

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
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