

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 05	PME 05
Porthladd Mostyn	Port of Mostyn

Thank you for the invitation to respond to the National Assembly for Wales Enterprise and Business Committee's consultation on Welsh ports and the maritime economy.

### **Implications of the St. David's Day announcement**

The present situation whereby responsibility for ports is partially devolved is far from a satisfactory arrangement therefore the proposal to devolve full responsibility is welcomed. This is particularly so in the case of Harbour Empowerment Order (HEO) and Harbour Revision Order (HRO) applications where presently dealt with by the Department for Transport (DfT) with the W. G. being a Statutory Consultee only.

This split in responsibilities can result in delays as the W.G. and DfT may take a different approach and views which can often cause added uncertainty, delay, confusion and additional costs for the applicant. Furthermore, in circumstances where Welsh ports are located close to competitor ports in England, the DfT has to take account of representations made by these adjacent English ports which may result in decisions which are not necessarily in the best interest of Wales.

In supporting the proposal in the St David's day announcement however, a caveat should be added. When the Marine Licensing Team (MLT) was formed by the newly established Natural Resources Wales (NRW) it was a concern among Welsh port operators that adequate resources may not be made available to allow the MLT to function properly. Whereas the work carried out by the MLT since its formation has been a vast improvement on the previous regime, it is noticeable that delays in processing applications are now occurring, primarily because of inadequate levels of experienced administration personnel and supporting professional advisors to deal with the volume of work involved.

It is therefore hoped that if the HRO and HEO work currently undertaken by the DfT is in time transferred to the MLT then adequate resources will be made available to ensure applications are

processed in a timely manner. No doubt the W.G. will appreciate that to attract investment, ports need to demonstrate a high degree of certainty and confidence about project delivery to prospective clients. Unless this certainty and confidence can be demonstrated prospective clients will seek alternative locations for their investment.

### **Transport Infrastructure/Connectivity**

With regards to road transport and rail infrastructure, if good connectivity is to be maintained with the rest of the UK then it will be necessary for responsibility for major road and rail routes to remain at a national level through the Highways Agency and Network Rail respectively.

The congestion problems and concerns about the adequacy of the A55 trunk road in north Wales are well recorded and do not need to be reiterated here. The Port of Holyhead suffers from the shortcomings of this road more so than Mostyn and is therefore better placed to respond to the Business and Enterprise Committee on the matter.

The adequacy or otherwise of the rail network to cope with expansion of rail traffic is also well documented. However, any expansion and improvements to this mode of transport will be of interest to Mostyn always provided it results in infrastructure and rolling stock that is mainly beneficial to north Wales businesses.

A major concern about ongoing proposals for the rail infrastructure is that over the past thirty years there have been numerous studies into the improvement and redevelopment of rail to facilitate the movement of unitised traffic (containers and trailers) between Holyhead and the Humber estuary ports, often referred to as a "Landbridge" service.

In our view the main beneficiary from such a service would be traffic between Ireland and Europe with just minor improvements and benefits to businesses in north Wales. Indeed it can be argued that such a service would inadvertently have an adverse impact on north Wales as it would soak up investment leaving little funding available for improvements to the region's own rail freight requirements.

Moreover, as freight trains move much slower than passenger trains there would be an impact on existing passenger services while at the same time leave insufficient track capacity to allow for an increase in conventional (non-unitised) freight movements along the north Wales' coast for the region's own businesses. In the circumstances, the pursuit of a Landbridge service should be abandoned and resources should instead be directed towards improving capacity and rolling stock for additional passenger and freight servicing north Wales' destinations only.

## **Assessment of our current business**

The origins of the Port of Mostyn can be traced back to the early 16<sup>th</sup> century when it was established for the export of locally mined coal. In the intervening time, to ensure its economic viability it was necessary to adapt to meet the changing needs of the shipping industry, particularly the growth in ship sizes and types. The changes which the port has undergone in the past fifteen years, both in terms of its infrastructure and business are a continuation of that same centuries old process.

The decline of the mining industry and imports of raw materials for heavy manufacturing in north Wales in recent years has however been offset by new business opportunities, mainly in the offshore renewable energy sector and the export of aircraft components. Very considerable investment has been required in order to attract these new businesses, some of which have a relatively short term requirement. In such circumstances it has been necessary to ensure developments have multi uses and therefore legacy value.

In 2003 Mostyn was successful in securing the business as the construction port for the U.K's first two major offshore windfarm projects. Since that time a total of seven windfarms have been constructed using the Port, most notably the recently completed 161 turbine Gwynt-y-Mor project, the second largest in the U.K. At the present time our Port's core business is the provision of specialised Operations and Maintenance (O & M) services for three offshore windfarms which are providing employment for about 230 people for their 25 year operational phase.

Since the first windfarm project Mostyn has built upon its early experience and now has gained a strong reputation within the offshore renewable energy sector. Moreover, the skills and expertise gained at Mostyn have been expanded which has enabled the Company to undertake windfarm construction and maintenance contracts throughout the U.K and Ireland using its Mostyn based workforce.

