

Enterprise and Business Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date:

26 March 2014

Meeting time:

08.45

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Siân Phipps

Committee Clerk

029 2089 8582

enterprise.committee@wales.gov.uk

Agenda

Pre-meeting in private (08.45–09.00)

Formal public meeting (09.00)

1 Introductions, apologies and substitutions

**2 Inquiry into EU funding opportunities 2014–2020 (session 8)
(09.00–09.30) (Pages 1 – 58)**

Witnesses:

Ian Davies, Route Manager – Irish Sea South, Stena Line Limited

Alec Don, Chief Executive, Port of Milford Haven

Callum Couper, Port Manager, Associated British Ports South Wales

Attached Documents:

Private paper (Members' Brief for Items 2, 3 and 4)

EBC(4)–09–14 p.(1) – Milford Haven Port Authority

EBC(4)-09-14 p.(2) – Stena Line Limited

EBC(4)-09-14 p.(2) – Annex

EBC(4)-09-14 p.(3) – Associated British Ports South Wales

3 Inquiry into EU funding opportunities 2014–2020 (session 9) (09.30–10.00) (Pages 59 – 62)

Witnesses:

Dr Andrew Potter, Cardiff Business School, Cardiff University

Martin Evans, previous chair of the Chartered Institute of Logistics and Transport Cymru Wales and Board member of CILT

Attached Documents:

EBC(4)-09-14 p.(4) – Dr Andrew Potter

Break (10.00–10.10)

4 Inquiry into EU funding opportunities 2014–2020 (session 10) (10.10–10.50) (Pages 63 – 69)

Witnesses:

Ceri Jones, Department of Research and Innovation, Swansea University

Wyn Prichard, Wales Director, Construction Industry Training Board

Chris Doherty, HR Leader, GE Aviation Wales

Attached Documents:

EBC(4)-09-14 p.(5) – Swansea University

EBC(4)-09-14 p.(6) – Construction Industry Training Board

Break (10.50–11.00)

5 Transport Planning and Funding (11.00–12.00) (Pages 70 – 82)

Witnesses:

Edwina Hart AM, Minister for Economy, Science and Transport, Welsh Government

James Price, Director General, Economy, Science and Transport

Claire Bennett, Deputy Director Transport Policy, Planning and Partnerships

Attached Documents:

Private paper (Members' Brief for Item 5)

EBC(4)-09-14 p.(7) – The Minister's evidence – Transport Planning and Funding

6 Papers to note (Pages 83 – 96)

Attached Documents:

Private paper: EU Funding inquiry – summary of written evidence

7 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business: Tourism Inquiry (discussion of scoping paper)

8 Tourism Inquiry (discussion of scoping paper) (12.00–12.15) (Pages 97 – 107)

Attached Documents:

Private paper (scoping paper for Tourism Inquiry)

De-brief in private (12.15–12.30)

Agenda Item 2

This paper has been deemed not suitable for publication in line with the Commission's rules for conduct of business.

Document is Restricted

**NATIONAL ASSEMBLY FOR WALES
ENTERPRISE AND BUSINESS COMMITTEE
INQUIRY INTO EU FUNDING OPPORTUNITIES 2014-2020**

Submission by Port of Milford Haven

17 March 2014

I. Introduction to Port of Milford Haven

I.1. Milford Haven is the UK's third largest port as measured by cargo throughput, handling over 41m tonnes of cargo per annum. It is very much Wales' largest port handling over 70% of cargos moving into and out of Welsh ports. It is a "Core" port in the EU's TEN-T network.

I.2. It is a key strategic national enterprise meeting around 25% of the of the UK's ground and aviation fuels and up to 30% of the UK's gas requirements embracing manufacturing and throughput terminals owned and operated by some of the World's largest and most prestigious energy companies:

Exxon	-	South Hook LNG
Qatar Gas	-	South Hook LNG
South Hook CHP	-	South Hook Power Station (in planning)
Valero	-	Pembroke Refinery
Murphy Oil Corp	-	Milford Haven Refinery
BG	-	Dragon LNG
PETRONAS	-	Dragon LNG
RWE n Power	-	Pembroke Power Station
SemLogistics	-	Oil Storage depot

I.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.

I.4. Around 8 cruise vessels call at the port each year.

I.5. Milford Haven is in close proximity to one of the UK's six best tidal energy locations, and other potential marine renewable sites such as the Atlantic Array.

I.6. The port area is served by high capacity oil and petroleum product pipelines, as well a 5GW capacity 400kva electrical grid spur.

- 1.7. The port has attracted over £3bn of inward investment in the last 7 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.
- 1.8. The Port of Milford Haven is an independent 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.
- 1.9. 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. The Port itself has 186 employees. Its turnover is £24m pa, it makes a profit before tax of around £4m pa, and pays around £1m of corporation tax per annum.
- 1.10. The Port is developing a series of Masterplans 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. The Milford Dock Masterplan (£70m private sector investment and 600 jobs) is close to a stage of needing to secure development consents.
- 1.11. The designation of the Milford Haven Waterway as an enterprise zone is very much welcomed by the Port. We have worked closely with local energy companies through the Milford Haven Energy Forum, Pembrokeshire Business Panel and Pembrokeshire County Council to promote this opportunity. We have engaged with the Enterprise Zone Board over potential projects that could deliver economic benefits to Pembrokeshire.

2. Current Engagement with EU Funding Programmes?

- 2.1. Over the last 10 years the Port has been successful in attracting EU funding for a number of projects including:
- a. Rising Tide – ERDF Ireland Wales - €1,517,000 2009-2012
 - b. Seafair Haven– WG The European Agricultural Fund for Rural Development - £251,193 - 2008-2010

- c. Customs House – Pembroke Dock Townscape Heritage Initiative - £169,750 – 2011
- d. Dock Lock – West Wales and the Valleys Convergence Programme 2007-2013 £800,000 - 2010-2014
- e. Pier House - Objective I ERDF - £169,512 - 2006-2008
- f. Western Hangar - Objective I ERDF - £480,463 - 2006-2008
- g. Eastern Hangar - Objective I ERDF - £379,755 - 2004-2006
- h. Havens Head - Objective I ERDF - £1,374,686 - 2006-2008
- i. Sunderland House – Objective I ERDF - £134,662 – 2004-2006

2.2. These projects have been a mix of Port infrastructure, social inclusion and cultural events. The former very much focussed on improving the commercial offering that we as a port can provide thereby attracting additional revenue streams as well as both increasing and safeguarding employment. The latter being designed to enhance the well being of the local communities involved and increase tourism.

2.3. In our experience the latter has also been much more complex to administer and quantifying the benefits less straightforward, particularly so for any legacy.

3. To what extent has Port worked with the same partners inside/outside Wales? Has port established long-term contacts with other parts of the EU?

3.1. The Port has established effective working relationships with European Officers and officials in Pembrokeshire County Council, WEFO, South East Regional Authority (counties Carlow, Kilkenny, South Tipperary, Waterford City, Waterford County and Wexford) and the Trans-European Transport Network Executive Agency based in Brussels. It takes time –several years in some cases – to build up and maintain such relationships.

3.2. We have established links particularly with Rosslare and Dublin in Ireland. Zeebrugge, Ostend, Brussels in Belgium and Vigo in Spain. The benefit has been our ability to maintain existing business (ferries and fishing) and develop new opportunities particularly added value seafood industry, additional ferry services and a tentative but growing interest in respect of tidal energy with the construction of Tidal Energy Limited’s demonstrator unit for deployment in Ramsey Sound off Pembrokeshire later this year.

3.3. An important economic study undertaken independently by Cardiff University in 2012 demonstrates the far reaching linkages between the business around the Haven Waterway spreading into Wales and beyond. The key findings being;

- The Milford Haven Waterway supports 4000 jobs in Pembrokeshire
- The biggest contributor to jobs is the energy sector
- Gas, oil and power generation activities around the Haven are strategically important for the UK's future energy security
- The Waterway is judged to hold considerable potential for the development of low carbon energy
- Confidence among the largest operators in the Haven to invest is being affected by regulation and planning issues
- The area's largest investors need support and purposeful regulation to help them compete internationally, and better engage with economic and global supply issues

3.4. The study also identified high skill employment clusters in energy, engineering, fishing and marine leisure within the Haven's mainstream economic activities.

4. View on support available in Wales and elsewhere to raise awareness of EU funding opportunities? What more might be done?

- 4.1. The investment priorities established by the EU include development of the Trans-European Networks for Transport (TEN-T) and crucially enhancing connections to the network to "support a multimodal Single European Transport Area". In essence supporting infrastructure developments in, around and between ports.
- 4.2. Low carbon transport systems are another priority and LNG is specifically identified as being utilised as a fuel for transport particularly in the marine context but once the infrastructure has been established this could be extended to include road and agriculture.
- 4.3. There is a strong requirement by the EU for Core TEN-T ports to be able to provide LNG fuels to ships that require it.
- 4.4. 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.
- 4.5. In particular the 2 LNG terminals provide an obvious opportunity for the port to be able to develop LNG bunkering for shipping and this facility could also supply other Core TEN-T Ports in the Atlantic region.

- 4.6. As a general observation, more could be done by government in Wales (principally WG, LAs and Welsh Council for Voluntary Action (WVCA)) to seek out private sector projects that could be supported by the available EU funding sources within the 2014-2020 Programming Period. Initial information to inform potential investment decisions is not that readily available in digestible form. Advice on the WG web-site appears to have a clear focus on Convergence Funding with little, if any, detail on the EU funding streams that are of interest to the Committee's current inquiry.
- 4.7. There is perhaps across business a sense that much of the emphasis and availability of EU funding has, historically, been geared to the needs of the public and third sectors; little thought appears to have been made to the value of engaging private sector interest and investment to identify and support potential projects. WG and its principal partners (LAs and WVCA) should re-visit existing advice, information and support to ensure that that currently available is actually fit-for-purpose. In the respect, is enough being done to publicise the (often complex) funding options; is the guidance available (electronically and written) in relatively plain language; are the support arrangements across Wales – at WG and the Specialist European Teams within WEFO and individual LAs – relevant to national/local needs as well as having appropriate levels of knowledge and experience?

5. What opportunities for EU funding have been identified for 2014-2020 Programming Period? How will these be taken forward?

- 5.1. The Port of Milford Haven has contributed a list of potential projects to WG that would need funding support. These cover Port, infrastructure, marketing and business start ups. The focus of many of the infrastructure projects is upon renewable energy and tidal energy particular. We understand that these are being combined with submissions from other Welsh ports. At this stage we have not given any indication of EU funding source (TEN-T, INTERREG, Creative Europe, COSME, ERASMUS and Motorways of the Sea).
- 5.2. In a global marketplace the need to present a clear, unambiguous and attractive offering is essential. Trade missions abroad are more likely to succeed if they can demonstrate succinctly the opportunities presented by Welsh ports as gateways to both the UK and Europe. The strategy would be to set out the available and potential infrastructure as well as connections to UK and Europe eg pipelines (gas and oil), transmission lines, rail links, short sea and roads as well as the existing and potential additional capacities for each.
- 5.3. 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

5.4. 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.

5.5. 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. What challenges might preclude projects from proceeding?

6.1. Given the state of the economy and the continued need for decisive co-ordinated action there is a potential risk that projects fail through insufficient collaboration in working with the Welsh and UK Governments.

6.2. What must be understood is that Welsh 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 automatically be channelled through Milford Haven.
- The Gulf refinery at Milford Haven ceased operating in 1998, and the key parts of the refinery were shipped to Bangladesh and re-built, where it continues to operate.
- Europe is currently faced with overcapacity in refining and is struggling against global competition including a resurgent USA driven by cheap shale gas as a fuel.

6.3. 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.

- 6.4. 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.
- 6.5. 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 would be to continue to strip away this complexity and reduce the risk and timeframe associated with consenting processes. They will not achieve this without working closely with the UK and EU governments. In this regard we do welcome the recommendation by the Silk Commission to establish a Welsh intergovernmental committee.
- 6.6. Close working with the Welsh and UK Governments 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 transport and 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 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
 - Promote growth across the UK as being the key driver of growth for Welsh ports

7. Concluding Comments

7.1. The opportunities presented by the EU funding 2014-2020 are much more focussed on infrastructure than before and this is to be welcomed.

7.2. The Core TEN-T ports such as Milford Haven have a distinct advantage in attracting EU funding and submitted a range of potential projects to WG.

7.3. In 2012 Welsh Exports were valued at around £12billion. Exports from the 2 refineries of Valero and Murco amounted to more than £3billion of that total.

7.4. 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

Port of Milford Haven

Stena Line Ports submission to the
National Assembly for Wales Enterprise and Business Committee
into EU funding opportunities 2014-2020.

Stena Line Ports is part of the Stena AB group of companies. In Wales Stena Line Ports own, operate and are the statutory authority for the Ports of Fishguard and Holyhead.

The ports core business is servicing the passenger and freight ferries that operate between Wales and the Republic Of Ireland. The ports operate an open port policy, permitting other ferry operators to use their berths and facilities in addition to Stena Line Ferries. Outside the core ferry business the other marine related activities include cruise ship calls and other miscellaneous types of general cargo such as heavy lifts, rock etc . Previous business included the import of bulk aluminium ore for the now defunct Anglesey Aluminium facility.

