



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Materion Allanol a Deddfwriaeth
Ychwanegol](#)

[The External Affairs and Additional Legislation
Committee](#)

12/06/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w dystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Dawn Bowden Bywgraffiad Biography	Llafur Labour
Suzy Davies Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Steffan Lewis Bywgraffiad Biography	Plaid Cymru The Party of Wales
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Eluned Morgan Bywgraffiad Biography	Llafur Labour
David Rees Bywgraffiad Biography	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)

Eraill yn bresennol
Others in attendance

Yr Athro/Professor Anthony Beresford	Prifysgol Caerdydd Cardiff University
Duncan Buchanan	Cymdeithas Cludiant Ffyrdd Road Haulage Association
Callum Couper	ABP a Chadeirydd Grŵp Porthladdoedd Cymru ABP and Chair of Welsh Ports Group
Capten/Captain Ian Davies	Caergybi (Porthladdoedd Stena Line) Holyhead (Stena Line Ports)
Ian Gallagher	Sefydliad Trafnidiaeth Cludo Nwyddau Freight Transport Association

Andy Jones	Porthladd Aberdaugleddau Port of Milford Haven
Anna Malloy	Porthladd Aberdaugleddau Port of Milford Haven
Dr Andrew Potter	Prifysgol Caerdydd Cardiff University
Robin Smith	Rail Freight Group Rail Freight Group
Paddy Walsh	Irish Ferries Irish Ferries
Chris Yarsley	Sefydliad Trafnidiaeth Cludo Nwyddau Freight Transport Association

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Alun Davidson	Clerk Clerc
Wendy Dodds	Y Gwasanaeth Ymchwil Research Service
Elisabeth Jones	Prif Gynghorydd Cyfreithiol Chief Legal Adviser
Rhys Morgan	Ail Glerc Second Clerk

Dechreuodd y cyfarfod am 13:37.
The meeting began at 13:37.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest

[1] **David Rees:** Good afternoon, and can I welcome Members to this afternoon's meeting of the External Affairs and Additional Legislation Committee? Can I remind Members that the meeting is bilingual? Headphones can be used for translation from Welsh to English on channel 1, or for amplification on channel 0. There are no scheduled fire alarms for this afternoon, so, if one occurs, please follow the directions of the ushers immediately. Can I also remind Members to turn their mobile phones off or on silent, or any other electronic equipment that may interfere with the broadcasting equipment? We have received apologies from Suzy Davies and Jeremy Miles, who will be joining us later this afternoon.

Ymchwiliad i Oblygiadau Gadael yr Undeb Ewropeaidd i Borthladdoedd
Cymru—Sesiwn Dystiolaeth 1
Inquiry into the Implications of Brexit for Welsh Ports—Evidence
Session 1

[2] **David Rees:** Can I now move on to the next item on the agenda? We start our short inquiry into the implications of Brexit for Welsh ports this afternoon. Can I welcome Professor Anthony Beresford, Cardiff University, and Dr Andrew Potter, also Cardiff University, this afternoon to the first session, and I thank you both for your written evidence? Clearly, there are some important areas we need to explore and your academic expert advice would be much appreciated as we move forward with other witnesses. To that extent, perhaps we can start, and I'll start off the questions. The election last Thursday has clearly changed dynamics a little bit, I think, with regard to what may be on the table, with regard to the issue around the north-south border in Ireland, but also the implications that will have on Welsh ports. Do you have any other comment you might want to add as a consequence, perhaps, of last Thursday's result, and where you might see changes happening—or maybe not—as a consequence of that, and the options that may therefore be open to the United Kingdom as alternatives if that soft Brexit consideration is now being more considered than before?

[3] **Professor Beresford:** Thank you for the invitation and good afternoon. I sense that the debate on the hard Brexit versus soft Brexit is a long way from done, and I frankly don't feel the difference between the two potentially will make as much difference as we perhaps think it may do. The reason I say

that is the complexity of logistics requirements for importing or exporting goods through ports is now such that switching is not particularly easy for many cargoes. In other words, many ports are locked into logistics chains, and I sense that if we have an Ireland–Wales–England flow, or an Ireland–Wales–England–continental Europe flow, the corridors we are well aware of—the north Wales corridor and the south Wales corridor—are critical, and I sense we will not see as much change as we feel there could be.

[4] **David Rees:** In that sense, obviously, there have been concerns that a soft border between the north and the south in Ireland could encourage greater flow [correction: flow of goods] between the north and the south, and the use of the ports in Northern Ireland for those corridors. Is that still a possibility?

[5] **Dr Potter:** I would say that, if it goes for a softer border between mainland UK and the Republic of Ireland, like at Holyhead, I think that would help to offset some of the risks of traffic going through Belfast and coming in across the Irish sea that way. Again, it depends where the origins and destinations of traffic are. Certainly, for southern Irish flows, the detour to go through Northern Ireland and then come back into the UK is probably too significant. Even if there was a delay at the ports, the overall journey time would still be quicker and more cost-effective. I think it's the north Wales flows where perhaps there is more of a risk as to what the actual border is between the UK and the Republic of Ireland, because there is that competition from Liverpool, which has services both to Dublin and also to Belfast. Already Liverpool competes on the Holyhead–Dublin route. If there's stuff going through Belfast instead, then it becomes even more of a competition for us.

[6] **David Rees:** Do you think that the possibility of a soft border in Northern Ireland and a harder border between the island and the rest of the United Kingdom is something that we need to focus upon and to avoid? How could it be managed, in one sense?

[7] **Dr Potter:** It's definitely something that, as I say, in terms of Welsh ports, does pose a risk to competition against Liverpool, because of the routing through Belfast. Ideally, we'd probably look to avoid it if we could, and again, obviously, it depends how negotiations pan out. In terms of mitigating the risk, the challenge will be to try and get as smooth a flow through the ports at Holyhead and Dublin as possible, so minimising the delays due to customs checks, security checks, et cetera, because there isn't

the infrastructure in place anymore, so much, to handle or to store trucks post custom checks to buffer them ahead of a ferry departure. It's a very slick operation through many ports nowadays after so many years without any borders. So, keeping that smooth flow is more important than trying to provide time buffers between different processes.

[8] **David Rees:** Do we have the capability at our ports to actually do the minimum modifications that might be required?

[9] **Professor Beresford:** Shall I take that? Yes, the capabilities for ports evolve according to need. The commercial needs adjust according to cargo change or logistics, environmental change, politics, and so on. But equally, they tend not to go backwards. Their systems tend to be in favour of moving to smoother, quicker, more efficient forms of movement, storage, transport and handling and so on. I think to go backwards against that is something that the ports themselves as interfaces would be quite reluctant to do.

[10] I think the other point, if I may just briefly say, is that the form of the freight movement, i.e. the trade, whether it be in accompanied trucks, unaccompanied trailers, or other, is also very relevant. So, what you can do with each flow, or what you can do with each trade, will tend to vary.

[11] **David Rees:** Steffan.

[12] **Steffan Lewis:** Thank you, Chair. Just to clarify, though, the UK will be leaving the single market and the customs union, and therefore things will not be the same as they are now. Do you accept that?

[13] **Dr Potter:** That's the message that we're getting at the minute from the politicians. Obviously, staying in the single market or in the customs union would make processes more efficient and effective because fewer checks would be needed. But the current advice from the Government seems to be going along the lines of us leaving the single market and leaving the customs union, so you'd have to assume that that's what our position's going to be.

13:45

[14] **Professor Beresford:** I think the other thing is duty on goods could and will change on components, on food, or whatever cargo you wish to talk about. But, when that arrangement is actually invoked, it doesn't necessarily

have to be at the port. So, of course, the flow can be efficient, but the delay of payment of duty, for instance through the free-ports system, could be something that would reconfigure, if you like, the activities at the port itself. So, I think though duties may well change, and we all suspect they could go up for some cargoes, how you pay that duty and where you pay that duty is itself to be resolved.

[15] **Steffan Lewis:** I was going to ask about that, because now that the Democratic Unionist Party is significant, one of the interesting points that they've been making for some time in playing down the significance of a so-called 'hard border' on Ireland is the fact that, these days, you can settle your customs and tariffs at another location, and it can be checked at another location. But is there any example anywhere in the world where there are, effectively, open freight borders and the customs and duties are sorted out behind a computer somewhere else?

[16] **Professor Beresford:** Shall I field that, Andrew?

[17] **Dr Potter:** Yes.

[18] **Professor Beresford:** I think the most obvious example is places like Rotterdam—actually, Rotterdam–Amsterdam as a partnership. They have organised quite clever systems, so they focus their logistics and transport in terms of value addition and duty payment, and so on, on what they call 'distriparks', and they're on the edge of the port. And they have invoked quite sophisticated IT-based systems for the best possible solution—i.e. when to pay duty, how to pay it and, of course, the terms of trade, whether it's DDP—delivered duty paid—ex-works, et cetera. Again, it changes how you could make your adjustments, where you're going to make that trigger point, if you like, for paying duty and when, or deferring duty payment. It's a complicated mix depending on the cargo, particular agreements and the terms of trade that relate to that cargo in the first place. So, Rotterdam have collected all these complexities together and focused their solutions in certain parts of the port for certain cargoes, which are the higher value cargoes. So, maybe they're a hint or a signpost to how some things could be done differently, and still [correction: and sometimes still] very efficiently, in the British isles.

[19] **Steffan Lewis:** Does that relate, then, obviously to non-European Union, non-customs union items and goods coming into Rotterdam, but they are perfecting or in the process of perfecting a seamless—

[20] **Professor Beresford:** Yes.

[21] **Steffan Lewis:** So, what kind of delays are we talking about, then, for cargo coming in, say, from China or India into the European Union?

[22] **Professor Beresford:** Extremely small, because, apart from anything else, at these logistic centres they don't necessarily have customs officers; they come in from time to time to do their work. So, a lot of it is intelligence based, of course. The customs officers are not necessarily residential, so it's very IT-based, if you like. So, it's a system that is set up to—. Of course, it's very large volume in the likes of Rotterdam, which takes account of all the foibles—the cargo, the origin, the carrier, which is the shipping company, the agent, the port, and so on. And that bundle then determines how the cargo is actually dealt with. But it's actually rather sophisticated, of course, and it changes from time to time as well—we were with the Rotterdam people recently—so that would probably require, if the academic could say, 'Further research for particular cargoes'. Andrew, do you want to add anything?

[23] **Dr Potter:** No, I think you've covered it.

[24] **David Rees:** You've talked, in answers to questions from Steffan, about a customs union. I suppose I'm a little bit concerned, as we negotiate over the next two years, clearly, a position has been made by the EU 27 to negotiate certain conditions first before there is talk about future relationships, and that would include free trade with the EU. But, of course, what happens to those nations we currently have agreements with through the customs union? Is there going to be a problem whilst we await agreements on that particular area and the new agreements we would have with those 50-plus countries that the EU has agreements with? And what impact could that have on ports, and on imports in particular, in relation to what we've just talked about, which is any system to deal with as smooth as possible a flow of goods?

[25] **Dr Potter:** It's always worth noting that a large chunk of Welsh exports and imports go to and from the EU already. So, to some extent, any deal with the European Union will cover a vast proportion of the trade that we currently carry out, certainly that which goes through Welsh ports. The IT systems that Anthony has referred to—again, it's very much a core within the port industry that we invest as the UK in those systems as a way of speeding up flows, and there are international standards and so on for systems to talk to each other.

So, again, hopefully, we can start to move towards more of a connected world between the ports where different countries' systems will talk to each other.

[26] Beyond that, one of the things that we can look to do is to encourage members of the supply chain to become more engaged in easing the flow of their goods as well. So, they don't just rely on the ports, but look at how members of the supply chains can sign up to things like the approved economic operator scheme that we talked about in the paper, where you can get approval and security clearance and customs clearance, so you can do that when the goods are dispatched. The goods are then sealed on a trailer or in a container and shipped around, and in that way, you've got that assurance and it speeds up the process of going through the ports and so on as well. So, again, it's not just about the ports improving processes; the whole supply chain can make changes as well to try and speed up and ease the flow of goods in and out.

[27] **David Rees:** In your view, then, has the Government, whether it's the Welsh Government or the UK Government, had enough discussions with the bodies representing the supply chains and logistics to look at how they can improve those and make them better?

[28] **Dr Potter:** I think it's probably fair to say that there could be more discussions going on. When I'm not with the business school, I also represent the Chartered Institute of Logistics and Transport, and they are trying to engage with the Department for Transport on this, particularly the approved economic operator scheme, which they see as a big, important thing for businesses. Currently, apparently, in the UK, about 95 per cent of applications to that fail, not because it's a complicated process, but because people just need a bit of help and guidance filling in the appropriate paperwork. And those are the kinds of things, I think, where the Government can engage with trade bodies and other associations to try and improve overall efficiency within that operation.

[29] **David Rees:** You said 'trying to engage'. Are you having difficulties with the Department for Transport?

[30] **Dr Potter:** They have had a number of meetings, and the institute has been facilitating some round-table forums with senior-level executives from operators both in the ports and the transport industry. The DfT has engaged with those. Obviously, the recent election has put a bit of a stop on some of

those discussions and has caused some delay to further follow-up meetings, but, as far as I know, the DfT are engaging with the CILT on that.

[31] **David Rees:** And have you had any political considerations as well? Because, obviously, you've been talking with officials at the DfT, I'm assuming. What about the political masters of the officials?

[32] **Dr Potter:** I'm afraid I'm not totally familiar with what exactly the discussions are, because it's the institute and the head office that have been dealing with that. If you want some more information, I'd be happy to ask them to provide that.

[33] **David Rees:** That would be helpful, I think, because we need to understand that agenda as well. We would be grateful.

[34] If I move on—. I'm sorry if I seem to be hogging the questions. Eluned.

[35] **Eluned Morgan:** Can I ask you about the IT system? You're saying that a lot of this can be managed through IT systems. Presumably, they're quite complicated and, you know—. Is it possible to get those systems up and running and sorted by 2019, considering the fact that, actually, we won't know what tariff rates—? I suppose you just punch in the tariff rates; that shouldn't be too complicated, once we know the tariff rates. Is it possible to do this by 2019, or are we going to just come to a halt?

[36] **Dr Potter:** We won't come to a halt, because the movement of goods is too important. Operators will find a way to make it work. It's a challenge to get a system fully implemented, because it's not just a single system; it's a multi-organisation system. There are lots of different Government departments involved within it in terms of security, tax, customs et cetera. So, it's multiagency. I think it'll be a challenge to get a system in place by then. Hopefully, the work will be ongoing to get to a point, but it's not the case that, if there isn't a system, everything will stop. There may be delays, there may be some holdups, but, over the years, the port operators have probably faced many more stiff challenges than an IT system not being delivered on time. There are ways of getting around this and I'm sure they'll have to revert to older processes initially to keep goods moving.

[37] **Eluned Morgan:** Was this something that was under way already, a new IT system? Or was it being—? Presumably, you have to modernise all the time anyway. So, were they going to do this, but now obviously we're just building

in the Brexit—?

