

Cynulliad Cenedlaethol Cymru	National Assembly for Wales
Y Pwyllgor Menter a Busnes	Enterprise and Business Committee
Ymchwiliad i Botensial yr Economi Forol yng Nghymru	Inquiry into the Potential of the Maritime Economy in Wales
PME 04	PME 04
Porthladd Aberaugleddau	Port of Milford Haven

### **About Port of Milford Haven**

The Port of Milford Haven is Wales' largest port. It is a commercial business providing marine and port services and facilities to customers. It handled approximately 34 million tonnes of cargo in 2014, comprising principally crude oil, fuel products and LNG. It is South Wales' largest ferry port, last year handling 70,000 freight units and 350,000 passenger movements.

Having obtained outline planning consent for its Milford Dock Masterplan, the Port is preparing to move ahead with the next phase of development of new commercial and leisure space at the docks, with a view ultimately to developing over 200,000 square feet of lettable space and over 160 new flats and houses to turn Milford Dock into one of Pembrokeshire's most vibrant waterfront destinations encompassing tourism, marine leisure and professional fishing activity as Wales' largest fishing port. When completed, the Milford Dock development is expected to create over 600 jobs in the local economy. Investment is already well under way with the installation of new lock gates to create one of the most accessible and secure marinas in the country, and the erection of new food processing facilities specifically for the fishing industry.

At Pembroke Port, South Wales' most accessible and busy ferry port, the Port of Milford Haven is leading the way in engagement with the wave and tidal renewable energy sector. Pembroke Port is also home to shipbuilding, engineering and fabrication with deep water access and close proximity to one of the best areas in the UK for wave and tidal energy resources. We are now partnering with other key organisations to develop an offshore Demonstration Zone for commercial arrays in Pembrokeshire.

The port as a whole accounts for over 5,000 jobs in Wales and plays host to some of Wales' most important employers in the energy sector such as Valero, South Hook (Exxon & Qatargas), SEM Logistics, Puma Energy, Dragon (BG, Petronas) and RWE N Power.

As an organisation, in 2014 the Port of Milford Haven generated a turnover of £23.1m, Profit Before Tax of £3.2m and paid corporation tax of £886,000.

### **Commentary Requested by the Committee**

## **The implications of the St David's Day announcement that ports policy should be devolved and how this can support connectivity and the development of the Maritime Economy**

- Ports Policy is currently set by the UK Government.
- Policy is set out in the published UK Government document National Policy Statement for Ports accessible on the link below  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/39311/national-policy-statement-ports.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/39311/national-policy-statement-ports.pdf)
- The UK National Policy sets a clear framework and in particular makes the following statements:

### 3.2 The UK port sector

3.2.1 The UK ports sector is the largest in Europe, in terms of tonnage handled. It comprises a variety of company, trust and municipal ports, all operating on commercial principles, independently of government, and very largely without public subsidy. The private sector operates 15 of the largest 20 ports by tonnage and around two-thirds of the UK's port traffic. Much of the tonnage handled is concentrated in a small number of ports, with the top 15 ports accounting for almost 80% of the UK's total traffic.

### 3.3 Government policy for ports

3.3.1 In summary, the Government seeks to:

- encourage sustainable port development to cater for long-term forecast growth in volumes of imports and exports by sea with a competitive and efficient port industry capable of meeting the needs of importers and exporters cost effectively and in a timely manner, thus contributing to long-term economic growth and prosperity;
- allow judgments about when and where new developments might be proposed to be made on the basis of commercial factors by the port industry or port developers operating within a free market environment; and
- ensure all proposed developments satisfy the relevant legal, environmental and social constraints and objectives, including those in the relevant European Directives and corresponding national regulations

- Whilst the above is just an excerpt, the full policy refers extensively to connectivity and many other issues. We consider that the UK national policy is a good starting point for the development of a Welsh Ports Policy.

**Your assessment of the strength and long-term viability of your current markets including risks and opportunities and any support required**

- Milford Haven is over-dependent on energy commodities. Whilst there is no suggestion that the current major operators at the Port of Milford Haven are anything other than long term participants in the sector, the Port has just suffered the cessation of refining at the Murco refinery.
- Around the Haven Waterway is a cluster of businesses in the engineering sector whose viability has depended in the past on having a number of energy customers to which they provide services. The great majority of such services have been provided in connection with maintaining refinery capacity (as distinct from tank storage capacity), and it must therefore be the case that this sector has lost competitiveness and is now at risk by virtue of the fact that they effectively now have only one refinery customer.
- What works for these companies also works for the broader local economy, namely that commercial businesses work best when they are in a strong cluster. Clustering (irrespective of sector) strengthens the skills market, the viability of the suppliers of services, the housing market, the viability of transport links.
- The Haven Waterway and the South Coast of Pembrokeshire are the true centre of Pembrokeshire's economy, and the A477 is, in the view of the Port of Milford Haven, Pembrokeshire's most important arterial route serving, as it does, South Wales's busiest ferry terminal, and the majority of the County's holiday accommodation, as well as the waterway's single largest employer, Valero.
- The Port is supportive of proposed enhancements to the A40, but we would also urge that the benefits of dualling the key route accessing the major industrial, tourism and employment centres of Pembrokeshire located around the Haven and the South Coast are fully investigated.
- The Port's Milford Dock development, focused on fishing and tourism, constitutes a great opportunity for the region's economy with the opportunity to create up to 600 new jobs. Development at Pembroke Dock has the potential with the right support to create up to 800 new jobs.

