

# Evidence for Economy, Trade and Rural Affairs Committee

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### Impact of Brexit on trade flows through Welsh Ports

The impact of Brexit on Welsh ports can be seen through the quarterly statistics produced by the Department for Transport. While there was some variability during the period around January 2021 as businesses prepared for the end of the transition agreement, there is now sufficient data to highlight some key trends in trade through Welsh ports using the ferry routes to the Republic of Ireland.

At Holyhead:

- Volumes have dropped by 20-25%, from around 115,000 units per quarter in 2019 to 90,000 units per quarter through 2022.
- Provisional data for the latest quarter (Q2 2023) does show an increase in volumes through the port, with almost 100,000 units through the port.

In South West Wales (Fishguard and Pembroke Dock):

- The number of units has decreased from about 25,000 units per quarter to 15,000 units per quarter.
- Tonnages have not decreased by as much, increasing the average weight per unit. This trend is particularly evident for flows into Wales.

The increase in average weight per unit in South West Wales implies fewer empty vehicles using the sea crossing to Ireland. For logistics operators operating between mainland Europe and the Republic of Ireland, the end of the transition agreement has meant fewer opportunities from the UK for backhaul or domestic movements (cabotage) to offset running costs. Coupled with fewer border crossings, a single ferry crossing direct to mainland Europe may therefore be preferable to two border crossings.

Welsh ports are particularly exposed to the impact of Brexit because ferry routes only go to the Republic of Ireland and, even though some of this traffic will be for Northern Ireland, it still currently experiences customs checks. It is possible to compare the above statistics with other ports operating Ro-Ro services to Ireland:

- Liverpool – 5% decrease in the number of units, but tonnages have increased by around 15%.
- Heysham – approximately 20% increase in the number of units and over 10% increase in tonnage.
- Cairnryan – a 40% increase in volume despite a 15% decrease in the number of units handled.

The data also suggests an underlying growth trend for Ro-Ro tonnage at these ports, whereas Welsh ports are handling consistent volumes every quarter. It should be noted that Liverpool and Heysham also have Ro-Ro services to the Isle of Man, but this market is unlikely to account for all the changes to volumes.

Aggregating all the UK ports with Ro-Ro services to Ireland, the market has grown since Brexit by about 5% in terms of tonnage per quarter although the number of units per quarter being moved is similar to pre-Brexit.

Given the trends in the data, it is likely that Welsh Ports have lost landbridge traffic to direct ferry services between the Republic of Ireland and mainland Europe, while traffic going to Northern Ireland has become focused on ports offering direct services rather than transiting through Dublin. For logistics operators, these routes have more certainty on journey times, even if they have required changes to logistics networks.

## Impact of the Windsor Agreement

A key question for Welsh ports is whether the Windsor Agreement will enable them to compete for goods travelling to and from Northern Ireland. A key element of the Agreement is the provision of a 'green lane' at ports for goods destined for Northern Ireland, with goods for the Republic of Ireland or at risk of entering the EU using a 'red lane'.

When announced, the Windsor Agreement particularly emphasized direct sea routes to Northern Ireland, with the 'green lanes' being at Northern Ireland ports. The implication from this is that such a facility would not be available for goods travelling through the Republic of Ireland. As such, the Windsor Agreement would effectively maintain the status quo for logistics operators and therefore not benefit Welsh ports.

Subsequently, in response to written questions in the House of Commons, the UK Government has indicated that the 'green lanes' will also be available for goods passing through Welsh ports. This is also something that Stena Line had been seeking, as operator of Holyhead and Fishguard ports. What is not clear currently is how this will be operationalized. Unlike direct services to Northern Ireland, goods passing through Welsh ports will still need to be processed by Irish customs, and it is possible that transit custom arrangements will need to be made.

Therefore, while 'green lanes' may help goods movements through Welsh ports, the lack of detail makes it difficult to determine the extent to which there will be a benefit.

There is a slight risk that the new arrangements could lead to further traffic loss from Welsh ports but for this to happen, and this would like depend upon the effectiveness (or otherwise) of both 'green lanes' and Border Check Points in handling customs checks going forward. Any changes in the Republic of Ireland may also have an impact.