The Port of Holyhead is ranked 3rd in terms of short sea ferry passenger movements within UK and is within the top 10 UK major ports. The Port of Holyhead is ranked third in terms of port throughput in Wales, with only Milford Haven and Port Talbot handling more cargo. The port handled a total tonnage throughput of 3.1 million tonnes in 2011.

Holyhead Port handled 76% of all Welsh Ro-Ro freight units, and 72% of all Ro-Ro tonnage, the remaining volumes were handled by Fishguard and Pembroke.

Previous EU Funding Assistance.

2002 CONSTRUCTION OF HOLYHEAD TERMINAL 5 PROJECT

A £14.5 million investment development which was planned and executed by Stena Line Ports Ltd in 2002 with the support of some £3.3 million of Objective 1 funding from the Welsh European Funding Office comprised of the following new facilities:-

- A new common user Roll on Roll off ferry berth, Terminal 5 at Holyhead Port.
- Dredging 210,000 cubic meters for an approach channel leading to the new berth to allow much deeper vessels to use the new facilities.
- Construction of six new berthing dolphins, interconnecting walkways and associated high tech fendering systems allowing the largest ferries to berth in high winds.
- The construction of a new double deck loading linkspan to facilitate two separate roadways onto the ferries to allow the rapid discharge and loading of vehicle decks .
- Full completion of the 42,000 square meter reclaimed land located to the East of Salt Island.
- Upgrading the existing road layouts at Salt Island was carried out to ensure a better and more controlled traffic flow on and off the ferries using the Salt Island Terminals.

Without the Terminal 5 new multi-purpose passenger and freight berth in Holyhead, the Port's share of the Central Corridor ro-ro freight market was predicted to fall from 22% to 17% by 2010. The new berth has in fact given the Port and region a significant boost particularly in freight volumes.

Volumes (000's)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Passengers	2366.7	2336.8	2263.6	2171.7	2069.8	2142.4	2000.9	1934.9	2076.5	1985.7	1915.2
Car Units *	477.4	498.3	484.0	469.2	452.5	487.9	452.0	477.2	483.6	458.8	433.6
Coaches	12.3	11.8	11.7	13.0	11.0	11.7	11.1	10.5	10.3	9.5	9.8
Freight Units	222.5	241.3	285.5	309.8	322.2	336.6	323.6	272.5	264.4	306.0	303.5

Potential Infrastructure Projects.

- **Port of Fishguard Redevelopment.**

The link span infrastructure at Fishguard, linking the port to the ferry, was built in 1972. It is a single width roadway that will not support modern ro-ro tonnage due to its limiting design parameters. In addition the port layout is bisected by a railway track and public road that hampers efficient port operations.

The current ro-ro ferry at Fishguard is 32 years old and while offering a high standard of passenger comfort is unable to accommodate the needs of commercial freight hauliers with ever higher units and is therefore unable to grow its market volumes.

A redevelopment scheme has been produced for Fishguard Port, in conjunction with a proposed marina development by Conygar Ltd, and outline planning has been approved and could quickly move to full planning application. The development would allow more modern ro-ro ferries to use the port and provide sufficient capacity for a second operator or an additional ferry service. The port currently handles 35% of the current ro-ro freight trade on this corridor and the development would have sufficient capacity for at least 100 %.

In addition an existing under utilised berth could be improved to accommodate the needs of larger cruise ships with alongside facilities and access at all states of tides.

The development would allow improved connectivity and trade for commerce and tourism between Wales and the Republic of Ireland and secure future employment at the Port.

There are other potential infrastructure synergies that could also be developed if port is improved. For example there is outline planning for a truck stop site near the port.

- **Holyhead Port New Access Link,**

This potential project is intended to provide a robust fit for purpose link between Holyhead Port, Holyhead Town Centre and the A55 and to increase the capacity of the route to and from the port of Holyhead in order to improve the international gateway and avoid a major source of existing congestion within the town.

Holyhead port is the busiest passenger ferry port on the west side of Britain, and is increasingly a significant route for road freight movements. It is a major local employer, and the extensive harbour is a significant economic asset for the town and wider region.

The new link road project seeks to safeguard and diversify port employment, and maximise its economic contribution to the town and local economy.

Increasing the efficiency of the port and the A55 represents a significant opportunity to enhance both business and tourism investment into the area, with positive consequences for local employment.

It is an essential component of a larger regeneration package that has taken place at Holyhead namely the Holyhead Transport and Environmental Package (HTEP), which comprised three major elements - transport, environment and economic- which in combination represent a strategy to encourage the regeneration of Holyhead and its environs.

The Holyhead Port New Access Link project will deliver the following improvements:

- Provision of the 'missing link' to the A55 expressway to enable high speed vehicular egress from the port.
- Extension and improvement of bus, coach, pedestrian and cycling facilities in and around the Port area.

- Landscaping improvements to provide a high quality visual statement for the Port and town of Holyhead.

The Holyhead Port New Access Link (is of European importance as the A55 forms part of route E22 of the European Union's Trans European Network – Transport (TEN-T), offering critical links between Ireland, Wales, England and across to continental Europe.

The port is a key node on the TEN-T and is important to both regional and national connectivity.

The Holyhead Port New Access Link is an important element in relation to the Welsh Assembly Government's Spatial Plan for Wales, "People, Places, Futures", by investing in, and maximising benefits from, the links with Ireland and strengthening the strategic role of Holyhead.

Holyhead is currently blighted by local transport congestion, with delays particularly acute at the two key junctions at either end of Station Road Bridge. In addition there is high concentration of CO₂, NO_x and particulate (HGV) emissions in and around Holyhead and along the A55.

It is expected that the Holyhead Port New Access Link will produce the following benefits:

- The removal of ferry traffic inbound from Ireland from Station Bridge and London Road to a direct dedicated link from the Port to the Kingsland Roundabout thereby removing the most significant constraint to the growth of the port.
- The separation of traffic leaving the port and non-port traffic will enhance the efficiency of the transport infrastructure and make a significant reduction of port congestion effects on Holyhead local traffic and improve the accessibility of Morawelon and other Holyhead communities.
- At a more strategic level, the improvement of the infrastructure serving the port will increase the efficiency of transport and freight movement at a local, regional, national and European level.

A significant amount of preparation work has already been carried out for this project by Isle of Anglesey County Council .A full application for Principal Road Grant Funding was completed and submitted to Welsh Government in April 2009. Comprehensive project plans and documentation already exists for this work and should approval be obtained then theses plans would only need refreshing.

2009 Principal Road Grant Funding bid Initial cost summary £22.5 m

Total project estimate 2014 = £38m

- **Additional Potential Projects at Holyhead.**

In 2013 a Holyhead Port Master Plan was commissioned and produced for Stena Line Ports, Anglesey County Council and the Welsh Government.

The Port of Holyhead plays a central role in the economic fortunes of Holyhead, Anglesey and Wales providing a strategic link to Ireland for freight (accompanied and unaccompanied) and passengers.

Over 1000 direct and indirect jobs are supported by activity at the Port. As such it plays a major part in the economic fortunes of Anglesey and North Wales. This employment provides an estimated contribution of £70 million per annum in terms of Gross Value Added.

The importance of port infrastructure to the economy is recognized by Welsh Government in national policy. The developing framework for the next round of EU funding also has a clear steer toward support for port infrastructure. The emphasis here is on investing where there are opportunities to develop and support low carbon and renewable energy projects and improvement works to surrounding transport infrastructure.

The low carbon energy market offers some real opportunities to diversify operations at the port and reduce the reliance on RoRo activity, although this is likely to remain the dominant source of income in the short to medium term.

The purpose of the Master Plan is to help guide investment and development decisions at the Port over the medium to long term.(2014 - 2020). After extensive consultation a series of development options were developed which were subject to qualitative appraisal and discussion to inform the development of a preferred master plan for the port. The summary of the report has developed 3 options and within each option there is potential projects to enhance the infrastructure at the port and to support developments with “Anglesey Energy Island” with the wider benefits to the town, Anglesey and North Wales.

- There is a significant opportunity to enhance Holyhead’s role as an international gateway.
- The delivery of improvements to Holyhead Port is essential in order to support the delivery of major new developments proposed across the Isle of Anglesey (including Wylfa, the biomass power plant on the Anglesey Aluminium site and the offshore wind zone).
- There is an opportunity to improve the link between the Port and the railhead at Anglesey Aluminium site to harness the opportunity to utilise rail to move goods from Holyhead to elsewhere in the UK.
- There is an opportunity to link the port to other potential local and regionally large scale development sites eg Parc Cybi on the outskirts of Holyhead.
- There is an opportunity to continue to develop the alongside Cruise vessel market.

OXFORD ECONOMICS

The economic impact of the UK Ports Industry

A report for Maritime UK
May 2011



Contents

1	Executive summary	2
2	Introduction	4
2.1	The channels of economic impact	4
2.2	Report structure	5
3	Direct impact – employment and GDP	6
3.1	Direct contribution to employment	6
3.2	Direct contribution to GDP	10
3.3	Direct contribution to Exchequer revenue.....	11
4	Multiplier effects – indirect and induced impacts	13
4.1	Indirect and induced impact on Employment.....	13
4.2	Indirect and induced impact on GDP	14
4.3	Indirect and induced contribution to the Exchequer	14
5	Catalytic Impacts	16
5.1	Industries enabled by ports	16
5.2	Ship-based industries.....	16
5.3	Industries reliant on bulk imports or exports.....	18
5.4	Ports as places for recreational activities.....	18
6	Conclusion	21

1 Executive summary

The UK ports industry has a significant economic impact...

...in 2009 it directly employed 112,000 workers...

- In 2009, the industry directly employed 112,000 people. This is 0.4% of total employment in the UK. Just over half (50.2% or 56,000 jobs) of those employed in the ports industry worked in either transport or a transport-related activity, with a further 14.3% (16,000 jobs) in construction and 11.9% (13,300 jobs) in cargo handling and storage.
- This figure was considerably below our 2007 estimate, reflecting the impact of the financial crisis, which sparked a dramatic collapse in global trade and a subsequent recession in the UK and its major trading partners.
- Labour productivity remains high relative to the UK average. Gross Value Added (GVA) per worker averaged £62,300, more than 35% higher than the UK economy-wide average of £44,900. It compares to £58,800 in 2007.

...contributed £6.9 billion to UK GDP...

- We estimate that the ports industry made a £6.9 billion value-added contribution to UK GDP. This is 0.5% of total economic activity. To place this figure in context, it is larger than the value-added contribution of both hospital and human health activities and electricity generation in 2009, and only slightly less than the manufacture of computers, electronics and optical products.

...and generated £2.3 billion for the UK Exchequer...

- Moreover, this activity generated £2.3 billion (or 0.5% of total government revenue) for the UK Exchequer, through a combination of taxes on labour and company profits, VAT and council tax receipts. Just under £1.2 billion was generated through taxes on labour with a further £480 million in corporation tax receipts.

...whilst generating large multiplier impacts

- Ports source some of the goods and services that they procure from UK-based suppliers, which, in turn, have their own suppliers (some of whom will be based in the UK) and so on. In addition, people employed by the ports industry and its suppliers will spend their wages on other goods and services in the economy. Such effects are typically referred to as the indirect and induced impacts.
- Including direct, indirect and induced impacts, the ports industry is estimated to have supported just over 337,000 jobs in 2009. Moreover, once these multiplier effects are accounted for, the industry contributed £16.9 billion to UK GDP.
- Finally, inclusive of these multiplier impacts we calculate the ports industry's total contribution to the UK Exchequer was £5.7 billion

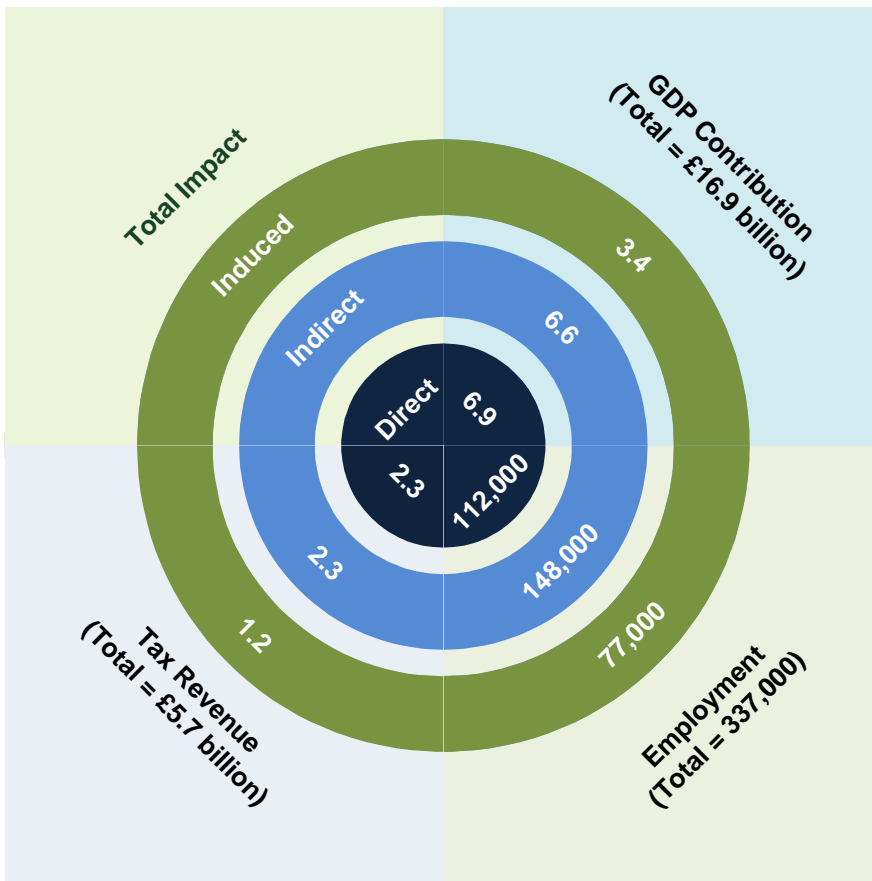
Moreover, the industry creates important catalytic effects

- Alongside the economic impact discussed in the text above, the UK ports industry contributes in many other less quantifiable ways, creating so-called "catalytic" spillover effects.

