move is particularly welcomed as a first step towards achieving some of the necessary benefits outlined above, and for the clear implication that this nationally significant economic zone has the broadest possible support from Government.
- 8.3 MHPA has just published an important economic study undertaken independently by Cardiff University which demonstrates the far reaching linkages between the business in the Milford Haven locality and spreading into Wales and beyond.
- 8.4 It identifies high skill employment clusters in energy, engineering, fishing and marine leisure.
- 8.5 The study conservatively estimates the total jobs directly associated with the Haven waterway at over 5,000. When the impact of reliable and cost effective supplies of energy to UK industry and households are taken into account it is also possible to assess that for every job directly dependent on the Haven Waterway, there are in fact 7 jobs sustained in the economy as a whole.
- 8.6 The primary requirement of all commercial operators in the area is that Government does everything within its power to make it
- Easy to Invest
 - Easy to Operate
 - Easy to Employ



Milford Haven Port Authority