[38] **Dr Potter:** Obviously, lots of ports do have their own IT systems. I think it's the multiagency nature of the system that's the new challenge. So, lots of ports will have their own IT systems that may interface, say, with the customs database. So, that's lots of individual interfaces. What the push is at the minute is for a more integrated system that runs across the UK port network and the various Government agencies affected so that there's a far more coherent interface and more reliability in those connections and the ability for information to be shared more rapidly so that, for instance, if a container comes in through Holyhead and is leaving through the port of Dover, that information can get to Dover ahead of the truck actually arriving at the port, rather than it having to be processed on two separate port systems.

[39] **Eluned Morgan:** Of course, we're very good at IT systems in Britain, aren't we—public sector IT systems? 'Multiagency' just terrifies me.

[40] **Dr Potter:** It's probably inappropriate to comment on that one.

[41] **Eluned Morgan:** Yes, but that's why there may be concern about hitting the deadline and getting their systems up and running. And if they're not up and running then, presumably, you would have to put alternative infrastructure in place, including people and resources and places for people to park up and—.

[42] **Dr Potter:** Yes. I mean, in the short term, you'll need more human resource to process information. And if the time is extended to go through customs checks, then, yes, somewhere will be needed for vehicles, potentially, to be parked, particularly if there are severe delays. I suspect, if it's an extra five minutes, the traffic flows will be able to cope with that, but if you suddenly start putting hour-long delays in then, yes, you're going to very quickly see traffic backing up. So, you will need those kinds of spaces available.

[43] **Eluned Morgan:** You've focused so far on freight, but obviously there's free movement of people that will be effectively stopped—or could be stopped, who knows? That will bring a different set of challenges, which presumably can't be catered for through an IT system. So, we'll be checking people, possibly, who've moved from Portugal to Ireland who then will want to come into Wales. We'd have to beef up—actually, not beef up, but we'd

have to start checking people on the borders. Is that your reading?

[44] **Dr Potter:** Yes, but, again, it depends upon what the nature of any agreement is on the movement of people. We already do passport checks in many ports because we're not part of the Schengen agreement. So, to some extent, the impact for the movement of passengers may be less. There may be issues around visas and things, but again, because we're out of the Schengen area already, I think the impact on movement of people will probably be less significant because we already have a number of those checks as we pass through ports.

[45] **Eluned Morgan:** So, at the moment, even though we have free movement of people with Ireland, we still check passports. Is that right? I don't know.

[46] **Dr Potter:** There's normally some kind of check, going in and out.

[47] **Eluned Morgan:** We still do.

[48] **Dr Potter:** Yes.

[49] **Professor Beresford:** Actually, if I may just add, some of the passenger facilities at the sea ports frankly resemble airport facilities. They're not that dissimilar really.

[50] **David Rees:** Would you see that changing if we transfer over to the common—

[51] **Professor Beresford:** No, I don't see why it would need to change, because it's a very capable system.

[52] **David Rees:** I just wondered whether, if we're now to rely on the CTA rather than EU membership for movement—would there be a change? Would we have to look at things differently? Because those with Irish passports might be treated differently to anyone with another EU passport, in one sense.

14:00

[53] **Dr Potter:** I'm not completely familiar with the ins and outs of the common travel area for people. That's the honest answer.

[54] **Professor Beresford:** May I just go back to the freight model, as it were, that we see in Rotterdam? Because there they're handling core EU traffic, as it were—Belgium/Holland being a good symbolic example. Then, of course, the EU as we know it to be, extra-EU European freight, and of course inter-continental materials from every continent. But the Portbase system, which is its name, essentially is a tracking platform. So, if you buy into that system as a cargo mover or an exporter or importer, and so on—a cargo owner, shipping line, et cetera, or port authority—there are different levels of access, and you can actually track—. And this is not the same issue, of course, as fresh duties, but nonetheless, you can track materials extremely accurately right down to individual packets of toothbrushes. So, if you want to know what the packet of toothbrushes that was departed from China two weeks ago—where it is in the supply chain—as long as you bought into that system, it's not just port limited; it's full supply chain. It does have competitors and other companies have launched similar sorts of things, but it's the one I know reasonably well, the Rotterdam/Amsterdam-focused Portbase system. Now, that creates the knowledge base, of course; it doesn't change your taxation system or anything like that. But at least it enables us to know exactly what is going where. And my feeling is that a lot of our data sets—. Westminster might understand exactly what goes where, but I personally somewhat get frustrated with not knowing, frankly, exactly what is going where, and I think we do need to know what's going where in more granular detail.

[55] **David Rees:** I accept that, and I think there are two questions I want to raise. Obviously, you talk about that's an issue about what's going where, tracking—I understand that—and we are also looking at the implications of customs tariffs and taxations and duties as a consequence of what may happen in the negotiations. Are there any ports in the UK that currently operate such a system, and what type of estimated cost would we be looking at to develop such systems in the ports here in Wales?

[56] **Professor Beresford:** Very fair questions. The ports that obvious candidates use will—. It's whether they have full buy-in. They will know themselves—Southampton; Felixstowe; Tilbury; Liverpool—a lot of detail, but it's whether they are sharing with all the members of the supply chain. And, facing the question as asked, to my knowledge there is no British equivalent where ports have that level of knowledge of what's going where in the UK. Of course, they understand containers—that's easy—but when you start going down to individual packets, multi-consignment, multi-customer containers

with a whole variety of cargo inside, in general our tendency has been to keep it simple; to allow that flow to be safe, secure and legal, but simple, and granularity has not really been something that the businesses involved in these chains have pursued.

[57] **David Rees:** And the type of cost we could expect. Because clearly in Welsh ports—. The ports you've talked about in England are mainly container ports—large container ports. Rotterdam is also large container—. Welsh ports are mixed—very much a mixed type of imports coming in, and exports. How would the cost be—? What would the cost be in Wales for any type of similar system that would handle both areas of imports into Wales?

[58] **Professor Beresford:** That's a very fair question, but I know that you have one or two invitees coming to meet here this afternoon and I suspect they would know better than I do. I hesitate to start naming figures because the one thing you can be certain of is they'll be wrong. I worry with figures. If I genuinely knew, I would say. So, it's perfectly doable. I'm sure prices could be obtained, frankly, relatively easily for that kind of system, but I myself don't have the detail for you, I'm afraid.

[59] **David Rees:** Dawn.

[60] **Dawn Bowden:** Have you finished on that particular one, because mine's a different area, really?

[61] **David Rees:** I'll come back to it.

[62] **Dawn Bowden:** I just wanted to take you on to the concerns that you'd raised around the port services regulations. Now, my understanding of your concerns is that, primarily, British ports are privatised, the European ports are state-funded, and the regulations may not treat both equally or fairly, or we may be disadvantaged. Can you perhaps explain a little bit more about that, because this relates to charges? Perhaps if you could just explain, for my benefit, a little bit more about that and what your concerns are around it, please.

[63] **Dr Potter:** Yes, okay. Basically, the EU port services regulation has been brought in to try and bring transparency to the provision of a range of different port services, so things like towage. When a vessel needs to be moved around a port, you may put a tug on it and then move it. That's what, basically, towage is. Now, because we have private operators, it's a

commercial decision as to whether they provide that service themselves or invite some other specialist organisation to come in and provide it, or both. Some ports will be big enough to justify having competition in those areas. But it's very much a commercial decision, and, because they're private organisations, they don't wish to necessarily share publicly all the costs and prices associated with that.

[64] **Dawn Bowden:** Of course, yes.

[65] **Dr Potter:** By contrast, in mainland Europe, where many more ports are publicly owned, there's more of an interest in whether there's cross-subsidisation from government bodies for these services, and is there any blocking of competition through the use of these subsidies and public money in that process. So, that's why the EU was looking to bring that regulation in itself—it was to get that visibility on how these things were funded, what the costs were, and what the prices being charged were, and also to open up ports to competition on those services. So, effectively, there were a very small number of reasons why a competition wouldn't be allowed to set up in a particular port. Obviously, because our ports are private, and they're commercial and they need to make a financial return and they make the decision, they've generally been far more against this legislation because of that different ownership. I think the concern is that the regulation is due to come in in 2019, but obviously the enacting legislation for it needs to be passed before that date.

[66] **Dawn Bowden:** Slap bang in the middle of our negotiations.

[67] **Dr Potter:** Right. It's right across the negotiation period, and it's not clear at the minute as to whether that will be enacted or not. There's currently quite a lot of interest as to if it isn't, or whether it should be, part of the great repeal Bill, and whether it will or won't be there.

[68] **Dawn Bowden:** So, we could potentially have a very short period when those regulations could apply, followed by something else very soon afterwards, potentially.

[69] **Dr Potter:** Yes, exactly, or the alternative is—again, it depends, probably, on the speed of the negotiations—maybe the UK can negotiate for a derogation from that—

[70] **Dawn Bowden:** An opt-out.

[71] **Dr Potter:** —because it will literally probably be a period of months rather than an extended period that they apply to.

[72] **Dawn Bowden:** That would seem to be more sensible in the circumstances, wouldn't it?

[73] **Dr Potter:** Yes. But, as I say, it's an issue that the port industry, in particular, is very concerned about at the minute because it's unclear on the implementation timetable for it.

[74] **Dawn Bowden:** Okay. That's helpful. Thank you. Thanks.

[75] **David Rees:** Do you want to come in or is it on something else?

[76] **Eluned Morgan:** Not on that.

[77] **David Rees:** Can I ask—? I want to ask two questions, then, on this particular point. Clearly, the Wales Act 2017 is transferring responsibilities for ports other than Milford Haven, the trust port, to the Welsh Government. What implications will that have on the situation? Because, clearly, there may therefore be a different competence position for Welsh Government compared to the UK Government. If competences for Welsh ports are coming to Welsh Government, there could be an instance of conflict there. But also state aid—what you've got, really, is state aid helping ports. We haven't got any discussions on what happens to state aid within the UK at that point. So, how will that pan out as well? Do we need to actually have an agreement on state aid within the UK prior to any discussions as to what happens in relation to this regulation post Brexit?

[78] **Professor Beresford:** Your first thoughts, Andy? The state-aid thing is obviously a big question. As we all know, the drift has been away from that, except, of course, with the statutory areas that you've just been discussing, light dues, harbour dues—the safety provision, if you like, and the regulatory framework surrounding ports. So, that remains a public activity. But, in terms of altering the dynamic of the public-private mix, Andy, have you got a view on that?

[79] **Dr Potter:** I think, ultimately—like I say, once it comes to Wales, we've got more autonomy and decisions to make as to what we do and don't support. The Welsh Government can already do certain elements of support

for general logistics and transport development. So, for instance, they've supported in the past new rail freight services. So, there are already ways and means by which the Welsh Government can provide support to the industry. And I, I suppose, would expect that those sort of approaches would carry on. The industry as a whole in Wales is generally privately owned. That comes back to the deregulation of ports many years ago, and I don't sense an appetite to change that, necessarily, at this point in time. So, it's around coming up with what the rules might be for any support going forwards and how that will help the industry as a whole.

[80] **David Rees:** But we could become more interventionist, in particular, say, in Holyhead and Fishguard, if there were concerns as to the impact on them. We could act upon that, and this power that we will now have means we can actually not just be on the periphery of a port—we can go into a port, effectively.

[81] **Dr Potter:** We can do. I suspect the Welsh Government may be careful with what it does. As a parallel, you only have to look at Cardiff and Bristol airports where, obviously, the Welsh Government owns Cardiff Airport and Bristol keeps a very close eye on what happens at Cardiff to make sure there's no breach—current breaches—of rules. I suspect you would find the same—that, if the Welsh Government started to intervene more in Holyhead, the port of Liverpool would have a very close look at it. Peel Ports is a huge port operator in the UK—they're one of the biggest ones in the UK—and they've got the resources to be able to keep quite a close eye on what's going on, I suspect. So, I think you would get into the same sort of issues that we have now with Cardiff and Bristol, with the two sort of carefully managing each other and seeing what's going on.

[82] **David Rees:** Yes, but Cardiff and Bristol are very much dependent on the air passenger duty, which hasn't been transferred to the Welsh Government, so there's a slight difference there.

[83] **Dr Potter:** But also other issues around investment and development of the terminals, and investment in infrastructure as well for the airport—Bristol often will make a fuss if there's, or will look to see if there's, anything going on where they think the Government is providing additional support above and beyond what it should be giving.

[84] **David Rees:** I'm sure the Government can decide on what investment it wants to put into its own properties. Eluned.

[85] **Eluned Morgan:** Can I ask you about, if we were to leave the customs union, what do you—? Do you have any views on free ports? That might free us up to do something on that. What's your view on free ports? Would they be an advantage?

[86] **Professor Beresford:** I'll start. Well, free ports—Liverpool's a good example, but, worldwide, there are many, many, many. But they all have their distinct settings. So, free ports in the far east, for instance, have a different set of politics, if you like, around them. But, in essence, delaying duty, convenience storage, buffer storage, if you like—evening out your logistics requirements so, goods, if they come in early, ahead of schedule, they can be kept there until the schedule's rebalanced and out the cargo will go again. So, it would come in, wait a bit, and go out. So, the concept of free ports—. My personal view is I think they've probably been underexplored in the UK, and now, with Brexit, maybe it's timely to look at what the free-port environments, plural, do elsewhere.

[87] **Eluned Morgan:** Did you suggest Liverpool is one?

[88] **Professor Beresford:** Yes. Well, they had a major free-port operation for quite a while.

[89] **Eluned Morgan:** And when was that?

[90] **Professor Beresford:** Oh, 20-odd years, I would say. And what went in to that free-port zone and then hovered around there for a while and then went out as a duty deferment mechanism—. I'm not quite sure these days, but Liverpool would be worth exploring.

14:15

[91] **Eluned Morgan:** Is it still a free port?

[92] **Professor Beresford:** To my understanding, yes. Not all of it, by the way—there's a section of the port, and that's the typical model. You'll often see a particular designated area as a free-port zone.

[93] **Eluned Morgan:** What's the benefit of being a free port? You defer taxation—

[94] **Professor Beresford:** Yes. So, there's a cash-flow benefit, but also it allows importers, for instance, to smooth their logistics so, if they have too much coming in for a while, goods could wait there, so to speak, until they're actually required. But the other big benefit is often that it comes in and then goes out before—in fact, without duty being paid at all, necessarily. So, if something is coming in and then being re-exported—.

[95] **Eluned Morgan:** Why would they do that?

[96] **Professor Beresford:** Well, again, it comes down to where goods are specifically coming from, where they're going to, and what the chain that, as it were, controls that flow actually requires at a particular point in time.