- Ports enable a whole range of other industries to function, such as fishing and dredging and also supply the North Sea oil and gas extraction industry, which has been an important source of wealth creation for the UK economy over the past 30 years.
- The activities of industries, which are heavily reliant on the import/export of bulk raw materials are also crucially facilitated by UK ports.
- Facilitating recreational activity including water sports. We estimate that up to 3.1 million people (6.2% of the UK population) were engaged in some form of water sports in 2009.

The full economic impact of the ports industry, in terms of employment, GDP and tax revenue generated for the Exchequer, through each channel of effect, is summarised in Figure 1.1 below:

Figure 1.1: Summary of the economic contribution of the UK ports industry in 2009



2 Introduction

This report, prepared by Oxford Economics, evaluates the economic contribution of the UK ports industry in 2009, providing an update on our previous report for 2007¹.

2.1 The channels of economic impact

There are many channels through which the UK ports industry makes a contribution to the UK economy. This contribution includes the following standard economic impacts:

- **Direct impacts** – employment and activity in the UK ports industry itself, including cargo handling, storage and warehousing, the construction of related-infrastructure and support services.
- **Indirect impacts** – employment and activity supported down the supply chain, as a result of ports purchases of inputs of goods and services from UK suppliers. This includes, for example, jobs supported through the demand for iron and steel and other raw materials; communications; and a wide variety of activity in the business services sector (accountancy, IT etc).
- **Induced impacts** – employment and activity supported by those directly or indirectly employed in the UK ports industry spending their wages on goods and services in the wider UK economy. This helps to support jobs in retail and leisure outlets, companies producing consumer goods and in a range of service industries.

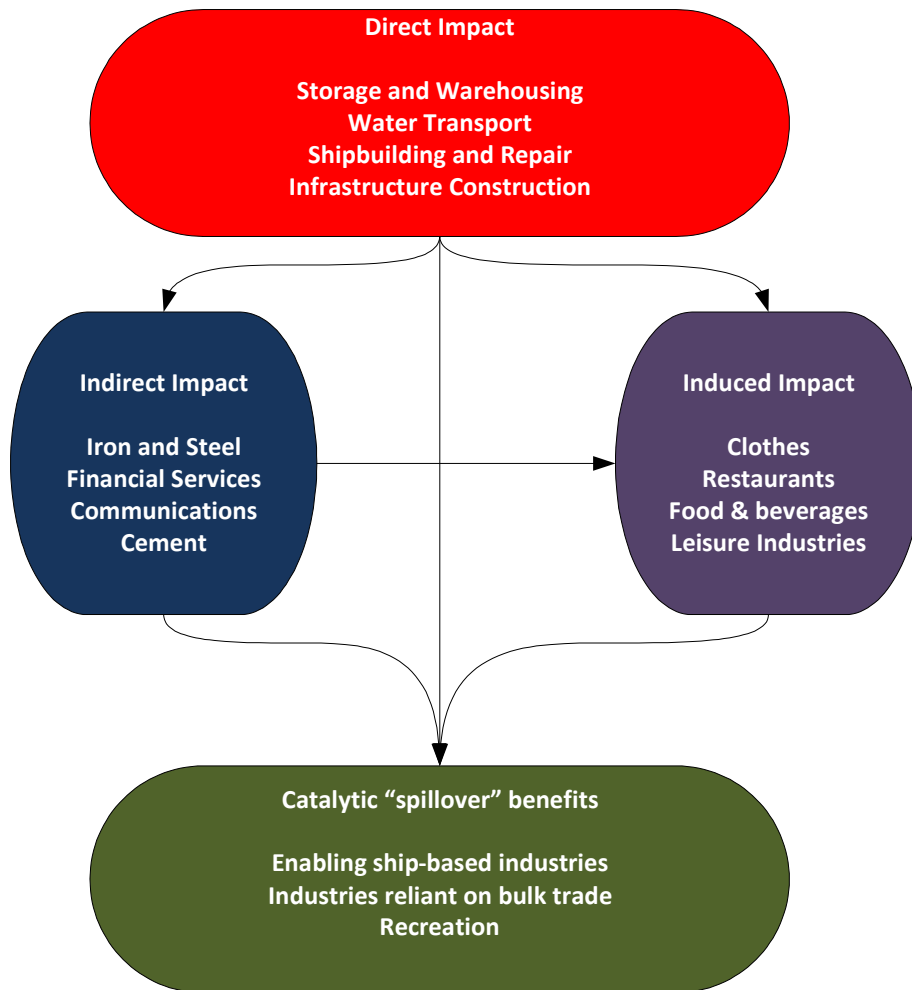
But there are also a number of additional economic catalytic impacts (“spillovers”) which result from the wider role of the ports industry, for example:

- Enabling a wide variety of industries to function including fishing, dredging and those reliant on the import/export of bulk raw materials.
- Providing a source of recreation by facilitating sea-based watersports, many of which begin in ports.
- Supporting coastal communities, many of which rely on ports to attract visitors which contribute to the continued prosperity of the retail and leisure sectors.

The economic value of the direct, indirect and induced impacts is related to the total revenues of the UK ports industry, while the catalytic impacts are “spillover” benefits for other industries, consumers and the economy more generally (as shown in Figure 2.1 below).

¹ Oxford Economics, (2009), ‘The economic contribution of the UK ports industry’, February.

Figure 2.1: The UK ports industry and its economic impacts



2.2 Report structure

The rest of this report is structured as follows:

- Chapter 3 focuses on the direct impact of the UK ports industry in terms of employment, GDP and tax receipts generated for the Exchequer.
- Chapter 4 discusses the multiplier impacts of the UK ports industry – the so-called indirect and induced impacts.
- Chapter 5 assesses the economic value of spillover effects.
- Chapter 6 concludes.

3 Direct impact – employment and GDP

This chapter details the employment and GDP generated by the UK ports industry, here defined to include a range of activities such as shipbuilding and repair, infrastructure-related construction, transport services and warehousing and storage. It also quantifies the direct contribution of companies and employees in the UK ports industry to the Exchequer through income and other taxes.

KEY POINTS

- In 2009, the ports industry directly employed **112,000 people**. This is **0.4% of total employment in the UK**. Of these, just over half (50.2%) were in either transport or transport-related activities. This total implied that the ports industry was a larger employer than the justice and judicial sector and the furniture, lighting and other household goods retailing industry.
- That activity made a **direct value-added contribution to UK GDP of £6.9 billion**, equivalent to 0.5% of UK economic output. This is a larger contribution than made by the hospitals and other human health activities and electricity generating sector.
- In total, these activities **generated £2.3 billion for the UK Exchequer** or 0.5% of total government revenues in direct and indirect taxes.

3.1 Direct contribution to employment

In line with our 2009 study we adopt a hybrid approach to estimating the contribution to employment of the UK ports industry. Using the ONS Business Register and Employment Survey (BRES) we have selected SIC codes that reflect the type of activities that occur in ports². This was mapped to wards containing ports as shown by maps on the website of major port groups and in hard copy. This enabled us to estimate employment at 18 of the largest UK ports³. Details on these ports' freight and passenger volumes in 2009 are summarized in Table 3.1 below. In order to account for the remainder of UK ports we then grossed up this total by their share of all freight passing through UK ports. This gives a scaling factor of 1.22⁴. This is a small grossing factor, which should lead to a relatively accurate estimate for the total industry.

² The BRES covers all UK businesses registered for Value Added Tax (VAT) and/or Pay As you Earn (PAYE). Focusing on employment and financial information its data is disaggregated by industry and geography.

³ The data collected from the BRES are for ports which deal with in excess of 10 million tonnes of freight or 1 million international sea passengers in 2007.

⁴ The scaling factor was calculated by dividing total freight tonnage in the UK taken from the Department for Transport's Maritime Statistics for 2009 by the total freight tonnage delivered through these ports in 2009.

Table 3.1: Freight and passenger data from the 18 largest (by freight volume) ports in the UK in 2009

Summary of the freight and passenger volumes at UK ports in 2009					
	Port	Freight (thousand tonnes)	Share of total	International sea passengers and cruises (thousands)	Share of total
1	Grimsby & Immingham	54,708	10.9%	71	0.3%
2	London	45,442	9.1%	8	0.0%
3	Milford Haven	39,293	7.8%	315	1.4%
4	Tees and Hartlepool	39,163	7.8%	0	0.0%
5	Southampton	37,228	7.4%	925	4.0%
6	Forth	36,690	7.3%	31	0.1%
7	Liverpool	29,936	6.0%	171	0.7%
8	Dover	25,087	5.0%	13,265	57.6%
9	Felixstowe	24,267	4.8%	9	0.0%
10	Medway	13,150	2.6%	0	0.0%
11	Clyde	12,552	2.5%	0	0.0%
12	Belfast	12,050	2.4%	0	0.0%
13	Sullom Voe	11,217	2.2%	0	0.0%
14	Hull	9,771	2.0%	936	4.1%
15	Bristol	8,999	1.8%	0	0.0%
16	Portsmouth	3,954	0.8%	2,139	9.3%
17	Orkney	3,241	0.6%	0	0.0%
18	Holyhead	2,852	0.6%	1,942	8.4%
	Total of 18 ports	409,600	81.8%	19,811	86.0%
	UK	500,863	100.0%	23,028	100.0%

Source: Department of Transport (2010a)⁵ and Oxford Economics

Grossing up the total for the UK ports sector from a sample of large ports has one potential disadvantage. It may misrepresent the non-sampled ports if there are marked differences in the type of activities that large and small ports undertake. This may be the case if large ports focus on freight and passenger services, while smaller ones focus more on recreation and maintaining smaller scale but nonetheless important services such as ferry links to island communities.

For some of the public sector occupations in ports it is possible to obtain more accurate information from other government sources. The National Audit Office (2008) reports that HM Revenue and Customs (HMRC) had 4,500 staff working for the UK Border Agency on detection.⁶ We assign a share of this total to ports using the share of imports (in volume terms) to the UK that arrive via ports. This suggests that there were 3,375 people working as custom officers at UK ports in 2007. Moreover, the Border & Immigration Agency (2007) reports a total of 8,700 full time equivalent staff were employed in Border Control and Migration.⁷ ONS (2010) shows just under 15% of foreign visitors to the UK arrived by sea.⁸ Using this proportion, we estimate that just over 1,500 of the UK Border Agency's staff are employed in ports. The figures for 2007 have been scaled to 2009 by the percentage change in employment in the SIC codes covering these two categories.

⁵ Department for Transport, (2010a), 'Transport statistics report: Maritime statistics 2009', 23 September.

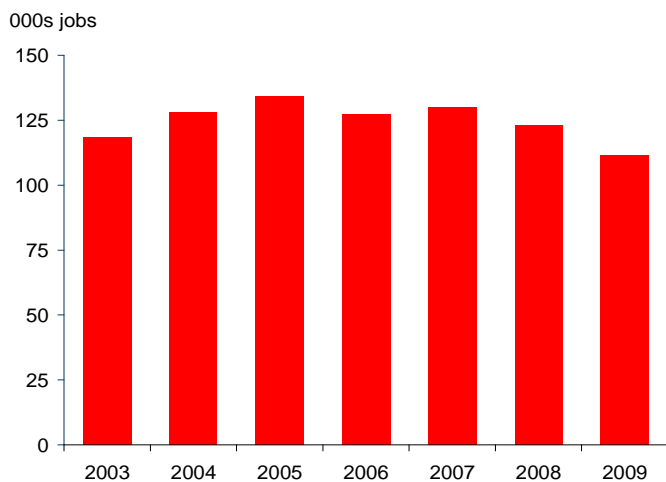
⁶ National Audit Office, (2008), 'HM Revenue & Customs: The control and facilitation of imports', 7 November.

⁷ Border & Immigration Agency, (2007), 'Business plan for transition year April 2007 – March 2008', Home Office.

⁸ ONS, (2010), 'Travel trends 2009', 13 July.