However, the volume of offshore windfarm construction work in the Irish Sea is rapidly dwindling as Round 2 projects near completion. The cancellation of the 700 turbine Celtic Array Round 3 project off the coast at Llandudno was a disappointment as it would have provided continuity of employment over a four year construction phase followed by longer term O & M work. It remains to be seen if this project will be resurrected if/when the U.K Government's policy on support for the renewable energy sector is successful in attracting further offshore renewable energy developments.

The export of aircraft wings is also an important, albeit relatively minor part of our Port's business. It is however of much greater significance to the wider northeast Wales economy due to the presence of the aircraft wing manufacturing plant at Broughton which directly employs over 6,500 people. Whilst the long term contract for the export of components has been in place for many years its future will depend on the demand for the A380 aircraft.

### **Mostyn's Future Business Prospects**

The long term service contracts held within the offshore renewable energy sector will underpin our Port's business and financial stability for many years to come. Nonetheless, there is scope for further development of the infrastructure, most notably also in other areas of energy generation.

Ports have proven to be attractive locations for energy projects such as biomass and energy from waste, which is one area for expansion on which Mostyn has set its sights. Planning consent has recently been obtained for a small scale energy from waste project which is to be followed by a larger scheme in due course. Other potential expansion areas in the energy sector are offshore tidal lagoons and wave and tidal projects around the coast, whilst the shipping activities associated with the construction phase of the new power station at Wylfa are also of interest.

### **Welsh Ports Overview**

Historically the business of ports has largely been dictated by their location and industrial hinterland, therefore most Welsh ports have tended to specialise in particular shipping and cargo sectors. Port Talbot and Milford Haven are prime examples where there are natural deep water harbours to provide facilities for globally operated very large ships carrying iron ore and liquid cargoes in bulk. On the other hand, Holyhead and Fishguard are natural bridgeheads which makes their particular locations ideal for passenger and freight ferry services to Ireland.

Complementary to the larger ports and their dedicated terminals, the activities at the smaller ports tends to be in handling general cargoes and small scale bulk terminals dedicated to particular commodities. Mostyn on the other hand has diversified away from general cargo and is creating a niche position in the renewable energy sector.

As mentioned above, historically the primary role of ports has been largely dictated by the regional industries they served; perhaps it is time to review their primary role?

In this context, we believe that some ports should not be regarded as a maritime cargo handling facility in the first instance. Most ports have quite large landholdings; with a change of emphasis perhaps their future development should be more focused on providing an integrated

industrial/manufacturing location which also includes import/export facilities as secondary. In essence, some ports should be regarded more so as industrial parks with access to sea transport.

### **Engagement with partners/development funding.**

Mostyn is within an “Assisted Area C” which makes it ineligible for significant funding assistance. It is also not in a “peripheral location” to be eligible for Interreg funding. To date all infrastructure developments undertaken at Mostyn have been self-funded. However, in the event of a manufacturing or energy plant being proposed for the Port it is very likely that some funding assistance from the Welsh Government would be necessary.

### **Welsh Government strategic approach to port development**

Our view is that the biggest single barrier to port development in Wales is Regulation and the manner in which E.U. Directives are interpreted and applied by both the U.K. and Welsh Governments and their advisors. To date the approach has been to “gold plate” Directives when they arrive at Westminster from Brussels, then to send them to Cardiff where the Welsh Government’s advisors apply a generous coat of platinum for good measure. This overzealous application of Regulation causes delay and uncertainty to development projects to the detriment of Wales.

Moreover, it is widely accepted within the ports industry that the application of E.U. Directives in the U.K. generally is undertaken in a much more stringent manner than is applied by other E.U. member states.

An example is the difference in how the Habitats Regulations are applied in the U.K. In most other E.U. countries harbours and their navigational channels are excluded from conservation designation, whereas in the U.K. these vital operational areas are included within the designation boundaries. Unsurprisingly, this overly restrictive application of the Regulations has resulted in a history of conflict between port operators and conservation interests.

Moreover, it is somewhat ironic that on the one hand there is a binding commitment by Government to provide 20% of energy from renewable sources by the year 2020 to meet its obligations to combat climate change and the threat to habitats from sea level rise. On the other hand however, this commitment will be frustrated if ports from which offshore renewable energy projects can be constructed and maintained cannot be made available due to overzealous application of conservation Regulations.

Unless and until there is a reasonable compromise on the application of the various conservation Regulations and E.U. Directives, a danger will exist that offshore renewable energy developments will be carried out using Continental and Scandinavian ports to the detriment of the U.K. ports industry, Welsh ports included.

Although ports throughout the U.K. have various ownerships, be it private, municipal or Trust ports, they nonetheless are market led and operate along commercial and competitive lines. If there is to be an overall Welsh Government strategy for Welsh ports it should be to ensure that the necessary transport infrastructure and regulatory regime is in place which allows them to remain competitive within a U.K. and European context.

**The Port of Mostyn 25<sup>th</sup> June 2015**