[97] **Dr Potter:** I think also if you look at some of the major ports in Europe, a lot of their growth has come on the basis of being a transshipment port. So, Rotterdam is the biggest port in Europe. A large volume of containers there come in on a very large ship from south-east Asia and then get taken off the ship and put onto smaller vessels and distributed to other parts of Europe. So, the benefit for the port is, potentially, the economic activity around that. So, there's the employment side of things, there's the opportunity to carry out maybe some processing of the goods—so, maybe sticking labels on, repackaging—and then they go out. So, the economic activity is then concentrated within that port area. It's a useful way of creating employment and so on, as well. Certainly, in the UK, on the east coast, you see a number of locations now. Sometimes they are port-driven, sometimes they are driven by the customer. So, for instance, Tesco has got—I think it's Teesside—as part of the port at Teesside, a bonded warehouse there. So, a lot of its imports from Asia come in, and then rather than coming off a ship, being sent to a warehouse in the Midlands, and then distributed, they hold them in stock in Teesside and then distribute them out from there. So, they take out some logistics cost. A lot of the items that are there are often seasonal products—so, summer goods, Christmas decorations. So, again, if you can order your Christmas decorations to be delivered over a six-month period, say, from May to October, you can get better costs from the producers because it's a smoother demand, your logistics costs come down as a result, but because they're not imported you don't pay the sort of import duties on them until they actually leave that warehouse. So, again, there's a cash-flow benefit.

[98] **Professor Beresford:** I believe M&S are up there as well in Teesside.

[99] **Dr Potter:** Yes.

[100] **Eluned Morgan:** So, it's not a problem being a member of the EU and being a free port. It's not a contradictory position.

[101] **Dr Potter:** No.

[102] **Professor Beresford:** No.

[103] **Eluned Morgan:** So, why don't more ports do this, then? Is it because the Treasury won't allow it? What's the restriction?

[104] **Dr Potter:** I think, to some extent, it's the investment that you need. Most free ports have a fairly large amount of warehousing infrastructure that supports it so that goods can be stored there. For that you also need space. A lot of the traffic that often goes through free ports tends to be unitised or containerised. So, the likes of London Gateway, Southampton, Felixstowe—London Gateway has that infrastructure; I'm not sure Felixstowe has quite so much because it's a far more space-constrained site. So, again, historic developments, ports, have got cities around them, and actually getting that extra land is a challenge. You tend to find fewer free ports on bulk cargo. So, a lot of the cargoes that come, say, through Cardiff would be less likely to benefit from a free-port status, because they're a lower value product to start with, and the nature of the supply chains there within doesn't naturally fit so much this free-port model.

[105] **Eluned Morgan:** So, are there any ports in Wales that would lend themselves, do you think, to free-port status—Milford Haven, possibly?

[106] **Dr Potter:** Milford Haven could be one, on the basis that it's a deep sea port, it would be able to potentially handle larger vessels and the goods that would go through them. There are small amounts of unitised cargo that come through the south Wales ports, so the likes of Cardiff, Newport, so you could, again—. Those sites also have space to put warehousing and so on, so that may well be an opportunity there to look at setting up a small free-port area. Certainly, Cardiff has, over the years, developed a number of processing activities on the port land, so they would be the obvious one. The other one to look at would be, potentially—not so much for storage stuff—Holyhead, and whether there was opportunities there for, say, sea-to-rail transshipment, so you've got some storage area there. In this we talked about potentially sending trains from Holyhead through the channel tunnel. Again,

if they can come in and not pay duty at that point and be secured all the way through the channel tunnel, there may be opportunities for that as well. But in terms of the actual processing of goods, I would say either Milford Haven or the south Wales ports would probably be the better options. I don't know if you've got—

[107] **Professor Beresford:** Yes, I agree. I think the problem with Holyhead is that it's absolutely a flow port; they really want the vehicles through there, so I don't see so much opportunity up there, but one or two of the south Wales ports down here—Newport is a possibility. I was going to mention Hull. Hull at one stage was looking at taking a small version of the Rotterdam model, probably with a free-port area, and they were pursuing for several years the distripark concept. They have spare land, it's flat, it's a mixture of deep sea and EU, but mostly EU. I think that project's died a death, but it's an example of a port that has actually looked at doing something new and something novel in a relatively recent time. So, there have been these sorts of precedents, if you like. And Hull is not that dissimilar to Cardiff in the sense that the types of cargo that you can see at the port—timber and mixed general cargo; spin-off cargoes from oil, so chemicals and so forth on a relatively small volume—my feeling is that, as I say, it's not gone anywhere, however it's the sort of thing that, now we're in a new environment looking at Brexit and looking at the ports' roles in that—it's possible that, with the free-port idea, a fresh look at distribution in this immediate area could be a good idea.

[108] **David Rees:** I notice we've gone past our time, so do any Members have any other questions?

[109] **Mark Isherwood:** Just one very small one from me—

[110] **David Rees:** Very small, Mark, as you haven't asked one yet.

[111] **Mark Isherwood:** You referred to the issue of the state aid. A similar issue is environment, like the habitats directive, which had a big impact on the port of Mostyn, for example, in terms of requirements. Does that not also, as with state aid, reinforce the need for a UK framework, or agreed frameworks, in a broad range of areas affecting ports?

[112] **Professor Beresford:** Well, the habitats directive, and all the other regulations that surround environmental protection—. It's a very crowded coastline and I'm not sure how much room for manoeuvre we will have post

Brexit to actually adjust some pretty deeply embedded ways of working and protecting the coastal fringe. But, Andy, have you got any view on that?

[113] **Dr Potter:** No, I think I'd agree with you that something like the environment, which is obviously an important impact—what we do in Wales can often have an impact on England as well, so an agreed position for the UK as a whole would seem to be a better way forward to make sure that we can keep up the environmental standards that we do have.

[114] **Professor Beresford:** Yes.

[115] **David Rees:** Thank you. Can I thank you for your time this afternoon to help us with the start of our investigation? You will receive a copy of the transcript. If there are any factual inaccuracies, please let the clerks know as soon as possible, so we can get them corrected. Once again, thank you.

[116] **Dr Potter:** Thank you.

[117] **Professor Beresford:** Thank you very much.

[118] **David Rees:** I suggest we have a five-minute break whilst we change witnesses. Everyone okay? Thank you.

*Gohiriwyd y cyfarfod rhwng 14:24 ac 14:34.
The meeting adjourned between 14:24 and 14:34.*

**Ymchwiliad i Oblygiadau Gadael yr Undeb Ewropeaidd i Borthladdoedd
Cymru—Sesiwn Dystiolaeth 2
Inquiry into the Implications of Brexit for Welsh Ports—Evidence
Session 2**

[119] **David Rees:** Can I welcome Members back to this afternoon's session of the External Affairs and Additional Legislation Committee, where we go into our next evidence session this afternoon, regarding the implications of Brexit on Welsh ports? We have representatives from the Road Haulage Association, Freight Transport Association and the Rail Freight Group. If I could ask you to introduce yourselves for the record, please, starting from my left and we'll work across.

[120] **Mr Buchanan:** Duncan Buchanan, deputy director for policy of the Road

Haulage Association.

[121] **Mr Gallagher:** Thanks for inviting me. Ian Gallagher, I'm the head of policy for the Freight Transport Association for Wales and the south-west.

[122] **Mr Yarsley:** Good afternoon. Chris Yarsley, I'm policy manager for the Freight Transport Association, currently in the Brussels office.

[123] **Mr Smith:** Robin Smith, from the Rail Freight Group, covering Wales and the west midlands.

[124] **David Rees:** Thank you very much for that, and thank you for the papers we've received prior to the evidence session this afternoon; they've been very helpful to focus our minds as to, perhaps, areas we want to explore further. I'll start, perhaps, by asking a simple question, and I'll start with Duncan, and we'll go to each of the bodies because, in a sense, there is perhaps a slightly different representation.

[125] Clearly, the scenarios for the future of our relationship with the EU are variable—last Thursday made them perhaps even more variable. We don't know the exact scenarios yet. We could end up with a free trade agreement, we could end up with the World Trade Organization, or we could end up, perhaps, still existing under some form of access to the single market. What are your considerations of each of those implications in the sense of how it impacts upon the representatives of your organisations, and, in particular, the type of risks that may be posed to Welsh ports as a consequence of some of those? We'll start with Duncan Buchanan and then we'll go left to right.

[126] **Mr Buchanan:** Okay. Thank you very much for inviting the Road Haulage Association to provide evidence to you today. The issue of the latest political circumstances mean that there is a little bit more uncertainty than we have been used to in the last six months or so. The Government was very clear that we were coming out of the customs union and that we were coming out of the single market. So, everything we have done since that announcement was made earlier in the year has been based around that status. The comments that we have put together regarding where we see the risks and the problems are based around coming out of the single market and the customs union.

[127] Now, we have identified three core areas that we believe for our members—which are road haulage operators dealing with international and

national transport and supply chains—. The three key areas that we've highlighted are the issue of customs controls at the border, and those customs controls being able to work so that supply chains are not interrupted. That is a key ask that we have and it's a key concern, because if you come out of the customs union and the single market, that implies that you are going to have to do a customs clearance declaration for all imports and exports coming in and out of the UK. That is a significant change in the way that we operate at the moment. At the moment, you can load something in Scotland and if it's going to Cork, it goes to Cork in exactly the same way as if it was going to Cardiff: there's no customs clearance; there's no need for any particular documentation. As soon as you introduce a customs clearance process in this, you actually radically change the level of paperwork and the intervention that happens, and for people who are operating ferries in the ports, that means that at some point, somewhere, there has to be an intervention to actually customs-clear the vehicle, and customs-clear all of the goods in the vehicle, which may be more than one shipment. So, our No. 1 priority for the Government is to ensure that we get seamless customs processes put through the ports as far as possible. That is the biggest day one risk that we see for supply chains.

[128] The second one I would like to highlight is the issue of labour. Labour is actually a key area for us and for our members. They employ a lot of drivers, and wider in the supply chain, in warehousing and what have you. A lot of employment actually goes to people from within the EU, and that has actually been a very big and growing contribution to the UK. From our members' point of view, most of whom are national road haulage operators, most of our members would probably be most concerned about the labour issue. So, our advice to Government has been that whatever we do regarding labour and immigration, it should be based around the needs of our industries, not some sort of random, qualification-based system. It should be, 'Do we need truck drivers?'—'Yes'—'Well, let's allow more in.' So, that's where our position is in terms of labour.

[129] Our third big issue has been the issue of what you could call 'standards' in some industries, but in our case it's access to the occupation and access to the market for road haulage operations. We all operate under operator licensing rules that are driven, largely, by EU rules, and drivers' hours rules, and roadworthiness rules, and what have you, which are all interrelated with UN and EU rules. What we need from any Brexit arrangement is the ability for road haulage vehicles, HDV vehicles, to go and be able to come and go and leave the UK with goods, and European vehicles

to come into the UK with goods, and particularly for Ireland, which, of course, will be semi-detached from their fellow EU member states—they need to be able to transit freely through the UK. And that is actually a really key point: that UK vehicles need to be able to transit through the EU, and EU vehicles need to be able to transit through the UK. I'm talking about the regulatory arrangements for licensing and what have you.

[130] So, they're the big issues for us, and they're the ones that we're most worried about. The consequences of the first one on ports is considerable, and my colleagues here no doubt will also raise the same issue. If you interrupt vehicles at a port where the vehicles are being discharged and they have to go through customs clearance processes, you will find you will be backed up in no time. There's no space at Holyhead to do customs clearances on arrival. We have to be creative. I hope that answers your first questions. I think I probably have said more than enough.

[131] **David Rees:** I'll just clarify: of course, the possibility of leaving the market and leaving the customs union is still the current position, I understand, but obviously that may vary, depending on the circumstances—we don't know yet.

[132] **Mr Buchanan:** As I said, I was basing that on the statement from the Prime Minister earlier this year and the White Paper, which was 'We're out of both'. Clearly, if things change, then the risk profile of some of these things morphs and becomes different.

[133] **David Rees:** Can I ask one question before you move on? If there's a differentiated agreement, which means that perhaps there'll be a different treatment, in fact, in Northern Ireland to southern Ireland [correction: between Northern Ireland and southern Ireland], compared to, perhaps, the rest of the EU to Great Britain, is that a problem for you as a haulage association, because you have different agreements in different parts of the UK?

[134] **Mr Buchanan:** Our industry is very flexible; it's pretty creative. If there is a slightly different arrangement for transport between the UK and the island of Ireland, then our industry would probably welcome some of these things, if it actually simplified transport and made it much more fluid.

[135] **Mr Gallagher:** Thank you. Again, thanks for inviting the Freight Transport Association down here today. On that last point, if I may start with

that last point there, I think, to add to what Duncan's already said, which is pretty representative of the industry—. On that last point, of course, if you do have a soft border in Ireland, what you do is you move the customs arrangements to the Welsh ports, which means that you've got to actually invest in those ports. As Duncan's already pointed out, there isn't the land space, potentially, in those ports, to be able to actually carry out those customs procedures, which will result in delays, currently. So, there needs to be emphasis and investment in those ports shortly, and they certainly need to be made aware of what the position is as soon as possible, obviously, so that they can cater for that, so that there aren't delays at ports, because that's what you could find at Welsh ports—you know, delays through Welsh ports.

[136] As far as the other points that you asked about initially, I tend to agree with Duncan's points—that you raised, basically. I think the importance is that, as far as the customs union is concerned—I think that Government should re-look at that. Certainly in light of the outcome of this recent election, they should re-look at that. The Government used the word 'frictionless' trading or arrangements with Europe, and I think that is the key here—that is, to actually minimise any additional tariffs and delays at borders coming into the UK, not just in Wales, but across the UK at Welsh ports; anywhere where we're dealing with a member of the European Union.

14:45

[137] **David Rees:** Robin Smith. [*Inaudible.*] No, it's the same body.

[138] **Mr Smith:** On behalf of the Rail Freight Group, thank you again for the invitation to give evidence here today. I can only echo my colleagues regarding the essential need for frictionless customs clearance procedures through improved IT or whatever in order to ensure no delay to transport resources. The transport industry, road and rail, have worked very hard in recent years to drive up efficiencies and the effective use of our resources, and to impose any new restraints on that efficiency will be a major downside.

[139] I would echo also what's been said earlier about what I call the Irish land bridge traffic: traffic passing between Ireland and the rest of the EU, traffic that passes through Holyhead, for example—quite a lot of that goes through Holyhead, and Pembroke, perhaps, to a lesser extent. If the procedures are not effective and efficient and frictionless, I'm afraid that traffic will simply not come through Wales. It will go by direct shipment

between Cork or Rosslare or Dublin and Rotterdam. So, there will be a loss of overall trade and movements within the UK.

[140] Talking of movements, I think one of the big issues about the customs union is not only the customs union per se, but what effect it's going to have on our trading as a nation, as UK plc. Is there going to be a switch between trading with Europe and trading with the rest of the world? If there is more with the rest of the world, that's a major opportunity for Welsh ports. If, because the UK economy is affected by Brexit, there is a diminution in general trade, that's a risk to Welsh ports, on which we can perhaps develop the details later in the questioning. But I would flag up the overall effect on trading relationships between Britain, Europe and the rest of the world: where we're going to trade.

[141] **David Rees:** Thank you. Steffan, do you want to ask questions on customs?

[142] **Steffan Lewis:** Yes, a couple of you have mentioned seamless, frictionless and all the rest of it in relation to customs. It makes you wonder, 'Well, why leave, then?' because the whole point of leaving the European Union, so say those who advocated it, is entirely for the resurrection of national frontiers and the good old days of customs and border controls. So, I wondered if you could enlighten me as to any other example in the world where you have near-as-damn-it frictionless trade and seamless customs when you have two economic entities with completely different customs arrangements.