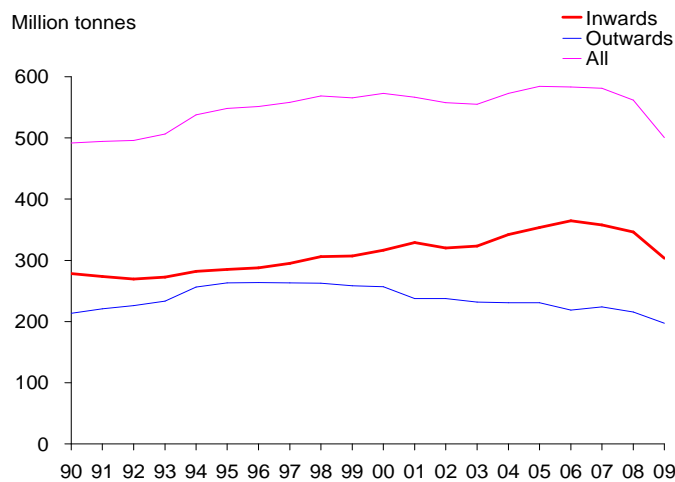
Using this approach, we estimate that in 2009 the ports industry directly employed 112,000 people. To give a sense of scale, this is 0.4% of total employment in the UK. The employment estimate for 2009 is 11.6% below its level in 2008. This compares to a 10.9% decline in freight traffic (Chart 3.2) and 0.1% decline in international passenger volumes in 2009 recorded by Department for Transport (2010b). The greater loss of employment than freight volume reflects significant labour shedding in maritime insurance (3,600) activities and non-water transport (3,100) located on the port site in 2009 as a result of the recession

Chart 3.1: Direct employment in the UK ports industry



Source : Oxford Economics

Chart 3.2: All UK ports freight traffic



Source : Department for Transport (2010)

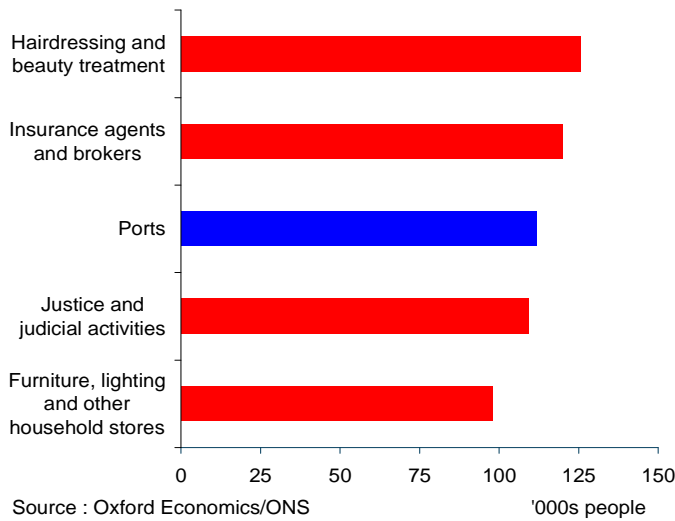
The estimate is significantly above the Department for Transport’s (2010b)⁹ estimate for port employment in 2009/10. This stands at 37,000 full time equivalent employees (FTEs) employed in jobs directly related to commercial port operations and based on the port estate. (The DfT study also estimated a further 21,000 were employed in directly related jobs based off port estates, and a further 12,000 were employed on port estates but in jobs which were, in the terms of the study, only partly, or unrelated, to the port operations). Our estimate is larger as the selection of industries included was significantly wider than the Department for Transport study, which focussed on jobs ‘directly related’ to port operations (i.e. the mode switch process of moving freight or passengers between land and water, but including the administrative and regulatory jobs as well as operational ones), and only included other employment on port estates (such as ship repair, other industry, or supporting services such as catering) as ‘indirectly related’, ‘partially related’ or ‘unrelated’ activities. There are also significant geographical differences reflecting our use of ONS BRES council ward data to represent proximity to ports. Also, this study calculates employment on a headcount rather than on the FTE basis of the DfT study.

To place these results in context it is useful to compare the headline figure to employment levels in other industries. This shows that the ports industry employed more people than the justice system and specialist retailers of furniture, lighting and other household equipment in 2009

⁹ Department for Transport (2010b), ‘Transport statistics bulletin: Port employment and accident rates 2009/10’, October.

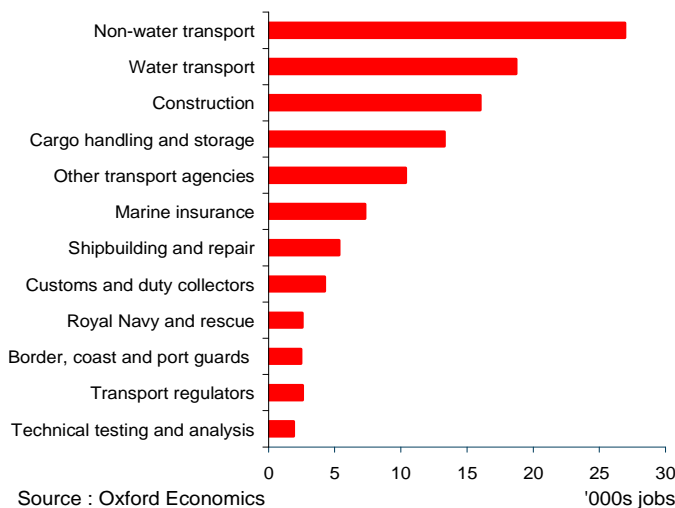
(Chart 3.3). The industry employed slightly less than the hairdressing and other beauty treatments and insurance agents and broking sectors.

Chart 3.3: Comparison of employment contribution to other industries in 2009



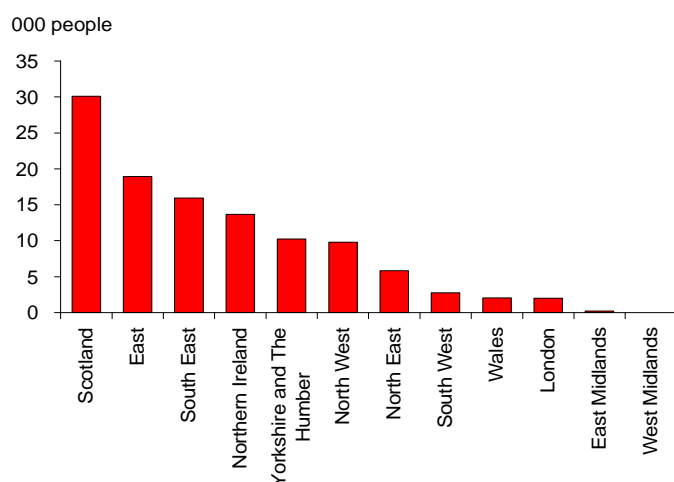
The breakdown of jobs within the ports industry reveals that just under half (50.2% or 56,000) of all jobs are either in transport or transport-related activities. Apart from these, industries such as construction (16,000 or 14.3%) and cargo handling and storage (13,300 or 11.9% of the total) are larger employers.

Chart 3.4: Employment in ports by industry in 2009



Another way the employment in ports can be disaggregated is by the countries and regions. Scotland is estimated to have the most port employment at 30,100 people (Chart 3.5). It is followed by the East of England (18,900), South East (16,000) and Northern Ireland (13,700). There is very little port employment in the East and West Midlands.

Chart 3.5: Employment in ports by countries and regions in 2009



Source : Oxford Economics

3.2 Direct contribution to GDP

Gross Domestic Product (GDP) is the main measure of the level of economic activity in a region or country in a given time period. It is the indicator used by economists to determine the rate of growth of the economy and when it enters recession. It is commonly estimated using the “output approach” which measures the sum of the gross value added (GVA) created through the production of goods and services within the economy. GVA refers to the difference between an industry’s total pre-tax revenues and total brought-in costs (i.e. costs excluding wages and salaries) adjusted for any changes in stocks.

To calculate the GVA contributed by the ports sector to the UK economy, we have multiplied the number of employees in each industry operating within the ports sector by the average productivity of employees working in that industry. The calculation is undertaken at the 4 digit¹⁰ Standard Industrial Classification level.¹¹ The labour productivity estimates are sourced from the ONS Annual Business Survey (ABS) results for Great Britain, dividing gross value added by employment for each industry.

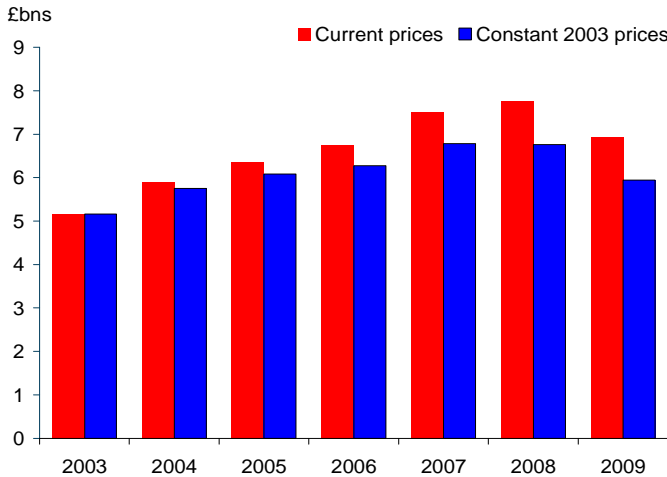
The results suggest that in 2009 the UK ports industry contributed £6.9 billion to UK GDP (Chart 3.6). This is 0.5% of the UK economy’s economic output. In real terms, the contribution to GDP in 2009 was 12.1% below its level in the previous year. This compares to the economy wide contraction in GDP of 4.9% in 2009.¹²

¹⁰ Where the ONS does not publish the information required to calculate productivity at the 4 digit SIC code level in the ABS, we use the appropriate 3 digit code.

¹¹ The Standard Industrial Classification of Economic Activities (SIC) is used by the Office for National Statistics to classify businesses by the type of economic activity in which they are engaged. It provides a framework for the collection, tabulation, presentation and analysis of data.

¹² ONS, (2010), ‘Quarterly national accounts: 3rd quarter 2010’, 22 December.

Chart 3.6: Direct contribution to GDP of UK ports industry

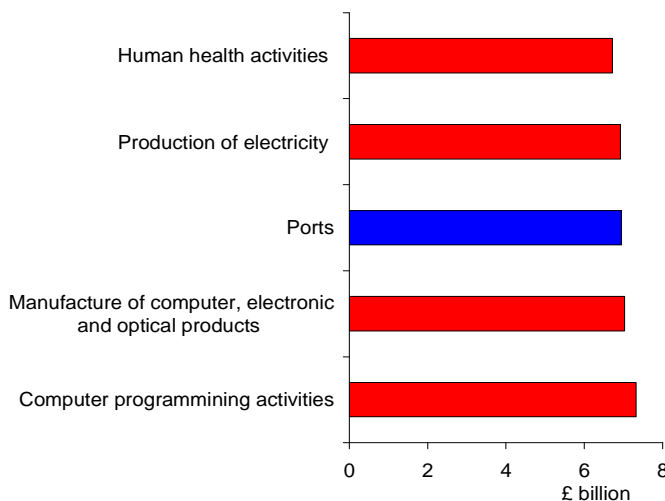


Source : Oxford Economics

The recession induced contraction in ports' contribution to GDP is in sharp contrast to the growth in the preceding years. In the five years between 2003 and 2008, ports contribution to GDP increased by an average of 5.6% each year in real terms (Chart 3.5). This compares to an average growth in economy wide GDP of 2.1% a year over the same time period.

Again, in order to provide context, it is useful to compare these results with the value-added output of other UK industries. This indicates that, in 2009, the ports industry's contribution to GDP was larger than the human health activities and electricity generation and only slightly smaller than the manufacture of computer, electronics and optical products and computer programming (Chart 3.7).

Chart 3.7: Comparison of GDP contribution to other Industries in 2009



Source : Oxford Economics/ONS

3.3 Direct contribution to Exchequer revenue

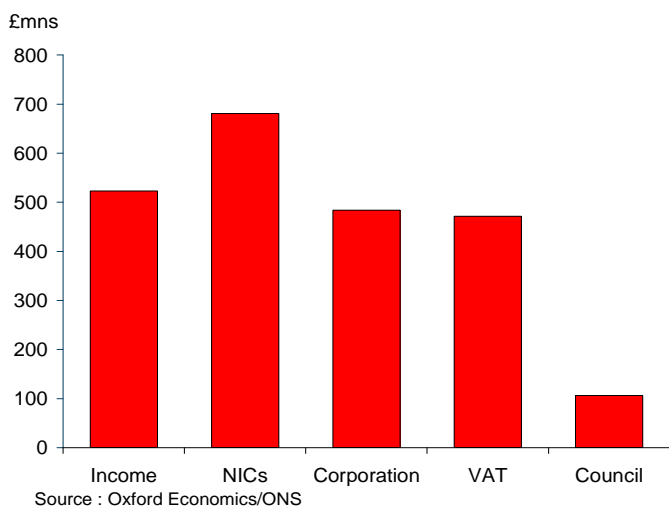
The ports sector pays a number of different types of taxes to the Exchequer. It directly pays corporation tax on its profits and Council tax on the buildings within the port estate. Through its

payment of wages to its staff, it directly contributes income tax and National Insurance Contributions (NICs). While port employed staff pay VAT and other indirect taxes when they spend their wages and Council tax on any domestic property they may own or rent.