- Particular help will be needed to justify substantial new investment in new boat and ship repair facilities at Pembroke Dock, given the challenges being faced by the engineering sector in the county following the cessation of refining.

**How you have engaged with relevant public bodies and potential partners to date on opportunities to secure EU funding to develop Welsh ports, particularly through INTERREG and the Connecting Europe Facility / Motorways of the Sea projects**

- The Port of Milford Haven's Milford Dock Lock Investment was supported by Visit Wales' Coastal Tourism Project part funded by the ERDF through the WG.
- Our investments into the fishing sector – new food safe units and box washing facilities – were made possible through close cooperation with and grant funding from European Fisheries Fund through the Welsh Government
- The Port of Milford Haven communicates extensively with the Haven Waterway Enterprise Zone, the Swansea Bay City Region Board, and other similar organisations wherever opportunity offers.
- It is important that funding follows market-led business development activity rather than vice-versa

**How can Welsh ports, ferry operators and related businesses benefit from and support the development of the Maritime economy, including marine energy, and how well equipped Welsh ports are to diversify to exploit new and emerging markets and opportunities?**

- Pembroke Port, part of the Port of Milford Haven, is ideally located and set up to be a base for developing and supporting a marine renewable industry. The physical attributes of Pembroke Port as a facility can be listed as follows
  - Deep water berth: 7m-14m depth alongside
  - 60 acres
  - Proximity to one of the UK's best areas for wave and tidal resource around the coast of Pembrokeshire
  - Modern high-bay fabrication halls
  - 24/7 security
- These facilities are matched by the Port's own appetite to invest in its facilities in support of the local economy.

- More importantly, and uniquely, Pembroke Port as an area is at the heart of very high skill-level engineering design and fabrication industry whose credentials and capacity have been built up on serving the refining industry. Companies located in and around the port are listed as follows:
  - Mainstay Marine
  - Ledwood Mechanical Engineering
  - Rhyal Engineering
  - Jenkins and Davies
  - Haven Marine Services
  - Port Engineering
  - BDS
- The port's own marine expertise is supported by the presence on the Waterway of other significant operators in the marine space such as Svitzer, Williams Shipping, Smit, S5, Berger, Denholms, MCA and others.
- With over 8,000 ship movements a year, Milford Haven is Wales's largest port, and is the natural home within Wales for the marine and energy economy. It is important that this concentration of activity is not diluted. Indeed commercial operators need to be supported by ensuring that the regulatory environment does not place operators in the Welsh sphere at a competitive disadvantage relative to ports in Europe or on the Eastern seaboard of the United States and Canada.

**Whether the Welsh Government is taking a strategic approach to supporting the development of ports and the Maritime Economy.**

- Welsh Ports are well used to a UK policy which clearly states that Port Development should be market led and that there should be a level playing field for competition between ports.
- Port areas need to be recognised as core development and economic zones for the Welsh Economy with hinterland connections to match. The creation of enterprise zones around ports is indicative of a strategic approach, but making enterprise zones sector specific is likely to restrict opportunity.
- From a Welsh Ports perspective it is highly desirable that Welsh Ports Policy should have the effect of enhancing the competitiveness of Welsh Ports, not just against English ports, but against ports on an international basis.
- Are Welsh Ports set to become more attractive places for cargo, processing and for inward investment than ports in other jurisdictions? Alternatively, is there a risk that English and

other Regions will out-compete Wales in stripping away unnecessary and anti-competitive regulation?

- We believe a successful strategic approach for Welsh Ports requires careful joint consideration of the impact of national transport strategy and regulations.
- The Port of Milford Haven and the Welsh Ports Group would welcome extensive engagement with the Welsh Government on the development of a competitive Welsh Ports Policy in the context of a global market place.
- A successful port at Milford Haven is good for the economy of Wales
- The Port of Milford Haven looks forward to working with the Welsh Government through and beyond the period of implementation of the St David's Day proposals.

Port of Milford Haven

25<sup>th</sup> June 2015

## Consultation questions

### Role of Government

#### Question 1

Do you think the Welsh Government is taking a strategic approach to developing the potential of the maritime economy?

A strategic approach would recognise the essential importance of port zones as drivers for investment and growth across all arms of government. There is evidence of the selective recognition of the role of ports, but the protection and enhancement of port zones as areas for development and employment is not universally recognised in those departments not centrally concerned with economic development. The uniqueness of ports' locations in the web of transport communications and logistics infrastructure, and in relation to communities and environmentally designated or protected areas, means that other factors need to be considered strategically alongside ports – it is not considered appropriate for ports to be given lesser weight in decision-making than the other national assets.

Are there any examples of best practice in this area?