[143] **Mr Buchanan:** I am unaware of anywhere in the world that has something that is completely frictionless.

[144] **Steffan Lewis:** So, what's the best we can hope for?

[145] **Mr Buchanan:** As soon as you start requiring customs declarations for goods, you are going to incur some level of friction. It's a question in our case, with the EU, of deciding where that friction is going to occur and how you're going to manage it so that it's minimised. There are opportunities for things such as the pre-declaration of goods, so that you actually declare the goods before they actually hit a ferry. I know that there's work going on thinking about those sorts of issues. So, by the time the goods in fact arrive, you can drive off the ferry with either a green light or a red light. If you've got a green light, you just drive onto the road, as you do now. If you have a

red light, you have to go and have your goods inspected and the paperwork customs cleared. So, there are opportunities to simplify the systems, but that will require detailed work on behalf of the UK and European Governments.

[146] **Mr Yarsley:** We are currently talking about members who do operate internationally, both as an operator of transport but also as a shipper—so, the person who owns the goods. We've set up a customs working group and we are in a direct relationship with HMRC to try and develop a future trading relationship. We have what we've described as our CLEAN agenda for customs, with the 'C' being 'customs', but there's a problem of knowledge, so the 'L' is for learning, because there's a whole generation of people who haven't had to deal with any of these issues prior to now. The 'E' is for equivalence, which is also a very important issue for a future trading relationship, in that, we can set up in the UK the best exporting customs declaration system in the world, but if the barrier is on the other side, on the EU side, and they don't accept what we've established, then the friction will be introduced, because there needs to be that kind of equivalence. And the 'A'—

[147] **Steffan Lewis:** Sorry, just on that point of equivalence, what exactly do you mean by 'equivalence'? Just that we recognise—

[148] **Mr Yarsley:** So, basically, the mutual recognition of the scheme. So, we'll have a UK customs scheme, so any goods that leave could be declared as leaving, but on reception on the other side, they need to be able to understand our system, you know. So, if we send out, 'This is a valid traffic with all the duties being paid, et cetera, et cetera', we need the other side to know that to allow for a green light to flash at Calais, or at Dublin, or wherever in Ireland.

[149] **Steffan Lewis:** On that point of equivalence, they already have that, do they not, between Norway and the European Union, because Norway, even though it's in the single market, is not in the customs union? But you could still have delays of up to three hours on the Swedish–Norwegian border.

[150] **Mr Yarsley:** Yes, which is what we're trying to move away from. But then, also, it leads on to the 'A' of CLEAN, which is 'away'—away from the port. So, we need pre-declaration to be handled as well, so that when the shipment leaves the distribution centre or the manufacturer, they can input into a system to give that prior notification to the authorities, so that when the vehicle arrives and ANPR scans the licence plate or whatever happens,

they understand that that is that shipment, it has all the paperwork electronically done, which is what we're trying to move away from, you know, the person with the clipboard at the port, ticking boxes. We can't go back to that—I was never there, but we can't go to that situation again. It needs to be electronic submissions, web-based applications, all that kind of technology-speak, but it's what needs to happen, otherwise friction will come in and traffic will route elsewhere. If I was a fast ferry operator, I would be purchasing ferries to get from the Irish traffic to France to avoid the UK, because there they will have seamless traffic. That's the risk to the Welsh and wider UK economies, which is rerouting as well.

[151] Just another thing is that we're always talking about customs. Port health checks. So, if food and animal products are coming in, they also need to be checked and, you know, like beef in Ireland. So, how are the ports going to handle not only customs, but port health checks as well? It's just an added level of complication that needs to be addressed.

[152] **David Rees:** Okay, Steffan? Eluned, do you want to come in here?

[153] **Eluned Morgan:** Well, just on that health check thing, what's the implication there, that we'd need vets at the ports?

[154] **Mr Yarsley:** Yes, you'll need some kind of a veterinary inspection—

[155] **Eluned Morgan:** And that doesn't exist at the moment.

[156] **Mr Yarsley:** To be honest, I can't tell you for the Welsh side, but I do know, for example, we do have major ports that deal with the rest of the world, and, for example, at Felixstowe, they have about 14 full-time port health check vets on a 24-hour basis to be able to do any of the paperwork that's necessary. At Dover—and I'm talking about the tunnel and the ferry operator—they have four people that work on a sort of nine-to-five basis, Monday to Friday. Dover has massive ro-ro traffic, and if any of that is brought in to this needing to be checked, they don't have, at present, the capabilities to have that on a 24/7 basis, which is sort of how the ports operate. So, there might need to be a reallocation of existing resource from the ports that can cope, which would mean that they would have less resource, and then, also, you know, the facilities need to be put in place at these places to enable these checks to take place, and that's just one of the ones that people don't really think about when we talk about customs clearance.

[157] **Eluned Morgan:** So, the people who gave evidence before you, the academics who specialise in this area, were suggesting that, actually, a lot of this could be done by computers and by rearranging it and that, actually, it's not rocket science. Is that your view? I mean, could we set this up in a couple of years and hit that 2019 deadline?

[158] **Mr Buchanan:** I would actually contend that the time that we have left available to do this is insufficient. We're talking about major computer systems. As was said here to my left, no-one has actually—. In terms of EU supply chains, no-one has had to worry about customs clearance and port health checks for 20-odd years, since the early 1990s. A lot of the expertise has disappeared. Customs' own internal experience is dealing with container ports and dealing with air freight. Very, very little road freight actually requires customs clearance. We do have third-country goods that come in from Morocco, Switzerland, Norway and Russia and what have you, but compared to the vast majority of the goods, that is a miniscule amount of traffic. Customs, in their White Paper, said 99 per cent of the traffic through the Dover straits is EU traffic. I would suggest that the traffic going between the Welsh ports and the Irish ports would be 100 per cent internal traffic to the EU. You might get the occasional Moroccan or Russian truck going to Ireland, but it is so vanishingly small as to be almost nothing. You're going from something where there are no customs interventions at all, where—. Certainly for the channel tunnel side, you do have border controls, but I'm not even really that familiar with the border controls that happen between here and Ireland; I believe that's a very much simplified process. Even that alone would require significant investment in your ports in Wales.

[159] **Mr Gallagher:** I think it's important—if I may jump in. I think it's important as well that we've got that time for business to develop and understand the systems that have got to be in place. Again, we're working in a very taut, short period of time, and we've still not decided what that's going to look like. IT systems will eventually be developed based on what's coming in. So, that work, to some extent, whilst some may be done, not all of it will be done. It really is a very short time period that we're working on. So, I think that's going to be challenging, moving forward, certainly with the IT. I agree that that's one of the systems that we should be looking at, definitely, for alleviating the customs issues, certainly, but it's going to be challenging.

[160] **Eluned Morgan:** They were suggesting that, in Rotterdam, there is a

system already and that actually they can get quite granular information on what's in containers in a way that doesn't exist in Britain at the moment, but actually is something that we should probably develop anyway irrespective of all of this discussion. Is that something that you would agree with? Is that something that your customers are looking for?

[161] **Mr Buchanan:** I think there is a huge difference between a container port and a ro-ro operation on a ferry. One of those huge differences is the fact that you have a driver sitting there, accompanying the goods. A driver is limited in the amount of hours he is allowed to drive; he's limited in where he can go and what he can do because he is physically there. The port intelligence systems that they do have at Felixstowe are quite sophisticated as well. I don't think that's where the solution lies in terms of what we do with ro-ro traffic. It's not at the port. You need to know what's in the truck before it gets on the ferry at the other end, and you need to be certain that it hasn't been manipulated since it was loaded. That's the thinking that the supply chain is going down at the moment. Certainly, the FTA and ourselves are talking to customs along those lines because using container models and just knowing what's in a container isn't really terribly helpful if you've got a driver sitting there who needs to go through some paperwork process to tie everything together. It doesn't work. It has to be done in advance of getting on the ferry at the other end.

[162] **Mr Yarsley:** HMRC are looking at some kind of trusted trader scheme. I say that very loosely because that's not the word, it's just the name that gets put around, but a way of—. Well, essentially, that trusted trader. So, people submit their declarations prior to the departure of the vehicle, because it would be for road vehicles, and therefore it helps the system to be prepared for when that vehicle interacts at the border. But the FTA would suggest that knowledge is power in this respect, so I think the Assembly should possibly look at, on a port-by-port basis, understanding what is going through that port to try and identify where these bottlenecks will be. You know, is the ro-ro traffic coming through Holyhead a certain specific type of industry, or whatever, just to know what level of customs will be effected onto that shipment. So, we'd be willing to support any kind of research-gathering information on that issue to help with our members who travel internationally. We have our sister association in Ireland that is an exporter into Great Britain and the rest of the EU, so we stand ready to help the knowledge base, because I think there's a big knowledge gap in a lot of places at the moment.

15:00

[163] **Eluned Morgan:** Can I just be clear, then, coming back to this point about the lack of time available now to actually get this system up and running? If we can't hit that timetable, can I just be clear that the consequences will be hold-ups at ports? That's the inevitable outcome if we can't get this—

[164] **Mr Yarsley:** With the lack of any other arrangement—

[165] **Mr Gallagher:** Or any other system, yes.

[166] **Mr Yarsley:** We have a system of declarations called the customs handling of import and export freight system, which is going through an IT upgrade. So, already, I'm touching wood, because it's only for external trade at the moment, and so, suddenly, it might have to cope with what is currently intra EU traffic, but it will be external EU traffic, being inputted onto it. HMRC are putting the money—a level of investment—into it to upgrade it to be able to cope. We hope that that system is working and functioning on Brexit day plus one, because otherwise, yes, you will, essentially, not be able to cross the border.

[167] **Eluned Morgan:** And can I just ask you about the difference between perishable goods and widgets, or whatever you export? Do you differentiate between those at the moment? Is that something that would have to change? Because, obviously, the widget, if it sits there for any length of time, it's not going to change, but the perishable good, that's the end—if it sits there for too long, you can't sell it.

[168] **Mr Yarsley:** The only time that would come in would be—. A very good example is when Operation Stack is put in place, if the channel ports are closed. The M20 in Kent gets turned into a car park, essentially, but they will triage the commercial vehicles in terms of high-value, time-sensitive vehicles, which will sometimes be given priority access and I think that includes fruit and vegetables, but I'm not entirely sure. I know they do differentiate between what is being carried in the vehicles.

[169] **David Rees:** Can I ask one question? Let's take the view that we are leaving the EU and we're leaving the single market and we're leaving the customs union. That's the position, as you say, that was made clear prior to the general election. If that occurs, whatever agreement we have beyond

that, whether it be no agreement and the World Trade Organization, or an agreement, are we in a position now to actually continue without disruption, post Brexit?

[170] **Mr Gallagher:** No.

[171] **David Rees:** Okay, so there's lots of work to be done, irrespective—

[172] **Mr Gallagher:** If there's no agreement and we go onto WTO rules, it brings in a whole raft of different criteria, which we need to fully understand, and that's the worst-case scenario, where you've got all the additional customs arrangements that need to be—

[173] **Mr Yarsley:** Because suddenly, overnight, things will have the WTO tariffs applied to them, so, off the top of my head, I think it's 10 per cent for automotive parts. That will pretty much—. One of our large members has operations that flow between the UK and Germany on a just-in-time by an hour basis. Any disruption to these goods with an application of tariff or anything like that, or checks at the border, will stop the manufacture of motor cars. So, it's that level of seriousness. The systems need to be in place and understood.

[174] **David Rees:** So, what you really want out of any agreement is an ability for goods to go through as they are now, effectively, but maybe some extra paperwork done behind the scenes so that the flow is not disrupted. That's what you're looking for—

[175] **Mr Yarsley:** Yes, or an agreement that things will change with a transitional basis—you know, a transition agreement. So, we go to the future trading model, but there is an agreement that things will slowly adapt, because I learnt that, when we joined, our tariffs didn't change overnight when we became a member of the European Economic Community; it took a couple of years before tariffs harmonised through the EEC level. So, on the exit, it's not beyond imagination to have a stepped process to get to the new arrangement, but over a period of time that's agreed by both sides.

[176] **David Rees:** So, basically, we are saying: exit, divorce agreement, future arrangements, transition all need to be negotiated prior to round about six months before March [correction: March 2019], to allow other bodies to agree on that. Okay, thank you. Dawn, do you want to ask questions on transition?

[177] **Dawn Bowden:** Yes, just a few questions around the need for transport infrastructure investment. What seems to be a hugely important process that we're involved in at the moment is the TEN-T network, and the amount of money that's coming in to develop infrastructure towards the ports and so on, and there is some uncertainty now about what the UK's position is going to be around that agreement. Can you just say a little bit more about what your concerns would be around that, and, if we can't access funding through TEN-T, what your suggestions or thoughts might be on how we are going to have to deal with the infrastructure through to ports, particularly the rail freight infrastructure into the ports?

[178] **Mr Buchanan:** I can't comment on the rail freight infrastructure stuff because I'm completely unfamiliar with it. In terms of infrastructure relating to the TEN-T network, or basically our domestic infrastructure, which is what we're talking about here, we really should be masters of our own destiny there. We shouldn't be relying necessarily on other people to give us a few quid just to add to what we need to be doing ourselves for our own interest. I am unconvinced that some money not coming in from the EU should dramatically impact on what we as a nation should be doing for our own infrastructure. We need to invest in our infrastructure so that we maintain the UK's competitiveness and productivity. If we fail to do that, then we shoot ourselves in the foot. It's within our own gift, whether we're in the EU or not in the EU, to invest properly in the infrastructure for our businesses and our people.

[179] **Mr Gallagher:** I can only echo that. My concern is the Welsh Government's ability to pay for the infrastructure that we need in Wales, and, to a large extent, my experience of development of infrastructure in Wales is that, frankly, it's a lot better than it is, perhaps, in England. So, we do rather well in Wales from that point of view. Admittedly, a lot of that money is European money, so we need to understand where that shortfall is going to come from to keep the standards we've already got in Wales. So, I think it's valuable.

[180] There are also other things on the TEN-T network that we need to push Government on as well. Forgive me for adding this, but I think, as a Welsh Government, you should push central Government to make the tolls on the Severn bridge—to scrap them altogether. That's part of the—

[181] **Dawn Bowden:** That seems to be everybody's policy at the moment.

[182] **Mr Gallagher:** It does seem to be, but hopefully they go through with it. Obviously, as far as traffic with Ireland, I know that Welsh Government are already looking at the Menai bridge, or the development of another bridge.

[183] **Dawn Bowden:** And there is—yes, sorry.

[184] **Mr Gallagher:** So, those are the sorts of things, priorities, that we need to look at, and it is this west-to-east, east-to-west connectivity that we need to ensure that we get funding for, because that hasn't just got a Welsh national priority; it's got a UK-wide and European priority, and that's obviously why it's got that TEN-T classification. I think central Government can't wash their hands of that funding or that responsibility. We need to push back a little bit to make sure that we've got the funding in Wales to be able to actually carry on developing the routes.