To estimate of the amount of employment taxes (income and employee/employer contributions to National Insurance) ports pay, data on average gross earnings employees receive in each industry in the ports sector (Chart 3-4) in 2009 have been sourced from the ONS' Annual Survey of Hours and Earnings (ASHE)¹³. This is combined with income tax and National Insurance Contribution allowances and rates for 2009 from HMRC. Barnard (2010) has estimated the burden of taxation for a variety of types of taxes as a proportion of gross income.¹⁴ We calculate VAT and other indirect taxes and workers' Council tax payments by matching port workers' gross earnings to these average tax rates. The corporation tax estimates are constructed by estimating the profitability of each sector of the ports industry by applying the relevant ratio of profits to GVA from the 2008 Input Output table to our sector estimates of GVA¹⁵, and then apply the 2009 corporation tax rate to this total.

The results show that, in 2009, the ports industry generated £2.3 billion of tax revenue for the Exchequer. The highest component was National Insurance Contributions (over £680 million), followed by income tax receipts which totalled £520 million – the majority of the remainder came from VAT and corporation tax receipts. Chart 3.8 illustrates the direct tax contribution to the Exchequer by type of tax.

Chart 3.8: Direct contribution to the Exchequer broken down by type of tax



¹³ In some cases the ASHE data for 2009 was suppressed, in this instance we grew forward the value in 2008 with average weekly earnings growth in the relevant sector of the UK (be it construction, services or manufacturing).

¹⁴ Barnard, A, (2010), 'The effects of taxes and benefits on household income, 2008/9', Office for National Statistics, June.

¹⁵ For simplicity we assume that half of firms are eligible for the lower rate and half for the higher rate of corporation tax. An adjustment was also made to account for depreciation.

4 Multiplier effects – indirect and induced impacts

As well as the direct contribution of the UK ports industry to the UK economy, there are indirect impacts on employment and output via the supply chain, and induced impacts from those directly and indirectly employed by the industry using their wages to buy consumer goods and services. The remainder of this chapter will summarize the key findings focusing on the same three metrics: employment; GDP and tax receipts.

KEY POINTS

- We estimate that an additional 148,000 jobs are supported indirectly via the supply chain, and a further 77,000 generated by the induced spending of employees. Therefore, including direct, indirect and induced impacts, the ports industry supported over **337,000 jobs in 2009**.
- In terms of these ‘multiplier’ effects on GDP, our estimates show that the activity of the ports industry generated an additional £6.6 billion of GDP indirectly via the supply chain, with a further £3.4 billion created by the spending of those employed directly and indirectly as a result of industry activity. This implies that the total economic impact, including the direct effect, on **GDP is almost £16.9 billion**.
- The indirect activity generated an additional £2.3 billion for the Exchequer while the additional induced demand created a further £1.2 billion in tax revenues. In total, the ports industry, including direct, indirect and induced effects, **contributed £5.7 billion to the Exchequer in 2009**.

4.1 Indirect and induced impact on employment

To calculate the size of the indirect effects we multiply the direct GDP of each industry in the port sector by a supply chain (or Type I) multiplier derived from a 2008 Input Output (IO) table sourced from the ONS.¹⁶ Where there is not a direct match between a multiplier and an industrial sector, the nearest broader industry multiplier has been used. The results for all these individual industries are then aggregated to estimate the value added contribution to GDP that the ports sector’s purchases of inputs generates in its UK supply chain. To calculate the number of people employed in the ports’ supply chain we divide the estimate of indirect GDP by a figure for average whole economy productivity (£44,300 per person in 2009) sourced from ONS data. Meanwhile, the induced impact was calculated using Type II multipliers derived from the 2008 IO table, in a similar procedure to that used to calculate the indirect impact¹⁷.

The results of our analysis show that over 148,000 jobs are supported indirectly in ports’ supply chain. An additional 77,000 jobs are supported by the induced spending of employees and those employed in the ports industry’s supply-chain. Therefore, in total the ports industry supported over 337,000 jobs in 2009 or 1.2% of total UK employment.

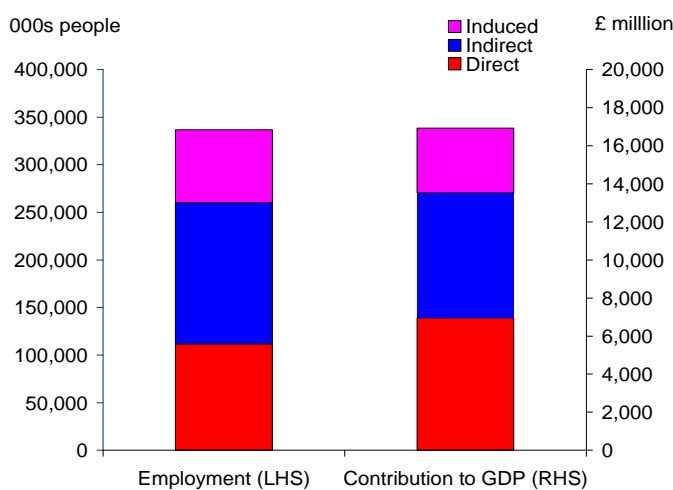
¹⁶ A Type I multiplier shows the activity generated by the sectors spending on inputs of goods and services. It measures the size of the direct and indirect effects divided by direct effects.

¹⁷ A Type II multiplier shows the activity generated by spending on inputs of goods and services and by the spending of households. It measures the size of the direct, indirect and induced effects divided by direct effects.

4.2 Indirect and induced impact on GDP

In terms of the multiplier effects on GDP, our estimates show that the activity of the ports industry generated an additional £6.6 billion of GDP indirectly via the supply chain, with a further £3.4 billion generated by the spending of those employed directly and indirectly as a result of industry's activity. This implies that the total economic impact on GDP is almost £16.9 billion or 1.2% of total UK GDP. Chart 4.1 compares the breakdown of the port industry's total economic impact on both GDP and jobs. The fact that the ports industry has a proportionately larger impact on GDP indicates that it is a relatively productive industry. Indeed, the average contribution to GVA of each worker in the ports industry was £62,300, over 35% higher than the economy-wide average in 2009.

Chart 4.1: Total economic impact of the ports industry in 2009



Source : Oxford Economics

4.3 Indirect and induced contribution to the Exchequer

A further benefit of these indirect and induced impacts is that they generate additional revenues for the Government. In general we utilised the same methodology employed to estimate direct tax revenues. However, for income tax we used the results of the Barnard (2010) study which estimated the proportion of gross income which households paid in income tax in 2009¹⁸, whilst for national insurance contributions, we estimated revenue raised per worker and then multiplied this by total employment¹⁹. These ratios were applied to our estimate of gross earnings by those employed indirectly by the ports industry. The results indicated that:

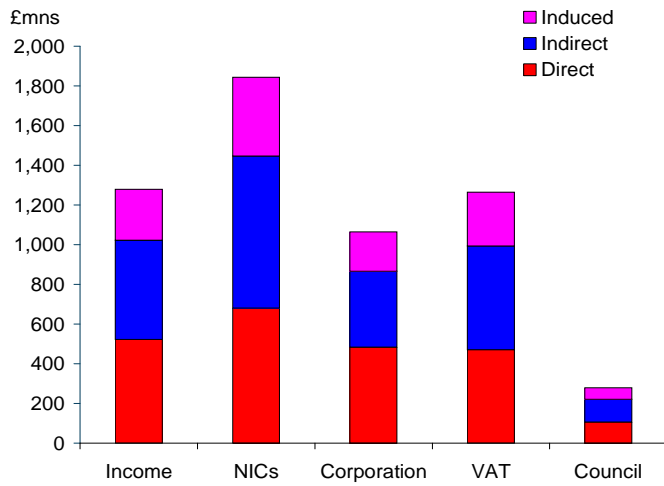
- generated £2.3 billion for the Exchequer indirectly, and;
- generated a further £1.2 billion in tax revenues via the induced channel of impact.

¹⁸ The reason for the use of an alternative methodology was that as opposed to the direct impact the indirect and induced employment figures were not disaggregated at a sectoral level.

¹⁹ In order to calculate revenue raised per worker we assumed that employees were paid an average (mean) wage (in 2009 this was £26,450), and then applied the relevant 2009 threshold level and rates.

Therefore, in total the ports industry, including direct, indirect and induced effects, contributed £5.7 billion to the Exchequer in 2009. Chart 4.2 summarises the results.

Chart 4.2: Breakdown of total impact on tax revenues in 2009



Source : Oxford Economics/ONS

5 Catalytic Impacts

The overall impact of ports on the UK economy extends far beyond the direct, indirect and induced contributions to GDP, employment and tax revenues that we discussed in previous chapters. In this chapter, we explore the way port-dependent industries are affected by ports. We then go on to investigate ports and their relationship to national leisure and recreational activities.

KEY POINTS

- Many industries are dependent on ports for their existence. These include the fishing, marine dredging and North Sea oil and gas servicing industries. The first two employ over 13,000 people, generating a £1,960 million contribution to GDP.
- Ports enable industries heavily reliant on the import of bulk raw materials or export of finished goods. In estimate, these employ 45,000 people on the port estate and contribute £6.9 billion to GDP.
- Ports also play a significant role in leisure and recreation. In 2009, approximately 3.1 million people (or 6.2% of the population) participated in sea-based watersports.
- In 2009, nearly 3,000 people were employed in museums, 36,000 in restaurants and 27,000 in bars in ports and harbours. Ports play an important role in sustaining the UK tourist and hospitality industries.

5.1 Industries enabled by ports

Many industries rely on ports to be able to operate; without ports, these sectors would not function. The industries ports enable can be split into three broad types. First, there are the industries which use ships to access the sea, or ships to service their facilities at sea. Second, there are those industries which rely heavily on imports of bulky raw materials or exports of finished goods. Lastly, there are those which depend on the natural or historic heritage associated with the coastline, ports or shipping.

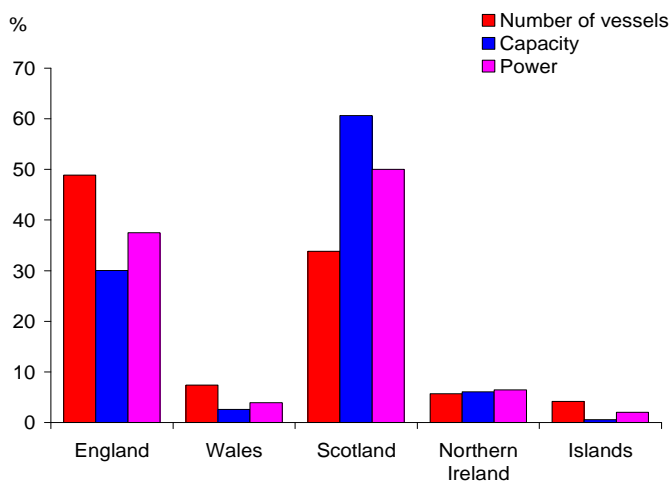
However, this should be considered a slightly narrow selection. Each year, roughly 95% of imports and exports by volume (and 75% by value) pass through the UK's ports. In 2009, 30% of all the goods and services consumed in the country were imported, and just over a quarter (27%) of all domestically produced goods and services were sold outside the UK respectively. To a certain extent, therefore, any industry that imports or exports goods will be dependent on ports to some degree. Moreover, if ports were not there to facilitate the import of foreign food and consumer goods, consumer choice in retail outlets would be significantly reduced.

5.2 Ship-based industries

In 2009, the Marine Management Organisation estimated that there were approximately 12,200

fishermen in the UK.²⁰ They work in a fishing fleet that numbers some 6,500 fishing vessels. Of these ships, 3,169 (or 49%) work out of ports in England, 2,193 (34%) in Scotland, 481 (7%) in Wales, 370 (6%) in Northern Ireland and 270 (6%) in the Islands (Chart 5-1). Of these countries, vessels working out of Scottish ports have the highest share of capacity and power²¹. The three largest ports by value of fish landed in 2009 are Peterhead (£101.4 million), Lerwick (£51.0 million) and Fraserburgh (£47.6 million) – all of which are located in Scotland. In total, the fishing industry contributed £259 million to GDP in 2009. With an extra 17,000 people employed in the fishing processing industry, £1,843 million was contributed to GDP that year.