Aspects of UK policy have demonstrated good practice in terms of ports strategy. UK policy has recognised that ports are core development and economic zones, and Welsh policy should continue this recognition, extending it to hinterland connections and infrastructure. UK policy has also stated that ports policy should be market-led, with a level playing field for competition between ports. It is important that Welsh ports should have continued and enhanced ability to compete with other UK and worldwide ports without being held back by other aspects of policy and anti-competitive regulation.

#### Question 2

How can we use existing EU funding sources to support the sector?

The Port sector generally wants to have a market led level-playing field not distorted by un-even application of grant funding. EU funding should be used wherever possible to strengthen the transport links to key ports and industrial areas, and to ensure that in development processes, viability-damaging section 106 obligations are not imposed.

What should Welsh Government and others do to identify and make use of these?

Welsh Government should recognise and make use of the status of Milford Haven and Cardiff/Newport as core ports under the EU TEN-T Regulation. This can be used to add weight to processes of securing funding, in particular from the Connecting Europe Facility. It is important that funding follows market-led business development activity rather than vice-versa. The centrality of Welsh ports to European-wide markets such as renewable energy generation is an important factor in how Welsh Government should approach European funding.

### Question 3

Please can you give an assessment of the way in which Wales is engaging with EU level initiatives such as the Ocean Energy Forum and Ocean Energy Europe.



## Ports

### Question 4

How effective are the Welsh ports and hinterland connections in Wales in promoting connectivity to Ireland and the rest of Wales?

As has been noted by the Welsh Ports Group of the British Ports Association/UKMPG, the quality of the transport network is critical for efficient freight movement and business growth. While ports draw no commercial subsidy from the Government, they do require a good national transport infrastructure and good network links in order to operate, especially in the area of road freight. While investment in passenger-focused schemes has attracted media attention, equal importance should be attached to freight and its passage through good hinterland connections.

Clear commitments on funding in Welsh transport policy statements are necessary to support and enhance the competitiveness of Welsh ports, both within the UK and internationally. While highway networks may be good, links to it must be strengthened in order for ports to benefit from the infrastructure. This is key to successful development of the ports sector.

Wales is a key maritime gateway to Ireland, and a regime of border control and regulation which facilitates trade and passenger use is keenly supported by Welsh ports. The preservation of the Common Travel Area is seen as essential to the continued health of the Welsh ferry sector.

How do the Enterprise Zones help to promote the ports and related businesses?

The creation of enterprise zones around ports has a strategic advantage, provided that the EZ is not sector-specific, as this can restrict market opportunities.

### Question 5

How can Welsh ports, ferry operators and related businesses benefit from and support the development of the Maritime economy, including ocean energy?

As noted elsewhere, Welsh ports require the freedom to be market-led, and require policy support to enable them to react to the demands of the market flexibly and with confidence.

What support should be provided to ensure this benefit is properly realised?

The best means of support that Welsh government can offer to these maritime businesses is that ports be given their due weight as core economic and development zones in Welsh policy, and that this policy

is followed through in securing funding, both at Welsh and international level, to assist the development of the maritime sector.

### Question 6

What are the implications of the St David's Day announcement which proposes to devolve the responsibility of ports policy to Wales?

The implications of the announcement itself are neutral. Of more significance is the development of actual ports policy. The Welsh Ports Association and, indeed, each of the Welsh Ports have offered to get involved in the development of a ports policy, and is/are disappointed that so far there has not been a more concerted effort to obtain input from the ports to the formation of a Welsh Ports policy.

The implication of devolution is that different areas within the UK will have the opportunity to adopt different approaches towards issues such as consenting and the creation of effective economic development zones. Will Wales make it easier than, say, the South East or the South West to invest, operate and employ? or will those other regions succeed in making themselves more competitive than Wales?

How can this support connectivity and the development of the Maritime Economy?

Ports are central to the maritime economy, and effective engagement with ports, followed up with robust policy support, is the best way of ensuring that the maritime economy can develop on a connected and market-led way.

## Energy

### Question 7

How can Wales realise the strategic importance of planned initiatives such as the tidal lagoon projects in West Wales and the Anglesey Energy Island Programme?

### Question 8

Please tell us what you think are the key barriers and risks to development of ocean energy and how Wales can help overcome these.

Critical factors which can hamper the development of ocean energy include restrictive regulation and overly precautionary decision-making on the environmental impacts of projects. This needs to be overcome by placing ports robustly in the centre of policy, rather than placing them below other infrastructure and designated sites in a hierarchy of weight given.

Weak policy statements and poor support for energy markets in terms of strike price also has serious potential to chill the market for investment in ocean energy. Investors need to be confident in the support of Welsh Government and confident in the freedom of port operators to meet their specific requirements for facilities. In many cases ports need to be able to be flexible and adapt to the needs of the energy market, and to do so without unnecessary regulatory and bureaucratic brakes. This is key to the competitiveness of Welsh ports to be retained, in ocean energy as in other sectors.

### Further information

Please tell us anything else you would like to mention this topic.

Thank you for contributing to our inquiry