[185] **Dawn Bowden:** It's two separate things, though, isn't it? It's about developing the strategy, because there is Welsh Government responsibility for developing the infrastructure and the strategy, including a ports strategy, and at the moment tapping into EU funding that isn't guaranteed beyond 2020. So, we don't know where the funding post 2020 comes from. That's part of the problem.

[186] **Mr Gallagher:** And that's the priority. That's the big question mark, really, that we need answering.

[187] **Dawn Bowden:** So we're going to have a strategy, but we need to fund it in some way, don't we?

[188] **Mr Gallagher:** We need to fund it in some way. Unfortunately, the Welsh Government haven't got the powers or the money—

[189] **Dawn Bowden:** Not yet.

[190] **Mr Gallagher:** Not yet—to actually be able to fund it.

[191] **Dawn Bowden:** Okay. Do you want to say something on rail?

[192] **Mr Smith:** Unfortunately, the rail infrastructure serving Welsh ports has been allowed to decline in recent years, partly because the traffic wasn't there, because of the structural changes in the port industry and in the steel

and coal industries in particular. So, there hasn't been a requirement to invest, but, if these changes are going to occur, and if Wales is going to benefit from Brexit, if it brings benefits—I know we've talked here about short-term problems, but we have to also look hopefully towards a longer term future and future benefits—then it will—

[193] **Dawn Bowden:** It will bring some opportunities, yes.

[194] **Mr Smith:** That's right, opportunity—then it is important that the infrastructure investment will have to be funded internally rather than through Europe.

[195] **Dawn Bowden:** And would you see the improved infrastructure as being something that could mitigate some of the other concerns that you have about backing up, or is that still going to be potentially a problem? This is for all of you.

[196] **Mr Smith:** I think that's a separate issue, but what I do think is that the growth in world trade is in containers. Rail freight is making a major contribution to moving containers around the country—over 25 per cent of all containers docking in the UK are now distributed by rail to national distribution centres, et cetera, around the country. If container traffic was to grow in Wales, through Holyhead for example, on Irish traffic, it's going to need investment in the rail infrastructure, improving the loading gauge of the railway network, which at the moment is dependent on electrification processes, and even that doesn't guarantee delivering a fully effective rail freight network.

[197] **Dawn Bowden:** Of course, yes. Okay, that's fine. Thank you, Chair.

[198] **David Rees:** Can I ask what discussion you are having with the Welsh Government? Because, clearly, as you say, the infrastructure issues are important for Welsh Government, but also they will be taking over the ports as of very shortly, when the 2017 Act allows them to, other than Milford Haven. So, have you had discussions about their strategy for both the infrastructure towards Welsh ports and the infrastructure within Welsh ports themselves, particularly if you're talking about capacity and holding areas? God forbid we have a need for an M20 car park, but the concept would be—what type of situation could be in place to handle circumstances like that?

[199] **Mr Gallagher:** More recently, since the last six or seven months

probably, not as regularly as we used to, as part of the development of the Wales freight strategy or the transport strategies, they are recommendations that—. The RHA, the FTA, and the Rail Freight Group sat on the working groups for those, the development of those strategies. They are actually priorities that we put forward as part of those working groups—the Wales freight group, for example, and the initial development of the Wales freight strategy from 2005 onwards. So, they are recognised priorities for everybody sat this end of the table to take forward and speak to the Welsh Government on. So, they do understand that they are priorities from our side.

[200] **David Rees:** But when would you expect the Welsh Government to set out its own strategy, particularly in relation to these areas?

[201] **Mr Gallagher:** I was going to do that then, but—

[202] **David Rees:** When would you expect them to be able to put something—? On the basis of Brexit and likelihood of indications of Brexit, when do you think the Welsh Government should be setting out its strategy for you?

[203] **Mr Gallagher:** They've got to be doing that as soon as possible, but like everybody else—and I'm probably sticking up for the Welsh Government to a large degree here—we don't know yet exactly what that's going to look like. I mean, you can actually have—. Carwyn, the First Minister, has already put out his priorities. He's put his priorities down, but that's probably as far as—. Other than a wish list of what we want at the moment, those discussions have got to be had. You can have that, you can write that list down, but that may have very little bearing on what the discussions may finally produce. So, to some extent, I think the Welsh Government need to be able to be in a position, working closely with central Government, to understand what the implications of Brexit are for the Welsh economy, for Wales, so that they can develop their own strategy moving forward. But, at the moment, they've already got an idea of what we want for Wales, and that's all we can do at the moment, and that's push, push, push that with central Government to make sure that they're reflected in any discussions they have eventually with the Commission.

15:15

[204] **David Rees:** You seem to be re-emphasising a point we've had from several witnesses in the various inquiries, in that the Welsh Government

needs to be perhaps in a greater position to influence the UK Government, and those negotiations need to be very tight and—. The inability of the Welsh Government to understand what the UK Government is doing is hindering its ability to deliver its own strategies.

[205] **Mr Gallagher:** They're having to guess.

[206] **Mr Buchanan:** It would probably be very useful if the Welsh Government could explain its perspective to the UK Government. It would also probably be quite helpful if the Welsh Government engaged with partners on the other side of the Irish sea, because your ports are directly pointing towards Ireland, and understanding how they feel and the issues that they have is probably quite important for you to get a sense of what they see as the risks. We've talked about port health and the customs issues. At the end of the day, both sides are going to have to deal with the customs relationship. And, whilst the UK Government can be responsible for what it puts in place, we have 27 other countries that are going to be also thinking about what they're going to put in place, and, if we think the UK Government is perhaps not where it should be in terms of customs and what needs to be put in place, I can tell you they are a hell of a lot further forward than probably our European partners are, because for us it's a little bit more important than it is for many of our European partners. And, certainly, from the discussions that the RHA have had, and the FTA will have had as well, in the European forum it's pretty clear that many people were sitting on their hands until article 50 was declared, and no action was actually taking place in any meaningful sense in a lot of the parts of Europe. Domestic elections also play a part in some of this as well, and slow things down. So, this is where we come to the issue of how do we actually cope with the amount of work that needs to be done to ensure supply chains so that the food doesn't back up, either imports or exports—it doesn't matter; empty shelves are empty shelves whether they're empty shelves here or in France. We need to make sure that the flow of traffic actually is maintained so that we actually don't run out of widgets for our factories or food in our shops.

[207] **Mr Smith:** To answer your question, Mr Chairman, I would suggest that—we talk on this side about there's a lot to be done, and we don't know yet, et cetera. But I think Welsh Government needs to be actively involved in what I'll call optioneering, so that it should have a range of solutions available to deliver quickly once the shape of the likely arrangements becomes known, because it's no good getting to 18 months down the line and then we discover what it's going to be like and then starting to review

options. We need to be optioneering now so that we're ready to go when the shape of the new structures and relationships are known and agreed.

[208] **David Rees:** And are you of the view that they are not in that position as of yet?

[209] **Mr Smith:** I've seen no evidence that they are. Whether they are in the background, I don't know. I've seen no public evidence of it.

[210] **David Rees:** And you've been not involved in preparations in that sense.

[211] **Mr Smith:** That's right.

[212] **David Rees:** Okay. Do any other Members have questions?

[213] **Mark Isherwood:** I was going to ask a wrap-up one, really, in a way, but I think you will finally conclude. But you've highlighted a number of risks, and some proposals to address those risks. Are there any other suggestions you might have to mitigate risks or simplify processes in the various scenarios as we go forward?

[214] **Mr Buchanan:** I think there may well be, depending on what happens in the next six months in particular. I think in six months' time people are going to be starting to look at what's happening in supply chains and making serious decisions about what they're going to need to do. Some of that may actually be changes in the way that they move goods. In some cases, the widgets might actually get containerised. If they get containerised, I would suspect that the Welsh ports would lose out in a containerisation of Anglo-Irish trade because those goods would almost certainly end up at the port of Liverpool, or perhaps Bristol, where there are extensive container-handling facilities already in place. Cardiff may have some; I'm not so familiar with Cardiff and what Cardiff has got. I'm sure Cardiff may well be in a decent position as well, but Holyhead I don't believe has container handling facilities of any significant nature.

[215] So, you could actually have supply chains evolving in a very different way from what we have now. The cost of that is that it will make our industries less efficient. It makes the supply chains slower. It makes delivery slower. It means there'll be more dwell time, more stocking of goods, and all of that costs money. So, in six months' time, logisticians will be really

looking at which direction this is going in. That may be one solution. Some people have actually talked about unaccompanied trailers as a way of getting the driver out of the mix. Those are very, very land-hungry type operations. We in the RHA don't believe that that's actually a significant contributor as a mitigation.

[216] The other thing that people are going to need to be looking at is—to talk about your infrastructure issue—the holding areas pre departure or post arrival. What happens around not being able to clear goods at a port because there isn't space? Do you allow the trucks to drive 10 miles down the road and have a big customs clearance area or do you do it before the goods even leave? How do you do that bilaterally? These are really significant questions. In six months' time, when we have a bit more of a shape, they may actually need to be addressed by the Welsh Government and other Governments around the UK.

[217] **Mr Gallagher:** Just building on what Duncan's just said there, I think, as far as the holding areas, due to drivers' hours—obviously, if there are delays it means drivers will run out of hours or drivers will look to amend their routes to ensure that they are able to actually get to the ports within their hours. But what it will also mean if there are delays is you're going to get more and more heavy goods vehicles on the A55, in lay-bys, potentially. There's a lack, generally in the UK and Wales—including Wales, rather—of parking facilities, overnight facilities, for HGVs. So, there needs to be some consideration, based on need, for overnight facilities for lorry drivers—parking arrangements so that drivers, if they are waiting to go to the port, they've got somewhere to go, rather than filling up lay-bys and off road.

[218] **David Rees:** Can I ask one final question, then, because I'm conscious of the time? You've talked about the possibilities of risks. Is there a risk also that, if there's a soft border between Northern Ireland and the Republic of Ireland, but a harder border between the Republic of Ireland and the rest of the UK, that your members may find—or others may find—it easier transition-wise to go via Belfast to Liverpool and down? Is that something that you've considered as a risk to the Welsh ports?

[219] **Mr Gallagher:** Do you want to answer that?

[220] **Mr Yarsley:** If there was going to be an arrangement on the island of Ireland, my personal opinion is it won't be extended to Great Britain, so therefore the external border will just be the entire coastline, not including

the Northern Ireland border. So, the challenges don't change there, I believe. And—

[221] **David Rees:** But that could cause a problem for traffic that is based in Northern Ireland to the UK.

[222] **Mr Yarsley:** Absolutely, and will—again, totally personal—that survive any kind of challenge to the Supreme Court in London to say, 'Well, why are we being treated differently? We're a part of the United Kingdom of Great Britain and Northern Ireland.' So, it just adds, and it is complicated, because companies, businesses, these days—. The UK and Ireland are one market, so anything being put in—. The arrangements would be the same for the whole of the island of Great Britain. We will have to do the same going into France or into Spain or wherever, but it is notably more difficult for Wales into Ireland because of the nature of supply chains in this part of Europe.

[223] **David Rees:** Okay, thank you. Well, thank you very much for the attendance this afternoon. It's been very interesting. You will receive a copy of the transcript for any factual inaccuracies. If there are any, please let the clerks know as soon as possible so we can get them corrected for you. Once again, thank you very much for your time. We'll go into a short break for five minutes whilst we change witnesses again.

*Gohiriwyd y cyfarfod rhwng 15:25 a 15:36.
The meeting adjourned between 15:25 and 15:36.*

**Ymchwiliad i Oblygiadau Gadael yr Undeb Ewropeaidd i Borthladdoedd
Cymru—Sesiwn Dystiolaeth 3
Inquiry into the Implications of Brexit for Welsh Ports—Evidence
Session 3**

[224] **David Rees:** Can I welcome Members back to this afternoon's evidence sessions for the External Affairs and Additional Legislation Committee? We continue our evidence gathering in relation to the impact of Brexit on Welsh ports. I'd like to welcome representatives of the ports and shipping lines to us this afternoon for the next evidence session, and, for the record, if you'd like to introduce yourselves—if we move left to right—and the people you represent, please.

[225] **Mr Walsh:** Thank you. Good afternoon. My name's Paddy Walsh, I'm

the UK ports manager for Irish Ferries. I'm responsible for our operations in the port of Holyhead and Pembroke Dock.

[226] **Ms Malloy:** I'm Anna Malloy. I'm the public relations and communications manager for the port of Milford Haven.

[227] **Mr Jones:** Andy Jones, deputy chief exec at the port of Milford Haven.

[228] **Mr Davies:** Ian Davies, Stena Line, representing ferries and ports within the region.

[229] **Mr Couper:** Callum Couper. I'm port manager for Associated British Ports at Cardiff and Barry, and chair of the Welsh ports group.

[230] **David Rees:** Thank you very much. Clearly, the decision of the UK public to leave the EU has implications and we're trying to assert the implications that has on Welsh ports—on all Welsh ports, I will stress, not just the ferry ports. But perhaps you might want to give us some initial views—and keep them brief if you can, because there's five of you—as to both the opportunities that may arise, but also the risks that may arise, and perhaps, following that, as to the discussions you've had with either the UK or Welsh Governments in relation to strategies to address those opportunities and risks. So, if we start with Mr Walsh, and we'll go left to right again, okay.

[231] **Mr Walsh:** Certainly, yes. The committee's had a copy of my written evidence already.

[232] **David Rees:** I was remiss, I apologise—for the written evidence we've received, thank you very much for that.

[233] **Mr Walsh:** No problem. I'm not going to read it verbatim, I'll just talk generally about it, and please stop me if you have any questions, if that's okay. So, in terms of risks, the most significant risk for us is this question of hard Brexit and soft Brexit, which has been used widely in the media. If, at the Northern Irish land boundary, there was a soft Brexit—and we can quite understand the reasons for that, because there's huge economic trade of people who live in the north and work in the south, and vice versa, there's huge trade in agricultural goods moving backwards and forwards. An example of that would be milk that's exported from the north to the south and turned into added-value goods, such as baby food, milk powder, et

cetera. So, it's a huge economic trade. We can understand the reason for wanting to keep that open, but that could potentially undermine the business that currently goes through the roll-on, roll-off ports in Wales. At the moment there's something like 84 sailings a day between the island of Ireland and the UK, and approximately 50 per cent of them are through the south, and a huge swathe of that traffic goes through the Welsh ports. So, if there was a hard Brexit at the Welsh ports, the direct sea ports, and a soft Brexit at the border, it follows logically that it'd be more expedient and easier to move your traffic if you went via the Northern Irish land boundary. So, it wouldn't happen overnight, but it has the potential to reverse what we've achieved in the Welsh ports since 1993, for the reasons I've given in detail in the evidence. So, that's the main risk and it's a huge risk that shouldn't be underestimated. Also, to make it clear: what we're after for the Welsh ports is not any specific advantage, but a level playing field. That's what we want. What happens at the Northern Irish land boundary should happen at the Welsh ports, and then it's equal trading for all parties, then.