Chart 5.1: Share of the UK fishing fleet in 2009 by country of administration



Source : Marine Management Organisation (2010)

Ports are also used by the UK marine aggregate dredging fleet. This industry produces sand and gravel dredged from the sea bed. In 2009, the British Marine Aggregate Producers Association (2010) reported that 20.1 million tonnes of marine aggregate was extracted. Of this 10.03 million tonnes was landed in Great Britain for the aggregates market, 5.66 million tonnes was delivered to the European aggregate market and 4.5 million tonnes used for beach replenishment.²² In total, the industry employed 547 people as ships crew and in office-based roles. According to The Crown Estate (2008), each year the dredging fleet generates roughly £114 million towards UK GDP.²³

Ports play a vital role in servicing the North Sea energy industry. This role is difficult to quantify in terms of size, however. In 2009, the extraction of oil and gas contributed £18.6 billion to UK GDP. According to Oil & Gas UK (2010), approximately 207,000 people were employed in the North Sea oil and gas industries' wider supply chain. An additional 100,000 are employed due to the oil workers induced spending. Of these employees, some will be located in ports - particularly in places such as Aberdeen and those ports which are closely linked to the oil and

²⁰ Marine Management Organisation, (2010), 'UK sea fisheries statistics 2009'.

²¹ Here capacity is defined as the physical dimension of vessels measured in terms of gross tonnage whilst power refers to the power of a vessel's engine and is measured in Kilowatts.

²² British Marine Aggregate Producers Association, (2010), 'Strength from the depths: Fourth sustainable development report for the British marine aggregate industry', December.

²³ The Crown Estate, (2008), 'Socio-economic indicators of marine-related activities in the UK economy'.

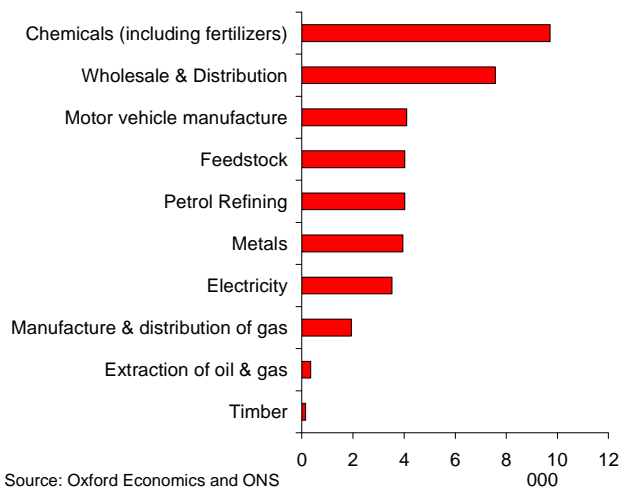
gas industries.

5.3 Industries reliant on bulk imports or exports

A range of other industries are facilitated by ports as they are reliant on imports of bulky raw materials by sea. Alternatively, industries may be dependent on ports to export finished manufactures. Typically, these industries locate their plants on the port estate or very close to it. To investigate which these are, a number of interviews were undertaken with the representative of major ports during the 2009 study. Interviewees were asked which of the industries located on the port estate were enabled by the ports presence. As with the estimation of the direct effects, we take the same approach to quantifying their size. In other words, we download employment data from the BRES for the industries selected in wards within the largest 18 ports. This figure is then grossed-up on the basis of their share of tonnage to calculate a figure for all UK ports.

In total, we estimate a further 45,000 jobs were reliant on the bulk importation of raw materials or export of finished goods in 2009. The breakdown is shown in Chart 5.2. The three largest employers were chemicals manufacturers (including fertilizer) which employed 13,000 on UK ports' estate, wholesale and distribution (7,000) and motor vehicle manufacturers (6,000). Multiplying by the average productivity of workers in each industry suggests these sections contributed £6.9 billion to GDP. This high figure reflects the capital intensive nature of many of the industries.

Chart 5.2: Employment in industries enabled by ports in 2009



5.4 Ports as places for recreational activities

Ports, particularly the smaller ones, play a significant role in providing leisure and recreational opportunities for the UK population. These come in various guises.

Smaller ports facilitate watersports. We estimate that up to 3.1 million people (or 6.2% of the

population) participated in sea-based watersports in 2009. A breakdown between different types of watersport is provided in Table 5.1. This figure is a maximum as some of the sports activities can also be undertaken on inland water. Moreover, the same individual may participate in more than one activity. It is difficult to quantify the employment or GDP contribution from watersport activities; this partially reflects the aggregated nature of ONS statistics. We have included boat building in ports in the direct effects as it is not broken down by type of boat.

Table 5.1: Participation in sea-based watersports in 2009

Overview of Watersports Participation Rates		
Sporting Activity	Average % of UK Population	Maximum Number of Adults
Small sail boat activities	1.8	870,000
Power boating	1.2	570,000
Small sail boat racing	1.1	555,000
Yacht cruising	0.8	384,000
Water ski-ing	0.6	315,000
Windsurfing	0.5	264,000
Yacht racing	0.2	99,000
Total	6.2	3,057,000

Source: The Watersports & Leisure Participation 2009 survey

In terms of tourism, ports are connected with the UK maritime heritage. Over the centuries, ports have played a pivotal role in naval warfare and the movements of goods, people and ideas. As Van Hooydonk (2006) highlights, London and Liverpool ports were once like “gateways to the British Empire”²⁴ and so historically relevant. He stresses the importance of the architecture associated with the port authority, industrial waterfronts and monuments in port cities which derive their historic prosperity from ports.

While it is relatively difficult to quantify the number of tourists that visit ports, especially when they are not required to purchase a ticket to gain access to the waterfront, we can measure the number of people employed in museums, the preservation of historical sites and buildings on the port estate. This is achieved by using the BRES employment data along with the same methodology used for direct effects. On this basis, we estimate that over 1,800 people were employed in museums in ports in 2009; the majority of which are employed in Liverpool, London and Portsmouth. Liverpool has a number of museums that emphasize its role as a major port in the British Empire and highlight the UK’s historic trade ties with the United States. Similarly, museums in Portsmouth contain a number of famous ships which have played a part in naval

²⁴ Van Hooydonk, E, (2006), “Soft values of seaports: A plea for soft values management by port authorities”, University of Antwerp.

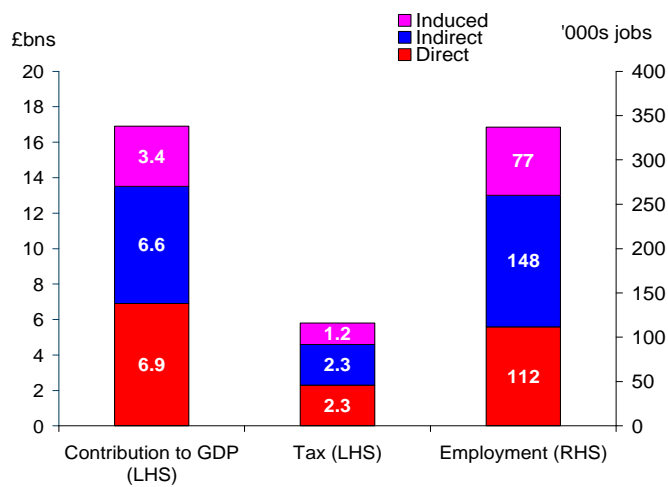
history including the HMS Victory, the Mary Rose, HMS Warrior, and HMS Trafalgar, as well as the Royal Dockyards.

More generally, ports – particularly some of the smaller ones – are desirable places to wander around. Tourists are attracted to the waterfront. This generates employment in bars, restaurants and shops on or close to ports and harbours. There are 35,000 people employed in restaurants and 20,000 in bars and pubs in ports, which contributes £780 million to the UK's GDP.

6 Conclusion

This report has evaluated the economic impact of the UK ports industry in 2009, providing an update on a previous report produced by Oxford Economics. Results are presented in terms of three standard metrics (jobs, GVA and contribution to the Exchequer) and consideration is also paid to the less tangible “catalytic” benefits of the shipping industry. The headline results of the study are summarised in Chart 6.1. This study was done in conjunction with economic impact assessments of the UK shipping and maritimes services industries. The results from this trio of sectors were then combined, with adjustments made to eliminate the risk of “double counting”, in order to generate an estimate of the economic impact of the UK maritime sector.

Chart 6.1: Summary of the economic impact of the ports industry in 2009



Source: Oxford Economics

OXFORD

Abbey House, 121 St Aldates
Oxford, OX1 1HB, UK
Tel: +44 1865 268900

LONDON

Broadwall House, 21 Broadwall
London, SE1 9PL, UK
Tel: +44 207 803 1400

BELFAST

Lagan House, Sackville Street
Lisburn, BT27 4AB, UK
Tel: +44 28 9266 0669

NEW YORK

817 Broadway, 10th Floor
New York, NY 10003, USA
Tel: +1 646 786 1863

PHILADELPHIA

303 Lancaster Avenue, Suite 1b
Wayne PA 19087, USA
Tel: +1 610 995 9600

SINGAPORE

No.1 North Bridge Road
High Street Centre #22-07
Singapore 179094
Tel: +65 6338 1235

PARIS

9 rue Huysmans
75006 Paris, France
Tel: + 33 6 79 900 846

Email: mailbox@oxfordeconomics.com

www.oxfordeconomics.com



SUBMISSION TO NATIONAL ASSEMBLY FOR WALES
INQUIRY INTO PORTS IN WALES
EU FUNDING OPPORTUNITIES
March 2014

1. Introduction

- 1.1 This submission is made on behalf of Associated British Ports (ABP). ABP is the UK's leading and largest ports group with 21 port facilities and other transport related businesses around England, Wales and Scotland. ABP is a privately owned company.
- 1.2 ABP very much welcomes the opportunity to contribute to this inquiry into ports in Wales and the interest it shows in a sector of major strategic and economic importance.
- 1.3 Associated British Ports operates five major ports in South Wales; Newport, Cardiff, Barry, Port Talbot and Swansea. These ports are important gateways for trade and also support major manufacturing on sites contiguous to the ports, such as Tata Steel, Dow Corning and Celsa. The five ports lie on the northern shore of the Bristol Channel and are established as major ports in South Wales but also importantly as a key hub for servicing a hinterland that extends to the Midlands, southwest of England, M4 and M5 corridors and London.
- 1.4 Seaports are unique assets in providing multi-modal hubs to users, combining connections between road, rail and sea. The South Wales ports all have direct links to the national rail network, the UK motorway system and combined with deep-water berths able to accommodate some of the largest ocean going vessels.

2. Contribution of Welsh ports to their local economies

- 2.1 The importance of ports to the economy is identified in a recent research paper "Associated British Ports and the Welsh Economy" (Welsh Business Research Unit, Cardiff Business School and Welsh Enterprise Unit, University of Glamorgan – June 2004, updated 2009) which is attached for information. The research provides some key findings that illustrate the importance of ports as economic drivers for the region. The fact that the activities of ABP and its tenants in South Wales directly and indirectly support £79.8 million per annum with a GVA of £34.2 million, and the activities of ABP's port tenants account for an estimated 9,711 FTE jobs, with a direct and indirect output of £2.78 billion and GVA of £902.5 million (2% of the Welsh total) clearly illustrates the salience and economic value associated with port activity.

- 2.2 The South Wales Ports are key assets to the region and the industries within, and have capacity for substantial growth bringing employment and inward investment to Wales.
- 2.3 A significant asset renewal programme is underway which will see investment in replacing key assets and port infrastructure, e.g. warehouses, lock gates and major items of plant and equipment. Key target sectors for business development investment include energy supply chains (e.g. biomass power), port centric manufacturing, and distribution/logistics.

3. **EU Funding Opportunities**

- 3.1) Historically EU funding has not offered any significant direct support streams for ABP's investments. Only the port of Swansea/Port Talbot falls within an ERDF objective 1 area and to date the port has not directly benefitted from this source. There has however been some access to funds from local Welsh Government support mechanisms, e.g. SIF grant to support improvement terminal facilities at Cardiff thereby protecting a number of local jobs.
- 3.2) The Connecting Europe Facility is very much focused on cohesion funding and it is understood that funds available for the UK are likely to be more limited than for other member states. In broad terms we understand the main objectives for CEF are bridging missing transport links, removing bottlenecks, enhancing rail interoperability, encouraging modal shift and improving cross border sections and these are expected to offer greatest benefit to new/emerging member states where such infrastructure may be less developed
- 3.2) TEN-T Core Network - The ports of Cardiff and Newport are identified as Core Ports on the European TEN-T Core Network which is an important reference tool in identifying and prioritising funding for specific projects. It should be noted however that Swansea and Port Talbot are not identified as Core Ports although they still offer the potential for the development of transport routes to Republic of Ireland and other European nations.
- 3.3) It is also understood that whilst ABP's ports of Cardiff and Newport are identified as Core Ports they are not identified as being on one of the key strategic corridors (of which there are 9) where the majority of funding (85%) will be targeted. The balance of the funding will be available to both the core and comprehensive parts of the network, and it is notable that this covers a significant geographical spread. This suggests there could be significant constraints on the potential for funding of major UK infrastructure projects from this source.
- 3.4) "Motorways of the Seas" may have further relevance to port investment opportunities presented in South Wales. The objective of this funding stream is aimed at infrastructure development in ports notably for the development of

direct land and sea access, hinterland connections, port facilities, terminals, logistics management and streamlined customs procedures.

- 3.5) The above points must also be considered in the broader context of the UK's National Ports Policy which is based on a market led approach to investment and development.