[234] In terms of opportunities, I'm sorry that there isn't a huge scale of opportunities, other than, as I put in our evidence, we've just ordered a new ship, which is going to be operating Holyhead to Dublin at a cost of €144 million. We've done that because we believe there's a bright future. If we get Brexit right, there's a bright future for the Welsh ports, and we wouldn't be putting our money where our mouth is unless we believe that could be done. But what we're continuing to do is to work through the UK Chamber of Shipping, with the other ferry operators, to arrive at a sensible negotiated solution for what will happen at the borders in terms of movement of vehicles. And we've got our next meeting with the HM Revenue and Customs Brexit team in London on 21 June to discuss that further.

[235] **Ms Malloy:** I'm going to pass over to Andy Jones, who's going to answer on behalf of the port of Milford Haven.

[236] **Mr Jones:** Obviously, Irish Ferries are one key part of our ports, so I won't propose to duplicate any of what Paddy has already said. Being more of an optimist, I'll start with the opportunities: creation of port zones, as we have referred to them. So, what's a port zone? We're talking about an economic zone, some relaxation of environmental regulation, maybe some expediting or deemed consent around some planning laws. We think that would have significant opportunities in terms of boosting investor confidence to undertake some of the very significant timescale projects. I think, also, it just makes it a little easier to invest and operate currently, and growth—. As

you may be aware from our written submissions, we operate in an area of special conservation already, and I think there's a balance to be struck there. Some of the EU current regulation, such as the habitats regulation, may be something that we would be looking to see how we may be able to get a better balance between appropriate environmental protections and other planning, but yet create a bit more of an opportunity there.

[237] In regard to fishing, the port of Milford Haven is still Wales's largest fishing port, although the volumes are certainly nothing like they used to be, historically. The majority of that freight landing is coming in from Belgian and Spanish fleets, currently, so they're fishing in UK waters. There is, I think, an opportunity, therefore, for a funding stream for UK and Welsh fishing industries, and potential ideas around an indigenous fishing fleet, because the current indigenous fishing fleet would certainly not be able to fish the quotas that the Belgian and Spanish are fishing and landing in our port today. The size of vessels et cetera are far different, as is the level of equipment. So, just to give you a flavour of that, the majority of our indigenous fleet is 10m or less, currently, and I know, personally, I wouldn't want to be out in some of the waters in a small craft like that.

[238] So, potentially, there is, I think, also an opportunity to have a taskforce to look around the sort of health, safety, compliance aspect of it. You read, far too often I'm afraid, about some of the tragedies that have happened, even just last year around our port, with some of the fishermen who use our port as their home base. It's a very difficult issue to tackle, but I think there are certainly opportunities in there, and then in tying in with that, I think there are opportunities around supply chain. You know, how do we feed into the supply chain? And I think that's an interesting area, because that would also take us into aquaculture potential. Aquaculture, currently quite often, certainly in terms of salmon, is dominated by Scotland, and we think that that, again tying back to my comment around port zones, is a definite area of opportunity in Wales. But it's very difficult currently to sort of get access and get momentum and build that, and we find it quite difficult, therefore, to get investor confidence that this is something to really go for. So, I think there's an opportunity to look at those areas, and see if there's a balance that can be struck.

15:45

[239] In terms of risks, obviously some of those opportunities are addressing a few of those risks. The only other risk I'll mention briefly is the

general block exemption that was recently passed in the EU. So, that's allowing a subsidy of up to €150 million by the member states directly to the ports. So, based on the history, I think we would fully expect many member states to take full advantage of that, and I think the risk is that the UK will need to make sure it needs to follow suit with that opportunity, otherwise the competitive landscape—you know, €150 million is quite a chunk of money and you can do quite a lot with that. And I think we will want to make sure that the UK and obviously, to the extent that funding would allow, the Welsh Government are aware of that block exemption being in place and how that might affect competitive landscape.

[240] **David Rees:** Thank you. Before I move on, can I ask one question? You talked about the fishing as an opportunity, but just clarify for me: if they are overseas-owned fishing vessels, which, as you say, are mainly Belgian or Spanish boats, is there also a risk because, if we don't get the negotiations right, they may decide not to land in Milford Haven, and land in an EU country instead?

[241] **Mr Jones:** Absolutely. I think that's what I'm saying: there's an opportunity, and there's a certainly a risk with that on the opposite side of things. So, absolutely correctly, much of the product that is landed in the UK will go to Europe anyway, in terms of where the market demand for it is. So, you're absolutely correct: there is a definite risk that they could just revert straight to the European ports.

[242] **David Rees:** Thank you. Mr Davies.

[243] **Mr Davies:** Just to reiterate, really, what my colleague Mr Walsh picked up on there: I represent the ports of Fishguard and Holyhead; we have 28 sailings a day. Over the last 25 years, we've had unparalleled growth, especially in the freight market. The freight market for us has grown from 74,000 units back in 1992—this year we're probably going to go around 450,000 freight units, through Holyhead alone. It's the second-largest ro-ro port in the world—in the UK, apologies. And that growth has really been on the back of open port policy. That has a consequential knock-on effect as a ferry operator. It's a ro-ro/passenger market—that is, it carries freight and it carries passengers, and you need that balance in the market to make a successful business out of it. If you disturb one of those flows, you are disturbing the whole business model. And therefore the consequence, instead of having 28 sailings a day, you may end up with a lot less connectivity to Welsh ports. So, my biggest concern—like Mr Walsh really—is

this ripple in the supply chain between Wales, the UK and Ireland, and Northern Ireland, and the unknown entity. As a ferry company and as a port operator, we look for long-term stability. We're an international group and we need long-term stability. We're looking for investments, and we don't have long-term stability presently in the market to look forward. So, we have concerns on long-term stability and then we have concerns about the disturbance in the current logistics chains that could be caused by a hard Brexit.

[244] **David Rees:** Mr Couper.

[245] **Mr Couper:** Thank you. Representing the Welsh ports group and the full range of ports in Wales, and you've heard from Ian and Paddy regarding the ro-ro ports, and beyond that, the more general cargo ports, those facilities that are either supporting businesses very close to the port itself, or indeed supplying businesses in the midlands or other areas—. Ports are very powerful facilitators of trade: 95 per cent of the UK's trade goes across a quay, and the enhanced offering they make to regions can't be understated, and if you look at south Wales, with companies like Tata and Dow Chemicals, and up in the north, with Airbus at Mostyn, the ro-ro ports, and also the west, with the energy sector in Milford Haven, they're all specific and very important to UK plc, notwithstanding the Wales economy.

[246] So, in terms of the prospect post EU, of course ports are adaptable, and there is opportunity if there is going to be a greater trade and new bilateral agreements with countries that we don't currently necessarily do a great deal of trade with, and the ports are facilitators to achieve that, but what they do need for that is availability of industrial land. Ports can supply some of that themselves but it's not—it is a finite amount. The port of Cardiff, here, has got a certain amount of land that can be used for inward investment, and we have had inward investment where value-added activity takes place in the port estate. It comes in across the quay and then it goes out across the quay. That brings employment and requires higher-level skills. So, for ports to really reach their potential for new traffic and inward investment, which is what we all want, there has to be good-quality industrial sites in the proximity of the ports that are connected to the ports. That is an area, I think, I'm not sure I understand entirely in terms of what supply is there. A lot of the sites have been taken up with housing, with the big retail multiples and that sort of construction or use, and where we have got land, or where there is land ostensibly available, it may be land that could take quite a long time to bring to the market. It may take many years

to raise up the land so that it isn't affected in the long run with sea level change, and also needs to be serviced with electricity and water and roads—that connectivity. So, that's an area that I think offers opportunities for the future, but it could also be a risk if these sites aren't ready, because the longer it takes to bring a site for a new enquiry, then, clearly, there can be disadvantage.

[247] I think Andy also mentioned a sort of port-zone concept and having an overlay within sites that are close to ports where the fiscal regime and the spatial and environmental planning regime provides for quick delivery and answers the market quickly. Also, perhaps, moving outwith the EU, where state-aid rules may offer new opportunities in terms of how business is supported, moving into areas, and where by what criteria development is supported, compared to how it is now—. So, those are perhaps opportunities, and there are some constraints in there.

[248] **David Rees:** Can I ask a question to you? Excluding the three ferry ports, clearly the other ports deal in a lot of bulk and container work. Do you have an idea of the percentage of bulk compared to container imports that we experience, and do we then have the capacity to increase the container, because, if there are issues, that's another option to us?

[249] **Mr Couper:** Well, there isn't a great deal of lift-on, lift-off container activity in Wales. There is a service from Cardiff that links to the island of Ireland, but the potential is there to expand lift-on, lift-off services. The ports may be quite specialist in what they offer, but where they are general cargo ports, then they tend to be more adaptable to uses, and you can re-purpose areas of the port to where demand is, either in the mode of transport or the commodity, or indeed some conversion from raw material into a finished product or an intermediate product.

[250] **David Rees:** So, there is capacity for conversion and development?

[251] **Mr Couper:** There is, but it's not unlimited, and I think that links to the point I was making: if this is going to become a trend line, if there is potential for increasing, perhaps, through port zones being friendly towards having outside investment being made where they want to achieve something that's either supplying the UK market or is being converted and sent out again on a free-port basis, that there is land available to do that. And that is, I think, an area that needs some consideration, to see if we are equipped to quickly respond to opportunities that may arise.

[252] **David Rees:** Thank you. I've got some questions from colleagues now. In particular, obviously, the possibility of leaving the customs union has a major implication for our ports and Mark would like to ask some questions in relation to the customs checks and customs union impact.

[253] **Mark Isherwood:** What suggestions do you have over how to mitigate risk if customs checks have to be introduced into Welsh ports as a consequence of whatever happens?

[254] **Mr Walsh:** I'll answer that first, if that's okay. What we've been engaging with so far through the UK Chamber Of Shipping, with the other ferry operators and HM Revenue and Customs officials, is to look for an IT-led solution, but that requires a huge amount of investment once the trade agreements are in place. Because what we can't go back to is all vehicles being stopped and being checked. If I could just go back a stage in history—to 1993, in January, when the requirement for customs entries was removed when we achieved full member status—what happened was there was still work to be done, because VAT still had to be paid by traders, and duty still had to be calculated where it was applicable. And that was done in something called the authorised economic operator status, where all the work was essentially deferred to traders' premises. So, what we would see—and this is what we're starting to explore with HM Revenue and Customs—is that concept being expanded. But it requires the co-operation of the other member states, because they would have to have reciprocal arrangements in place where, effectively, it was controlled by a computer system—for want of a better expression—and the ferry operators would just receive notification from the individual client's booking that that consignment was okay to move. It would be controlled through the computer system. It's feasible, but it requires huge investment, and requires the co-operation of the other member states that we're going to be trading with. But the key driver for that—. If we look at Germany as an example, the figures have been quoted in the press that one in five German cars are sold in the UK market. So, that's a huge economic market for them, and that's just one example of it. So, despite all of the considerations that appear in the media, there is a good argument for us continuing to trade with reciprocal attractive trade rates between the member states, even if we are just like, say, Switzerland—so, we're not actually part of the EU, but we're a trading partner with close relationships. That's the concept that we'd like to explore further. I don't know if that, Chair—.

[255] **David Rees:** In that sense, you just highlighted that you wouldn't expect, necessarily, investment until after an agreement has been reached. Surely—

[256] **Mr Walsh:** No, I think—

[257] **David Rees:** That's a huge problem.

[258] **Mr Walsh:** Sorry, Chair.

[259] **David Rees:** The timescale, I'm thinking of.

[260] **Mr Walsh:** Yes, timescale is very important, and I would see that the two of them should be running side by side. Because the UK are going to be negotiating, hopefully, as I've said, reciprocal trade rates that are very attractive: zero or 'whatever we have to pay, they have to pay', similar to what the EU has done with countries like Canada, when they eventually reached agreement on it. So, there are attractive rates agreed and they're in place. At the same time, running alongside that, the discussion that we as an industry are engaging with now with HM Revenue and Customs is: how can we make that work so we don't have to go back to checks at the border point? Because we simply couldn't survive that.

[261] **Mark Isherwood:** Did anybody else have any comments?

[262] **Mr Davies:** As a port operator, physically we do not have the land mass to stop and check vehicles. We just physically do not. We have some of the largest ferries in Europe coming in—Holyhead is a prime example—and we do not have the space even to empty those directly into the port. The whole port would come to a grinding halt, and our industry is based on just-in-time logistics. With the uncertainty of how long it will take to get a freight vehicle through the port, the whole logistics industry would come to a grinding halt. It's physically not possible to do it at the ports presently. We do not have the land mass.

[263] **David Rees:** Can I ask you, then, on this point of customs only, if the decision is to leave the customs union, which was the decision of the previous Government—and I understand that may still be the position—is there a situation where you'd want a similar agreement to allow that flow of traffic through? And if not, are you ready to actually undertake some work on any reciprocal agreement? Because if we don't have a similar agreement,

there's going to be some form of agreement for which some form of customs processes will be required. Are we in a position, now, to say, 'Well, we can do that' or is there a real time lag before you're in a position to actually say, 'We're ready now'?

16:00

[264] **Mr Walsh:** There are already systems in place now. They've got a system called CHIEF, which is customs handling of import and export freight. That's the computer system that controls the movement of non-EU goods coming into the UK. But that system is on its last legs, and is already in the process of being phased out for replacement. I can't remember the acronym for its replacement—forgive me, I haven't got it on the tip of my tongue—but there is a replacement being phased in. But that replacement that they're proposing to bring in wouldn't cope with the volume that would be required in this new scenario if it was all electronically controlled. So, there would need to be significant investment.

[265] As I say, that's why the best course of action for us as ferry operators at the moment is this engagement with HM Revenue and Customs teams, because we're talking to like-minded people who are trying to find practical solutions; they're not looking to put up obstacles. So, as long as the revenue and the Crown is protected, and there are no preventable risks, they want to engage and have dialogue with us to find that solution. As you said, Chair, that should be going on now alongside the negotiations that are about to start for trade agreements.

[266] **Mark Isherwood:** You mentioned costs a few times as being very expensive. How will the changes that you foresee might be required be funded? Who would pay for them? Would it be the ports themselves? Are you looking to Government or some other third party investment?

[267] **Mr Walsh:** Usually what happens—. I don't have a definitive answer to that, because it's such a fluid situation that we're in, but, usually, it would be a combination of all of those. The traders themselves will have to bear the brunt of some of it and they'll try and pass that on to their traders' partners. So, if you were exporting to France, there would be some arrangement there where you would have to invest in the technology and, similarly, the company in France that you were trading with would have to do the same. The ferry operators would have to invest in technology to be able to recognise this electronic exchange of data. So, I think it would be borne out by Government

and across the wider community—that's the ferry operators. I'm not volunteering to pay for it, but I think everybody will have to bear a cost to find a solution that makes us remain efficient.

[268] **Mark Isherwood:** And again, does anybody else have a comment in the context of IT or other practical changes that might be required?

[269] **Mr Jones:** I just think in terms of the practical changes, slightly echoing—. But, certainly, at Pembroke, we probably have a bit more room than most when it comes to the ferry side of things. Correct me if I'm wrong, Paddy, but I think there is a higher level of unaccompanied freight at Pembroke than there may be on average. Therefore, we do have a little more space, but, even with that, I think very quickly, that would be very full and you'd be seeing that the ferries wouldn't be able to move so quickly because we wouldn't be able to take the freight off, and the freight trying to get on would be somewhere down the A477, having gone through the town of Pembroke Dock very quickly, because there is no other room for it. So, in terms of being able to find contingencies or solutions to that, there isn't one, because the dock and the port are surrounded by the town itself. There is nowhere to go in that context.

[270] **Mr Davies:** Just picking up that point, ultimately, who will pick up will be the consumer. Ultimately, we can't just bear these additional costs, so it'll be passed on to our freight customers, the freight customers will pass on to their customers and, ultimately, they are the consumers. So, ultimately, this cost will be borne somewhere along the line by the end user, and that's normally the consumer.

[271] **Mark Isherwood:** What, if any, options are there to simplify processes beyond the matters we've discussed?

[272] **Mr Walsh:** I certainly think the procedure I outlined is the key to it, because it's based on what currently happens with the traders now—authorised economic operators who are trading. It's how the VAT in and out of their businesses is recorded. So, the foundation blocks are there, if you like. But that's in very simplistic terms and it just requires this huge uplift, both in terms of technology and investment.

[273] **Mark Isherwood:** What timescales, finally, do you feel—? Notwithstanding the 2019 two-year article 50 time frame, what time frame would you need to implement the changes required and how do you feel that

that should be accommodated if it goes beyond 2019?

[274] **Mr Walsh:** From our perspective, as a ferry operator, we can do that quite quickly in terms of being given the gateway. So, the protocol or gateways that are established for this electronic media communications—whatever you'd like to term it—once that framework is set up, and the IT people talk, it's just a question of you then investing in the correct protocol to be able to have that conversation with a trader in France via the haulier, who would be our principal, to show that that particular vehicle is cleared. So, for us—I don't want to oversimplify it, but it's relatively simple to do if they will give us the protocol, if the system is there. But it's reaching agreement with how that system will operate, and it can't just be HM Revenue and Customs saying, 'There we go, there's the new replacement for CHIEF, and that's how it's going to work'. It's got to be with our trading partners in the other EU member states. It won't work by itself.

[275] **Mark Isherwood:** And the ports—*[Inaudible.]*

[276] **Mr Jones:** Again, a very similar answer. Although the port of Milford Haven doesn't directly manage, for example, CERS3, to use a similar comparative in terms of reporting, again, once the protocols are set up, we can respond to those in a reasonably quick time frame. I think that's maybe not so much of a challenge.

[277] We've talked quite a bit there about ro-ro, and the other part of answering your question is around maybe some of the bulk activity. Certainly from the conversations with the shipping agents who would handle that kind of activity currently, they don't really see—they rarely deal with WTO rules and things like that. So, as one quoted to me, 'Whether it's this form or this form, I've still got to fill out one form'. In terms of the bulk activity, the cost isn't really so much of an issue with some of the current kind of things. So it really depends. I think there's an opportunity to deal with bulk much easier than it would be to do something with ro-ro traffic.

[278] **Mark Isherwood:** And Holyhead in terms of the practical constraints regarding land, for example—could that be accommodated within a time frame, or is time not the issue?

[279] **Mr Davies:** Looking at it generally, if you want to reclaim land, you have to have agreements with the Crown Estate, and then you have environmental concerns, and then you have to raise the capital, and of

course to raise the capital you need some degree of certainty before you can raise that capital. So, in the short term, in the time frame we're currently looking at, no, I don't think it's physically possible to come up with a physical land mass to absorb some of these traffic flows. We're looking roughly, at our peak, at 400 freight units an hour coming off the ferry. Each freight unit is 16m long. That's one long traffic jam coming out onto the A55.

[280] **Mark Isherwood:** Thank you.

[281] **David Rees:** We'll move on to questions from Dawn.

[282] **Dawn Bowden:** Thank you, Chair. I just wanted to ask you a little bit more about the implications of trade with Ireland. I think, Mr Walsh, you touched on it right at the beginning, so we'll just explore that a little bit more. The UK Government seems to be very clear—as does the Irish Government—that certainly we want to retain the soft land border with the republic, but there could be more restrictive access through the ports, between UK and Irish ports. Can you say a little bit more about what you think that could do—the implications for trade through the Irish ports?

[283] **Mr Walsh:** Do you want me to answer that?

[284] **Dawn Bowden:** Yes—well, any of you.

[285] **Mr Walsh:** My concern is that it could be devastating. In the evidence I've submitted, I've shown how the port of Holyhead has grown since 1993 for a number of reasons, the most significant of which was the customs change, and then investment by ourselves and Stena has allowed the port to grow by 627 per cent in terms of its throughput, whereas the market has grown by about a third of that. So, we've attracted business to the Welsh ports, which is hugely significant. But the Northern Ireland route still has 50 per cent of those 84 sailings a day we referred to. So, if there was a soft border and vehicles were going to be delayed for several hours at the Welsh port or the Irish port, then traffic could be re-routed, and the ferry operators there could put on additional sailings. It's feasible. As my colleague Mr Davies said earlier on, there are 20 sailings a day from the port of Holyhead, between ourselves and Stena, and then in Fishguard and Pembroke there's another eight sailings a day. So, we've got 28 sailings a day, but traffic could just be shifted north.

[286] **Dawn Bowden:** So the concern would be that the trade would come straight from Europe to Ireland and would bypass the UK altogether, basically, in some areas.

[287] **Mr Walsh:** No, it would use the UK as a land bridge, as a stepping stone—

[288] **Dawn Bowden:** As a land bridge, yes.

[289] **Mr Walsh:** —but, equally, traffic that originates in the UK or Ireland could move via the Irish land boundary, if there was a soft border in place.

[290] **Dawn Bowden:** So the common travel area is an absolute given from your point of view in terms of needing that to continue.

[291] **Mr Walsh:** It's more about the level playing field argument really. If we end up with a hard Brexit at Welsh ports and it's dealt with through a technological solution, then that hard Brexit has to be in place at the Irish land boundary as well.

[292] **Dawn Bowden:** Do any of you have a comment on that? Mr Jones, yes?

[293] **Mr Jones:** I mean, stating the obvious, the impact does have a significant impact for Wales, potentially, here. So the freight traffic in Wales could just, I wouldn't say 'dry up', but it would significantly reduce and it would just go—. I think business would just seek the easiest solution.

[294] **Dawn Bowden:** The easiest access.

[295] **Mr Jones:** So, they would just go from Liverpool and Heysham up into Scotland—take your choice. That would become a very feasible opportunity I would expect. Just thinking as somebody trying to move some freight, I need to do it in the easiest, least resistant way; that would be pretty obvious to me. The other point—so, again, away from ro-ro—some of our large terminal customers use Ireland as a distribution point for petroleum products in particular. I'm not au fait with their business model, but certainly delays and additional costs, potentially, in terms of tariffs or other activities like that would have a significant impact on them. I don't have the details of that—obviously that's not my business per se—but I think there are some fairly significant anchor businesses there, and I think that would be worth a bit more investigation of what the impact on them would be.

[296] **Dawn Bowden:** Absolutely, okay. The—

[297] **Mr Davies:** Just one more thing—

[298] **Dawn Bowden:** Yes, please, do.

[299] **Mr Davies:** One more thing: redistribution. I see a north–south–east–west. It has to be the same, it has to be a level playing field. If you have a border at a Welsh port, there will be some distribution, but, looking at it with my knowledge, because as a company we also have interests further up, there is not sufficient capacity, overnight, just to absorb that into England. Roughly 0.5 million freight units go through Holyhead, the other—Liverpool, Heysham—is about 300,000 freight units. You would not be able to switch that volume overnight. And, of course, from a ferry point of view, one of the reasons why Holyhead is that it's the shortest crossing. So, any other crossing will possibly be twice as long, therefore you'll get half the utilisation of a ferry, therefore your prices are going to double, your fuel consumption; it's all about multiples. So, yes, there is other capacity in the UK, but it will not absorb the capacity that currently goes through Welsh ports.

[300] **Dawn Bowden:** I understand. I think, Mr Couper, you were talking from the Welsh ports group about having shipping operators looking at options for direct services between Ireland and the continent. Can you perhaps elaborate a little bit more on what those discussion look like, and whether we've got any other companies? Are Irish Ferries are looking at that as well? Do you both want to say a bit about that?

[301] **Mr Couper:** Freight will find a route of least resistance, and the current geography and distribution of freight reflects the efficiency, and efficiencies will be measured in the costs of getting those goods from origin to destination or vice versa. Wherever there is a disturbance in the supply chain, whether it's regulatory or there's a war somewhere, fairly quickly, there'll be other ways—new routes will be established—and this is where some opportunities may arise for individual ports, but not necessarily for the community of interest in total. It all has a cost. It gets passed on to the end user, so it's not necessarily beneficial distribution, but redistribution of trade.

[302] It's perhaps slightly off what you're asking, or what you've mentioned, but I'd also say that some of the assumptions about CHIEF or its successor,

for entry at customs, goods coming in from third countries at the moment, does assume that the 27 other EU states, that that regime, those agreements, will remain the same with the EU, and that we will have the same level of inspection and the same level of certainty over the regulation of goods in terms of their standards, trading standards and safety, and that declarations are taken as what's in the manifest is what is actually there.

16:15

[303] Whether there is a border post—you know, increased inspection requirements—that also will have an effect, whether it's a ferry port or a lift-on, lift-off break bulk port, or a general cargo port. Potentially, there are other factors that may impact on the speed and ease with which cargo can transit a port facility.

[304] **Dawn Bowden:** Absolutely. Mr Walsh, you were going to say.

[305] **Mr Walsh:** We currently operate services already from Rosslare to Cherbourg and Roscoff, and also from Dublin to Cherbourg. The difficulty is the crossing times. From Rosslare to Cherbourg, it's about 15 hours, so you're getting one sailing every other day, essentially, whereas if you take Pembroke-Rosslare by example, the ship's at sea for four hours, in port for two hours, and that happens 24 hours a day, so you're getting four sailings a day versus one every other day. So, there is under-utilisation of the assets. You'd need to deploy a huge amount of ships to be able to carry the same volume, and it wouldn't be economically viable. So, I don't see a threat, given the geography of the situation, in traffic switching wholesale to go direct to Europe from Ireland. I don't see that as a threat currently.

[306] **Dawn Bowden:** I understand. And can you tell me: as ferry operators, have any of you had direct discussions with the Irish Government? I know you talked about discussions with the UK Government, but have you had discussions with the Irish Government at all?

[307] **Mr Walsh:** We've had informal discussions at a junior level, and it's like the cat watching the mouse at the moment. I think the UK—forgive my expression—is the driver for it, really, but Ireland's got a lot to lose from where it is, obviously, because it's at the periphery of the EU. But I think that the argument is going to be made on the Dover-Calais run because of the sheer volume of traffic, and the fact that that connects the land mass of Europe, not just one country.

[308] **Dawn Bowden:** Of course, yes, I understand. Okay, that's great. Thank you, Chair.

[309] **David Rees:** Can I push you on that one? Is there a problem as a consequence of the focus being on Dover–Calais?

[310] **Mr Walsh:** Sorry, Chair—

[311] **David Rees:** Is there a problem, because if the focus is on Dover–Calais, are we going to be lost in the discussions as a consequence of that?

[312] **Mr Walsh:** I think that's a risk, Chair; I see the risk. One of the first things we did when we spoke to the HM Revenue and Customs team is we told them they needed to visit ports, and the first port we said you need to go to is Dover because of the volume, and the next one, as my colleague Mr Davies said, is Holyhead because it's the second largest ro-ro port in the UK. So, we hammer that point home every opportunity that we get, but because of the sheer volume and the economic importance of Dover, and the number of ferry operators there, that's going to be the key driver. And we're going to be running alongside that, and having a valued input into that at the same time.

[313] **David Rees:** Thank you. Suzy.

[314] **Suzy Davies:** I just wonder if I can take you back to—I can't remember who mentioned it now—fishing. I don't want to spend too much time on this, but it could have been you, Mr Walsh, that mentioned—oh, it was you; sorry, Mr Jones—that there was a potential issue if a Dalmatian fleet or a Spanish fleet wanted to land a catch that it had, and that there were problems with the customs area on that. What would be the position if that fleet brought a catch into a port in western Wales and then took it out again, if there was one of these mini free trade zones? That is problematic at the moment, but is available in seaports and airports elsewhere. So, for example, it's an EU catch coming into a port and then going out to an EU country, without actually entering Wales beyond the port boundaries. Is that an opportunity?

[315] **Mr Jones:** Logistically, I'm not sure why they would do that. When the fish is landed currently, it's on ice straight away, into an artic and disappears down the road.

[316] **Suzy Davies:** So, it comes into Wales anyway. That's what I'm asking. There's no other way out.

[317] **Mr Jones:** It would currently come off the fishing trawler, as I say, into the boxes and off on the artics. So, I'm not sure the free-port model in terms of bringing it in and taking—.

[318] **Suzy Davies:** 'Free port', that's it; I couldn't remember the name.

[319] **Mr Jones:** That's really more of a scenario where you're looking to bring in a raw material, add some value and then export it back out without the customs side of things in there. Fishery doesn't quite fit into that unless there was a fish processing activity, I guess, which is possible. We have ourselves—. Our fish processing currently is smaller. We're starting to think, actually, about more of the aquaculture-type ideas. I'm certainly not going to be the expert in this area, but I'd be thinking about growing the product. But I think, most of that product, we would like to see it grown in the Haven anyway. So, again, that would be the UK's. But it's difficult to see, relating to fishing, how the free-port model and fishing come together, unless I'm—

[320] **Suzy Davies:** No, no, I'm grateful for your answer on that, because I've got two questions spinning off from that. One is this: the kind of concerns that you're expressing about this is if there's a hard Brexit, effectively. But if we have a hard Brexit, the chances are those fishing fleets won't be operating in UK waters anyway. This is the opportunity to grow the Welsh fishing fleet. How much effort—? How far behind the curve are we at the moment, because, as you said, we've only got the minus-10m fishing stock at the moment? Is it too ambitious to say we could grow our Welsh fishing fleet expeditiously?

[321] **Mr Jones:** I'm not sure. Well, as a port, it's not something that we would be getting into directly. As a personal view—

[322] **Suzy Davies:** Personal view is fine.

[323] **Mr Jones:** I'm seeing an opportunity on that side of things. I think there is probably quite a lot of work to be done to rekindle an old industry, if I can call it that; so, everything from hard assets to the soft skills that would be required. All of that, I think, would probably need some attention, but there is probably a potential opportunity there.

[324] **Suzy Davies:** And likely more than two years. I don't know if anyone else has a view on that.

[325] **Mr Jones:** Sorry. The only question I would have though with that is the demand. That would have to—. It's one thing catching fish, but then what?

[326] **Suzy Davies:** Yes. Who's our market?

[327] **Mr Jones:** And the market currently is in the EU. So, it's about—. I think it would require quite a strong focus on the supply chain to be set up, because that would clearly be a different supply chain. A lot of our product, as landed, ends up on the Ostend market next morning. So, there would be quite a bit of work and attention needed on that side of things.