4) Connecting Infrastructure

- 4.1) Road - road links to ABP's South Wales ports are generally good with most benefitting from dual carriageway links to the M4 main east / west artery with onward connection to the A449/M50/M5 north / south. However the notorious Brynglas tunnel bottleneck presents a weakness for the whole of South Wales and is one that ABP has a particular interest in. ABP recognises the importance of the removal of this constraint; however it is concerned that plans to build a new motorway to the south of Newport and potentially across the operational areas of Newport dock could have a significant negative impact on the Port, its associated businesses and therefore impact on the local economy.
- 4.2) Other potential road connectivity improvement initiatives include the Eastern Bay Link Road that would ideally connect the port of Cardiff by dual carriageway to the A48M. There is currently work ongoing to implement dualing of part of this route across the northern boundary of the port and ABP is engaged with Cardiff City Council/Welsh Government in progressing this scheme which will help to improve road links to the north of the port. Complete upgrade of this road to link with the A48M would be the desired long term outcome.
- 4.3) Further west in the region the recently opened Peripheral Distributor Road at Port Talbot, supported by European ERDF funding has dramatically improved access to the port and steelworks area enabling heavy traffic to avoid the centre of Port Talbot. ABP's support for this development was instrumental in securing the European grant funding.
- 4.4) Rail - it is essential for the continued development of ports and sustainable freight networks that rail routes are retained, and protected. It is essential that the key rail stakeholders continue to remove capacity and capability constraints for freight and passengers, including the removal of pinch points (e.g. Severn Tunnel) and addressing loading gauge restrictions on the network in and connecting Wales. The Trans European Networks (TENs) system should be used to support the connectivity between ports and hinterlands and particularly where links extend beyond Wales
- 4.5) Recent investment by ABP in a new intermodal terminal at Barry has provided additional capacity for intermodal freight movements between road and rail,

and there are a number of other similar potential investment opportunities across the South Wales ports.

- 4.6) Cardiff Container Terminal / Line - ABP commenced operation of Cardiff Container line, a door to door service connecting the UK and Ireland in October 2008. This service offers up to three sailings per week transporting shipping containers between Cardiff and Dublin/Warrenpoint, servicing a wide range of industrial and consumer cargoes. This is the only lift on lift off container service operating from Wales and ABP is actively pursuing opportunities to expand the range of services calling at the terminal, including the potential of feeder services linking South Wales with deep sea European hub ports (e.g. Le Havre) where containers could be transhipped to/from large ocean going liner services linking the Far East and North America onto smaller vessels calling at Cardiff. This enables containers to be shipped closer to final destination without the need for a long land transport leg from an East Coast UK port and would bring with it the opportunity for development of distribution facilities at Cardiff with goods being disaggregated and handled at regional distribution centres before onward distribution. Some local SIF funding was obtained from Welsh Government in order to carry out essential investment at the terminal in 2010. However the main barriers to developing feeder services remain in the form of limited cranes capability which restricts vessel size and the difficulty in overcoming the up front cost inertia when establishing new feeder services.
- 4.7) Swansea / Ireland Ferry Route – This three times per week Passenger / Cars/ freight service ceased operation in 2011. Whilst the route is considered to be economically viable it is challenged through seasonal variability of trade. It provides an opportunity to reduce the road transport leg to access the main Irish Sea services combined with an overall longer sea crossing. The recent economic climate has meant that there has been little appetite in restarting this route which could still offer an important conduit for Ireland and also reduce lorry miles which are more carbon intensive than maritime transport.

5) Encouraging sustainable modal shifts

- 5.1) Grant funding is important in encouraging modal shifts in favour of short sea shipping routes and initiatives. The existing freight facilities grant system is more infrastructure based and not that easy for large business to access. Revenue based support schemes that actively encourage freight to utilise more sustainable modes of transport may be more effective in encouraging modal shift. The Cardiff Container Terminal operation and the Swansea/Ireland ferry service outlined above may present such future opportunities.

6) Concluding Remarks

- 6.1) The initiative to investigate the potential grant support for the development of key infrastructure linking to and within ports is a welcome move.
- 6.2) The ability to successfully access key funding streams needs to be fully evaluated as there appear to be broader structural priorities that make initiatives such as TEN-T and CEF funding difficult to access.
- 6.3) Opportunities to find revenue funding assistance are important in developing innovative transport solutions and encouraging modal shift.
- 6.4) Ports are of key economic benefit and improving road and rail connectivity and creating a positive development environment for ports should remain top priority for Welsh Government.

Associated British Ports
March 2014

Sent by email to Welsh Government 18/3/2014

Evidence to the EBC inquiry into EU Funding Opportunities 2014-2020 from the Chartered Institute of Logistics and Transport Cymru Wales

Executive summary

- It is important for Wales to use EU funding for both freight and passenger transport initiatives during 2014-2020, given the current lack of involvement in these schemes
- Connecting Europe Facility funding may be better directed towards developing detailed schemes for implementation post 2020
- INTERREG funding could enable new freight and passenger service ideas to be developed, with the private sector, universities and government potentially being involved in projects
- In terms of government participation, there will be implications from current changes to Regional Transport Consortia, the Wales Freight Group and Unitary Authorities

Introduction

The CILT welcomes the opportunity to provide evidence to this inquiry. With many parts of Wales being within convergence zones, being able to improve transport connectivity through leveraging European funding would support economic development in these areas. However, as will be discussed, the use of such funds is more limited, and particularly concentrated in the passenger transport sector. Where the funds have been used, there is evidence of a good degree of effectiveness. Therefore, being in a position to make better use of the available funding during the period 2014-2020 would be desirable, although there are challenges for achieving this.

The Trans-European Network – Transport (TEN-T)

It is important to place the discussion within the wider context of the TEN-T network, even though this only drives funding decisions for certain schemes. For the period 2014-2020, the EU has identified nine 'implementing corridors', where the bulk of funding will be directed. The UK is included within the North Sea-Mediterranean Corridor, stretching from Ireland and Scotland through the BeNeLux countries to the south of France. Within this 'implementing corridor', Wales is not directly included. This is particularly surprising from a freight perspective given the important role of Welsh ports (and particularly Holyhead) in the Ireland-UK-Continental Europe corridor.

As well as these 'corridors', there are also core and complementary networks of ports, railways and roads. In relation to the Welsh transport network, the following are considered 'core':

- Rail (passenger): Cardiff – Severn Tunnel; Holyhead – Chester – Crewe
- Road (passenger): A55, Holyhead to Chester; A40 and M4, Haverfordwest to Severn Bridge
- Rail (freight): Milford Haven – Severn Tunnel
- Ports: Cardiff; Newport; Milford Haven

Further parts of the Welsh network are considered 'comprehensive'. Given that these corridors generally reflect the main passenger and freight flows in Wales, improvements should have a broader benefit to the Welsh economy.

Connecting Europe Facility (CEF)

The funding through the CEF offers the opportunity to improve the above TEN-T networks. Historically, as contained in other evidence received by the Committee [EBC(4)-04-14(p.3)], no

submissions were made by the Welsh Government in the period 2007-2012. Going forwards, the CILT would be keen for more use to be made of this funding, for both freight and passenger networks.

In the period 2014-2020, there are a number of committed transport projects which will enhance the TEN-T networks in Wales, and particularly the electrification of railway networks in South Wales and the M4 Newport relief road. While funding opportunities for these should be explored, the CILT would caution against making changes that lead to ‘project creep’ and delaying their completion. Beyond these, it may be more appropriate to look for opportunities to leverage funding to develop schemes for implementation after 2020. Two particular opportunities would be the electrification of the North Wales coast and a potential sea/rail terminal at Holyhead. Developing these schemes together would be consistent with Network Rail’s strategy of packaging improvements together to reduce total costs, and avoid unnecessary duplication. The former would represent a natural progression of the UK wide electrification programme, while the TAITH Rail Freight Study has already identified the viability of the Holyhead terminal.

Finally, the Welsh Government should consider strategic support for those projects outside Wales but which may bring benefits to the Welsh transport and logistics industry. For example, investment in steps to improve freight capacity on major routes outside of Wales (such as the Great Western Main Line, West Coast Main Line or Trans-Pennine route) may help support the modal shift from road to rail for traffic flows to/from Wales.

INTERREG funding

This source of funding covers a much wider range of activities, including the development of new services. Project ideas are developed by organisations, local government and universities. The table below shows, for the three INTERREG IV programmes involving the UK/Wales, how many projects were transport orientated, and the number of partners from each country. It is noticeable that, once again, there has been a lack of engagement by Welsh organisations from the transport and logistics industry. This lack of engagement may present challenges when encouraging participation, and particularly leadership in INTERREG V projects.

Programme	Ireland Wales	North West Europe Transnational Co-operation Programme	Atlantic Area Transnational Co-operation Programme
No. of transport related projects	1	21	6
No. of projects including UK based organisations	1	16	5
No. of projects including Wales based organisations	1	1	0

Table 1: Summary of transport related projects in Wales funded through INTERREG IV

In terms of potential projects, again the opportunities offered by a rail freight terminal at Holyhead may form a focus for a project. This could be under the auspices of either the Ireland-Wales or North West Europe programmes, the latter being particularly appropriate if Irish landbridge traffic to and from mainland Europe is considered.

Another opportunity may lie in examining the opportunity for a Wales to Spain shipping service. We are aware that such services have been evaluated previously. However, with more ferry

services along the Atlantic seaboard emerging (such as LD Lines from Poole to Gijon), it would be appropriate to revisit this, especially if the project can involve organisations at both ends of the route. This idea would be suited to the Atlantic Area programme.

Transport challenges in rural areas may also provide a focal point for projects. For passengers, the successful Bwcabus scheme (which received EU support) may be transferable to other regions, both within Wales and elsewhere in Europe. Business Plan 3 of the Wales Rural Development Partnership may be able to be used to support development/retention of rural bus networks whose prime purpose is to serve tourism. The CILT also sees potential long term challenges in logistics operations remaining cost effective in these areas. Therefore, joint work with others in Europe to examine this would be beneficial. It may be that other INTERREG programmes, with cross-Europe participation, as more appropriate for funding these.

As noted earlier, there are many different organisations involved in the projects. Industry participation would help ensure that the projects make a significant difference to the Welsh transport industry. However, given current pressures in the sector for both passenger and freight operators, finding organisations who can give the time to being involved in such projects may be challenging.

Universities also often become involved, and the performance measures imposed on the project ensure that there are practical applications. Within Wales, there are a number of universities with research expertise in transport and logistics (Cardiff University, University of South Wales, University of Wales Trinity St Davids). These universities have experience of obtaining funding from Europe, both through INTERREG and other schemes.

Finally, there are examples of local government becoming involved. In the Ireland-Wales programme, the level of involvement is at the unitary authority level, although the impact of the changes proposed by the Williams Commission is difficult to gauge at this stage. For the other programmes, experience from the rest of the UK suggests that often at Integrated Transport Authority Level / Combined Authority Level tend to predominate in such programmes given the scale of their staffing resource which enables them to participate in such programmes. For freight in particular, where movements often cross unitary authority boundaries, the Regional Transport Consortia would have provided a suitable level of involvement, although the CILT notes that these organisations are now being disbanded. The City Region Boards are at a very early stage and whether or not they will have the capacity or inclination to participate in such programme is not yet known.

Regardless of who is the most appropriate to participate, the vacuum of experience resulting from the lack of involvement in INTERREG IV projects may be a barrier to the Welsh transport industry securing more funding.

Conclusion

Overall, CILT believes that there are opportunities for the logistics and transport industry from EU funding initiatives during the next six years. This funding can both complement current investment and development plans, as well as lead to the consideration of innovative solutions to challenges within Wales. However, we are concerned that the current lack of engagement in such funding opportunities may negatively impact on activities during this period. Further, given current

developments in local, regional and national level government in relation to transport generally, it is not clear the extent to which public sector support and encouragement will be forthcoming.



[National Assembly for Wales](#)

[Enterprise and Business Committee](#)

[Inquiry into EU funding opportunities 2014–2020](#)

Evidence from Swansea University – EUO 05

Swansea University response to the Enterprise and Business Committee inquiry into EU funding opportunities (2014-20)

This response refers to experience, plans and projects that relate to the list of programmes below. Horizon2020 and Structural Funds are excluded.

- **Erasmus+:** specifically the funding for mobility/innovative actions in the fields of education, training and youth.
- **Inter-regional Co-operation (INTERREG) Programmes:**
 - Ireland-Wales Cross Border Co-operation Programme
 - Atlantic Area Transnational Co-operation Programme
 - North West Europe Transnational Co-operation Programme
 - INTERREG V Programme
- **Creative Europe** (for media/creative industries/culture)
- **Competitiveness of SMEs (COSME) Programme**

1. How long have you been actively engaged in EU work related to the above programmes and their predecessors?

Swansea University (SU) has a track record of success in participating in EU projects/programmes/initiatives and has been actively engaged in the following EU programmes:-

- *Erasmus funding, on an annual basis since 1998*
- *Interreg Funding - Ireland Wales Programme since 2008, North West Europe Programme 2011, & Atlantic Area Programme in 2013*
- *We have delivered the Enterprise Europe Network project under CIP and COSME for 15 months since September 2012.*
- *We have been actively involved in making bids to Eurostars since 2010 .*
- *Due to subject discipline mix within the University we have not been active in Media & Creative industries programmes.*

2. How would you describe the value gained from engagement in these EU initiatives?

EEN has provided a huge opportunity to link and develop relationships with companies and research institutions across Europe and beyond. It is helping to solidify and improve our links with the Welsh Government, TSB, and other local business support providers to provide a more co-ordinated and beneficial service to SMEs and to university staff wanting to link with like minded businesses.

In addition SU has also experienced the following benefits from engaging in these programmes including:-

- *Mobility, training and learning experiences for students and staff via Erasmus in various EU countries.*
- *Employability and career development benefits and enhancements from these activities and opportunities.*
- *Funding which has supported SU's research strategy – including Blue Biotechnology, Health Informatics, and Low Carbon research initiatives.*
- *Public engagement benefits – particularly through the Erasmus and Interreg programmes, which has assisted the University in growing the SU brand and influencing international student recruitment.*
- *Engagement in these programmes have also enabled the development of extensive networks of international collaborations, for student recruitment and mobility exchange – enabling wider European networking, and access to European Experts leading to future collaborative opportunities and potential grant capture.*

3. Of the above programmes, which have you identified as priorities for your institution in the 2014-2020 period? What is your strategy for engagement with these opportunities?

As the focus of the different programmes will enable the achievement of multiple and various strategic priorities, with the exception of the Creative Europe, SU will be actively engaging in all programmes areas over the next 7 years. It is anticipated engagement in the programmes will change in response to specific College research, international and central strategic demands during the programme period.

- *College Research Strategies will focus on capturing Interreg and Erasmus + funding*
- *Advancement of the International Strategy and reaching wider and employability targets will be possible through the Erasmus+ programme and COSME*
- *Successful realisation of the University Strategic Plan to 'Enhance student experience and employability; Increase the pool of talented staff from around the globe drawn to Swansea', will be possible through a combination of the programmes.*

In addition SU will actively seek:-

- *To continue to deliver the EEN network in Wales under the COSME programme. The next EEN delivery period will see a UK wide partnership with the TSB who are looking to use the network to facilitate local regions accessing the Innovation funding and support from the TSB.*
- *To continue to pursue Eurostars Funding through the TSB.*

4. To what extent do you work with the same partner organisations within and outside Wales? Also, have you established long-term contacts with others parts of the EU in these areas?

Through these programmes SU has developed a long term (over more than 25 years) network of mobility, employability and research partners across Europe, which have been extremely valuable to students, staff and research teams enabling the development of successive projects and funding applications . These links have also led to the establishment of strong links to industry

both within Wales – Tata, AirBus etc and in Europe, which have been highly beneficial in enhancing the competitiveness of funding applications .

The EEN project has also provided the opportunity to develop long term relationships with innovation and business support organisations across 54 countries in the network along with Universities and Research Organisations.

5. What challenges do you face both in applying and competing for these funds and what could be done to help - including issues around resourcing/match-funding availability?

Whilst resource limitations, in terms of sufficient time and staff to develop, run and support projects remains a major challenge, the complexity and differences between the programmes and individual funding schemes/ actions, can be highly problematic when applying for funding. These differences include:-

- *Eligibility & Programme guidance;*
- *Application process – responsive mode, open call, tenders, pilot calls and preparatory actions,*
- *Budgetary and funding methodology – different intervention rates, match funding requirements etc.,*

Further simplification of the guidelines and commonality between the European funding programmes would resolve many of these issues, streamlining the application process and easing the management and supervision of grants.

The Challenges around securing the EEN contract for the next 7 years have already been helped by the input of a percentage of Match funding by the TSB and also the collaboration with WHEB to provide a clear information stream to Welsh Universities.

6. How much support do you feel is available in Wales (and elsewhere) to raise awareness of opportunities and to facilitate successful participation? More specifically, how would you describe the support currently offered by the Welsh Government and other public organisations in Wales and what more could be done?

Historically Wales has provided only 'light touch' support for these programme, mainly in the form of sign posting and web links. The British Council in Wales has been notable in its provision of a practical and constructive support service for the Erasmus programme.

Ongoing it would be useful if the Welsh Government could develop a unit of :-

- *Experienced staff to provide a first stage competitive check on applications.*
- *Pool of Welsh experts with an in depth knowledge of specific programmes/ funding streams/sectors to provide detailed guidance and assistance in bid development.*

A good level of support for accessing EU funding is provided to Welsh project partners through the EEN network. We would benefit from greater interaction with the Welsh government to support the development of the future relationship with the TSB to further promote Eurostars and other SME support schemes.

The Welsh European Funding Office have a good support team being developed to support SMEs accessing Innovation support and funding through the SME Instrument (under COSME but part of H2020 programme), which is supported and in part administered by the EEN in Wales. The Score Cymru fund will be invaluable to SMEs to support travel and bid writers to support SMEs in developing these bids. We would hope to see the fund increased in size if demand is high to give SMEs in Wales the best chance to access EU funds. In addition if the remit of the Score Cymru fund could be extended to include a wider range of European programmes including Erasmus+ and Interreg, this would significantly increase the opportunity for grant capture .

7. How well do you feel the different sectors and organisations in Wales work together to target EU funds? Would further cooperation be welcomed? And if so, what more could be done to achieve a more strategic approach?

The different sectors in Wales where possible work together well; however due to the competitive nature of European funding, collaboration can be difficult and at times incompatible with the priorities of individual organisations.

- a. Further Co-operation would always be welcomed between the different sector related staff in the various business support organisations in Wales, who together can encourage SMEs to apply for EU Funding. It would be very useful for the Welsh Government to hold regular networking opportunities between these organisations to encourage and promote ideas for wider collaboration.*
- b. EEN certainly would like to develop better links with the Welsh Government Sector Teams and try to link these into the EEN network sector groups.*
- c. EEN are now working with the WHEB office to ensure that research partnership requests from EU universities are available to Welsh Universities and vice versa.*

8. Do you know of examples of other regions, institutions or Member States that have performed well with regard to the funding programmes above? If so, what do you believe to be key to their success?

Feedback from the regions suggests a strong link between European funding success and government investment through the development of funding support infrastructures.

Colleagues from Scotland, the Netherlands and Germany, which have been highly successful in grant capture have been assisted by these centralised support mechanisms, specifically designed to enhance their competitive edge and assist with grant capture –e.g. Supporting the set up of ‘Welcome Centres’ in selective German Universities.

A nationally funded programme of support in Wales would undoubtedly increase Welsh involvement in the funding programmes through not just increasing awareness of the

funding opportunities available but by providing expert advice and guidance in the bid development process.

- 9. Given the wider brief of the Enterprise and Business committee, what are your thoughts regarding the role of these funding programmes in encouraging collaboration with the private sector, and developments of skills, training, and entrepreneurship?**

EEN feel these programmes are key in providing support mechanisms to help Welsh SMEs understand and access these EC funding opportunities as well as providing significant funding for the high potential projects that might be exploited with the right level of support.

**Enterprise and Business Committee Inquiry into EU funding opportunities 2014-2020
A response from CITB Cymru Wales**

1. CITB Cymru Wales welcomes the opportunity to input to the Enterprise and Business Committee's inquiry into EU funding opportunities 2014-2020. European Union funding initiatives have the potential to have a transformative impact in Wales, particularly when opportunities for added value are maximised.
2. Investment in infrastructure, such as proposals set out within the TEN-T strategy, has the potential to deliver substantial change to communities through investment in jobs, skills and training. The designation of the current project to dual the A465 between Tredegar and Brynmawr as the first National Skills Academy for Construction in Wales demonstrates clearly how investment in infrastructure, construction and engineering can be translated into investment in individuals, and the regeneration of communities.
3. A joined-up approach and forward planning by the Welsh Government to integrate European Union funding opportunities with existing Welsh Government initiatives, such as the Wales Infrastructure Investment Plan, will allow for a simple translation of European funding into jobs and training opportunities in Wales' construction sector, providing a clear agenda for the industry.
4. Support for SMEs through COSME, including a reduction in burdensome regulations and increased access to finance, are a welcome move. With SMEs making up the backbone of the construction sector in Wales, appropriate communication is vital in making SMEs aware of the new resources and opportunities available to them. As such, the implementation of any new relevant funding programme in Wales should be communicated clearly and proactively to SMEs by the Welsh Government, so that they can be accessed by smaller construction firms as well as larger companies.
5. New funding opportunities should be accompanied by, and co-ordinated with, reforms to the procurement system in Wales, to allow maximum community benefits to be exploited within the boundaries of existing European regulations, and maximise opportunities for apprenticeships and training.
6. CITB Cymru Wales is the largest representative body of construction employers in Wales, with over 4,000 construction companies are actively involved in our network, including through our Regional Construction Fora in South East, South West and North Wales. We are working to maximise opportunities for skills, training and development within the Welsh construction sector, and to provide the right skills, in the right place, at the right time to support economic recovery through construction in Wales.

Agenda Item 5

This paper has been deemed not suitable for publication in line with the Commission's rules for conduct of business.

Document is Restricted

PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE TRANSPORT PLANNING AND FUNDING

Introduction

1. Following my Written Statement on transport planning and funding, the purpose of this paper is to set out written evidence for the Enterprise and Business Committee.

Background

2. My Written Statement of 17 January 2014, which is attached as an Annex to this evidence paper, set out my plans in relation to transport planning and funding.

Updates on new funding arrangements

3. Guidance and details of the application process for the new grants have now been issued:
 - Road Safety Grant guidance issued on 3 February 2014 and closing date for applications was 28 February 2014
 - Local Transport Fund guidance issued on 4 February 2014 and closing date for applications was 28 February 2014
 - Bus Service Support Grant guidance has been developed in conjunction with local authorities and it is intended that it should issue shortly.
4. Local authorities submitted the following applications:
 - Road Safety Grant (capital) – applications have been received from 20 local authorities for 68 individual projects totalling over £6m
 - Road Safety (revenue) – applications setting out proposals for the use of their revenue allocation received from all local authorities
 - Local Transport Fund – applications have been received from all local authorities with a total of 96 applications for schemes in total for schemes totalling over £34m
5. Bus Service Support Grant – it is intended that the new arrangements should reflect the support provided in the previous financial year

Update on transport planning

6. Work on the National Transport Plan is progressing, building on the priorities that have already been identified. My officials have been drawing together data from a range of sources to identify the key issues that the Plan needs to address. They are also making the link with Network Rail's Long Term Planning Process.
7. Guidance for local authorities in exercising their statutory duties in relation to transport planning is being prepared for consultation.

Next steps

8. I will keep the Committee updated on progress.

**PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE
TRANSPORT PLANNING AND FUNDING**

Annex

Written Statement - Transport Planning and Funding

Edwina Hart, Minister for Economy, Science and Transport

I have always recognised the important role transport plays to serve the needs of businesses, people and communities and the need for an efficient and effective transport planning and delivery arrangement to take forward this Government's priorities.

In my discussions with business groups, transport groups and local government representatives, concern has been expressed about the current planning and delivery arrangements. This concern extended to the capacity, both within Welsh Government and in other bodies, to cope with transformational projects on the scale of Metro and to manage possible significant additional responsibilities in relation to rail.

The need to change the way we plan and deliver transport services was evidenced in the recommendations of the High Level Review of Highways and Transport Services document jointly published by Welsh Government and local government last year and in the 2009 report by the Ministerial Advisory Group on the Economy and Transport. The need for change is supported by the evidence from Dr Elizabeth Haywood in her report on the Dee Region Cross-Border Report published last year.

I have considered this evidence and have concluded that change is needed to the way we plan and deliver transport services and improvements. Our focus must be to drive better value for money, manage the challenge of reducing budgets and bring greater benefit from our future transport investments in Wales.

I am therefore proposing to introduce changes to the way we undertake transport planning and target our investments.

I have already confirmed my intention not to review the Wales Transport Strategy and to publish a new National Transport Plan by end of March 2015. It is my intention to re-define the National Transport Plan to include regional priorities and establish a transport framework that integrates local, regional and national transport planning.

Identifying regional priorities for transport is clearly still important and I will be looking to the City Region Boards to highlight the priorities in their areas and to provide the governance structure that will advise me as the new Transport Plan takes shape.

I will shortly be issuing guidance to local transport authorities on meeting their statutory duty in relation to transport planning.

We will have one transport plan for Wales and our focus will be on delivering improvements rather than on a long drawn out planning process.

As from April this year, the Regional Transport Consortia Grant and Regional Transport Services Grant managed by the Regional Transport Consortia, will be replaced by a Road Safety Grant, Local Transport Fund and Bus Services Support

**PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE
TRANSPORT PLANNING AND FUNDING**

Grant. These will be allocated directly to local authorities and some on a competitive basis. Local authorities will be able to work collaboratively to submit joint applications.

It is also my intention to continue to review ways of further improvements to transport planning and delivery and I will be looking to the City Region Boards and the Ministerial Task Force for North Wales Transport to assist with this work.

Agenda Item 6

This paper has been deemed not suitable for publication in line with the Commission's rules for conduct of business.

Document is Restricted

Agenda Item 8

This paper has been deemed not suitable for publication in line with the Commission's rules for conduct of business.

Document is Restricted