[328] **Suzy Davies:** Is that a view that chimes with the rest of you, because I want to ask you one more question on fishing before we move on to something else? Okay. Thank you. You mentioned aquaculture, but earlier in your opening remarks to us, you also mentioned the relaxation of environmental protections. How do you see those two ideas sitting side by side, because, presumably, to grow aquaculture, you might actually be looking at stronger environmental protection rather than relaxed environmental protection?

[329] **Mr Jones:** I'm not so sure. I think, again, I'm not the scientist here, if I could caveat that one.

[330] **Suzy Davies:** Well, you raised it.

[331] **Mr Jones:** But I believe that, certainly from some of the initial work that I'm aware of that's been done in the Haven—. So, for example, the additional nutrients that are coming into the Haven from the land side of things—either Bangor or Swansea have been doing some work on that—some of the aquaculture is actually using those nutrients. So, I think there are opportunities—and these things need to be researched, and some of it is currently, as I mentioned, ongoing—to actually help clean the water. And, so, the aquaculture is actually working hand in hand, rather than as being opposed to the opportunity environmentally. So, I think that's why I was saying—to make sure my comments are understood—that I think you have to be sensitive to the environment. I'm not suggesting that we can just park it to one side. That would be totally inappropriate. But I think there are opportunities and things to look at in dealing with—and that's a good

example—how aquaculture and the environment sit alongside each other, to benefit both agendas.

[332] **Suzy Davies:** Okay. Thank you very much. I could ask about—

[333] **David Rees:** Can I ask a question on this, since it's been raised?

[334] **Suzy Davies:** By all means, yes.

[335] **David Rees:** I do have concerns that if we are supportive of the concept of port zones, which you've identified, and relaxations of the regulations on the habitats, for example, that—. I understand why you're saying that, but do you think it's actually a sensible thing, because when we give exceptions for one sector, other sectors will want to say, 'Well, why not us?' and very soon, the first thing we'll be seeing is the erosion of very strong regulations that many have seen to be very supportive of developing our environment, simply to meet particular goals of individual sectors. Are we heading down a slippery road as a consequence of that?

[336] **Mr Jones:** I think my very short answer to that would be, 'you can't move ports'. So, I think you need to have—you know, if you created such a scenario for a port, and a business felt that that was an opportunity, we certainly, obviously, would be encouraging it to come and use the port, if that was appropriate and made sense. But my opening comment aside, it is, I think, a factor that—stating the obvious—we do live on an island, and ports by their nature, therefore, do need to have some specific attention paid to how that's done. Quite often, you will read industrial strategy documents—and there have been many of them—and the word 'ports' never appears in it, unless the word 'air' is in front of it, which is always somewhat confounding, when, as my colleague said earlier, 95 per cent of our trade comes through ports. So, I think there is some merit in considering port zones as a unique asset for the UK.

[337] **David Rees:** Thank you. And just as a statement, not a question, you can't move ports, I appreciate—neither can you move steelworks, neither can you move coal mines, and there are environmental issues linked to all of them. Eluned.

[338] **Eluned Morgan:** I just want to be clear about where the EU is actually causing the problems and the restrictions that you're talking about, and how much of that is UK Government. So, I just want to be clear, in terms of free

ports, the previous people who came to give evidence suggested that, actually, this wasn't an EU thing—that, actually, there are free ports in the United Kingdom at the moment; it's not an EU issue. Can I just be clear on that? We can introduce free ports now, even though we're a member of the EU—is that right?

[339] **Mr Jones:** That's my understanding of it, yes.

[340] **Eluned Morgan:** So, it's not the EU stopping us from introducing the free ports. Okay. Let me ask you about the environmental considerations you're talking about. The environmental considerations that you'd like to see weakened in some way to make it easier in the port, is that for all ports, or is that for Milford? I mean, is Dover different? That's presumably not in such a sensitive area as Milford Haven port. So, is it the EU that would be stopping us, or would it be a United Kingdom thing, would it be the Welsh Government that would have to water down those environmental protections in the new world, post Brexit? Where would you see that responsibility lying? Can I just be clear?

[341] **Mr Jones:** I think there are obviously aspects of that that are sitting with Welsh Government. We certainly—and I don't know if Callum wants to comment as well, but I know the British Ports Association has been talking about that with the UK Government. So, I think that might well be a combination of things, post Brexit. I don't think it's necessarily just one or the other; I think that's probably simplifying it a little too much. But I think there is maybe an opportunity for Wales to consider this model regardless of what may or may not happen in the rest of the UK.

[342] **Eluned Morgan:** Okay. Can I ask you about these free ports? You talked about raw material and adding value. Valero sits right in the middle of your port. You wouldn't suggest that Valero, which contributes masses of taxes to the UK Exchequer, could be included in that free-port area, would you?

[343] **Mr Jones:** I don't think there's been any discussion around that by anybody, as far as—and, obviously, I can't comment for Valero, but, certainly, that's not on our minds. And the value of free ports—I don't think that's something I would be—. And, certainly, in our submission, we haven't—we specifically have not talked about free ports as a particular model to pursue.

[344] **Eluned Morgan:** Okay. And you mentioned health and safety. Can you expand on what your thinking is on health and safety?

[345] **Mr Jones:** That comment was really in relation to the fishing industry. I think there may be opportunities. If we were to grow the indigenous fleet, I think that might present us with an opportunity to try to tackle a very difficult subject—health and safety for our fishing industry. Many have tried and failed to change the overall culture. So, I was just highlighting that as a potential opportunity, so it might have some strings attached if we were going to move it forward, which I don't think would be a bad thing.

16:30

[346] **Eluned Morgan:** Okay. I remember, several years ago, when they were burning flags, Spanish flags, in Cornwall, thinking, 'Right, I'm going to go and find out what's happening in Milford Haven', and I went to meet the head of the Welsh sea fishermen's association, whose name was Mr Gonzalez. So, they'd bought the whole fleet. So, you know, that's the point, I think, that the quota has been sold, so we would literally have to start from scratch, or as close to scratch—.

[347] **Mr Jones:** Yes, I think so. Currently, you know, the fishing industry as it is has benefited quite significantly from EU funding. So, a number of—. For example, at our port, there are a number of activities that we've undertaken in recent years that have directly been supported by the European fishing fund. So, that's another consideration in the mix of where would that funding come from in the future. Without it, these opportunities are just not commercially viable.

[348] **David Rees:** All right. Can I just ask you, on health—can I ask a question, as we had information before about there are no vets at different ports? For our ports, do we have any vets located at the ports for animal welfare?

[349] **Mr Walsh:** Any vets?

[350] **David Rees:** Vets.

[351] **Mr Walsh:** It's currently done through the local county councils. So, there are veterinary officials that work for Pembrokeshire County Council, for example, and they come and do checks from time to time on animal movements through the port, and we share information with them. But, in terms of health checks at the port, because it's intra-EU traffic, it doesn't

really happen. It's—to use the word 'devolved', for want of a better expression—devolved to the local authorities.

[352] **David Rees:** And you've said they come 'from time to time', so I assume they're not there permanently in that case.

[353] **Mr Walsh:** Not at all, no. They were prior to 1993, Chair. They were part and parcel of it, because they would be doing health checks on, say, when meat was imported from Ireland. The meat would be stamped with the correct health stamp and they'd check the documentation to make sure they had a corresponding health certificate. All that disappeared in 1993, and, from what I've seen so far, there's no intention to reintroduce those checks. Again, hopefully, it would be done through technology.

[354] **David Rees:** Okay. I just wondered, because we were aware that other ports do have far more numbers in vets located at them, even though Dover had seemed to be limited. Suzy, do you want to continue?

[355] **Suzy Davies:** Yes, please. Just two more questions. I'm sorry, Mr Jones, as you raised this one somehow, to come back to you. It's the EU general block exemption. And you've explained why you think we would be at a disadvantage as a country were either the UK Government or the Welsh Government unable to offer similar support. If such support were to be forthcoming from either or both of those Governments, do you think it would be focused on infrastructure—you know, proper port infrastructure? Would it be your aquaculture idea, supporting the fishing industry, or, indeed, supporting wave or tidal energy, which, of course, affects your part of Wales as well? Or would it also be used to support marine life, if you like, a marine ecology? Is that asking a lot of a block exemption grant—to do all that?

[356] **Mr Jones:** It's my understanding that that subsidy level has been introduced, but it is limited to what it can be applied to. So, infrastructure: ports or port infrastructure—so, more physical infrastructure—is allowable, but something, for example, as a warehouse facility or something on land would not be.

[357] **Suzy Davies:** Okay. Do you think a UK/Welsh Government, put in the position of being asked for similar money, though, might be tempted to spread it or direct it at different purposes? You may all want to—. Well, the port people may want to answer this one, if you're worried.

[358] **Mr Couper:** Going back to my earlier comments, there is inevitably an opportunity to look at what the advice is. A lot of existing protocol and regulation that the EU we currently operate within—. I would hope that some of the regulation that is reworked into enacted UK or devolved power law would be consulted on with the marine operators and the ferry companies and the ports, and that we can find ways of ports making a contribution to sustainable economic development.

[359] The west side of the UK was a dominant player in terms of port and shipping activity, clearly, before 1973, when our accession to the EU started moving the searchlight towards the east. There were other features there, with containerisation and a change in how goods were handled, but there was a great shift of gravity. The west coast still has good capacity in south Wales and Welsh ports as well to take advantage for Wales of changes in trading regimes in the future.

[360] So, in the generality of ports, as I mentioned, having a facilitating role in levering in, you know, as part of the offering to new businesses—whether it's businesses that's coming in, raw materials, conversion, and being exported, or going into the UK demand, or a bit of both. We should be ready to do that and there may be existing law that doesn't help us carry out, or get the best potential from the Welsh ports.

[361] **Suzy Davies:** My question was more about, if either or both Governments came along with a big bag marked £150 million, how would it be used? I get a sense you would prefer to see it used in creating additional demand for economic use of the port. That would be roughly right, I think.

[362] **Mr Couper:** Well, ensuring that the right infrastructure in terms of the road and rail and land sites around the ports are available—

[363] **Suzy Davies:** Yes, okay. I think I've understood.

[364] **Mr Couper:** So, prepared sites and—

[365] **Suzy Davies:** Okay, thank you for your answer. I have one more quick question—

[366] **David Rees:** Can I just follow on from that first?

[367] **Suzy Davies:** Okay.

[368] **David Rees:** Sorry. I understand what you're saying but, obviously, Welsh ports have been devolved to the Welsh Government as a consequence of the 2017 Act. What discussions have you had with the Welsh Government about setting that strategy up to ensure that they are able to (a) take advantage of the powers it will be given but (b) also look at the opportunities for developing the economic growth within the port regions both pre and post Brexit? So, what discussions have you had with Welsh Government?

[369] **Mr Couper:** Thank you, Chair. Before the Silk commission, and further devolution of powers, of which the ports are one, we had regular contact—we, the Welsh ports group, and, preceding that, the Wales freight group—and good dialogue with Welsh Government as it grew in its areas of interest and interaction. We have regular meetings with Welsh Government and we're grateful to Welsh Government for making available the port development fund, the £2 million that's been made available. The Welsh ports group is looking at certain areas of research, along capacity issues and connectivity and, where potential does exist, looking at demand studies and also baselining the existing contribution that ports make to the economy to get a better understanding of where opportunities lie in the future and where there are deficits, where there are risks. So, it's a work in progress but it is a focus of attention between—

[370] **David Rees:** I appreciate you say you're doing that and you're undertaking the research—you hadn't done that beforehand?

[371] **Mr Couper:** We have, in various forms, yes, either as private companies—you know, because the structure of the ports in Wales varies in terms of trust or private or municipal—

[372] **David Rees:** And you've got a strategy for the Welsh ports?

[373] **Mr Couper:** Does the Welsh—?

[374] **David Rees:** Do you have one as a—?

[375] **Mr Couper:** Well, in terms of the company I work for, yes, we certainly do have a strategy. Also, that's helped and advised by a requirement in some ports to undertake a master-planning exercise. That involves consulting with stakeholders beyond our customers—with local authorities, with the devolved administration and our community of interest around the ports.

[376] **David Rees:** Have you discussed with the Welsh Government a timescale in which you can get a Welsh strategy together?

[377] **Mr Couper:** As far as a ports strategy goes, I think that each company has a view on how it sees trade developing and how it sees its own port assets being used to the best effect. Looking at a ports policy, I think the view of the Welsh ports group is that it basically follows the pattern that it has done with the Department for Transport hitherto. So, when it becomes a devolved matter, it is about consultation, advice and insight into the industry and what things are trending, but not a fixed—. It's a market-led approach, which is what has been the UK's model since there has been a national ports policy.

[378] **David Rees:** Okay. Suzy.

[379] **Mr Davies:** Sorry, but can I just iterate again that we have done exactly the same—a port master plan, working with the Welsh Government, for Holyhead port? We did it two years ago. It is now going through an updating process. We look at key potential industries. So, for example, the nuclear industry is very much one that is within our focus. But we don't broadly go out. It's a fairly focused group, working with Isle of Anglesey County Council, Holyhead councillors and the Welsh Government. It's quite unique to that port because, as you said, each port does have its own economic circumstances, but we have had a very good dialogue historically with the Welsh Government on that.

[380] **David Rees:** Okay. Andy.

[381] **Mr Jones:** Yes, well, I think I would just make the point as well that, devolved or not—and obviously, Milford Haven is not, but regardless of that—there is a very good example of how we are all working collaboratively together. Again, as my colleagues are saying, it is port-specific, but, as part of the Swansea bay city region deal, there is the Pembroke marine project, which is focused on our facilities at Pembroke Dock. There is a good example of all levels of government coming together and engaging on a project to develop a port strategy, albeit as part of the Milford Haven case in this specific example.

[382] **David Rees:** Thank you. Suzy.

[383] **Suzy Davies:** Just a quick question to finish; I don't mind who takes this. The trans-European transport network: how valuable is the UK's participation in that, and is Brexit likely to cause any problems on that particular front?

[384] **Mr Jones:** Is that the TEN-T?

[385] **Suzy Davies:** The TEN-T, yes.

[386] **Mr Jones:** The TEN-T, yes. I was just doing—

[387] **Suzy Davies:** I don't pretend to know much about it. That's why I said the full name.

[388] **Mr Jones:** Well, Milford Haven is one of the TEN-T ports. I think it certainly had an attraction at one point in terms of looking at it from an EU funding perspective. You had to have the TEN-T status to even be in the game. Dover is a very good example of a port that managed to take advantage of that in a fairly significant way. So, we haven't seen any direct implication from it ourselves. We are just aware of some of the other ports that had previously.

[389] **Suzy Davies:** Is Holyhead in that network?

[390] **Mr Davies:** Yes, on a minor scale, but we have drawn very little EU funding over the years. Some 20 or 30 years ago, Paddy, there was some very minor funding, but nothing of any real significance over the last 15 years.

[391] **Suzy Davies:** Right. Thank you, Chair.

[392] **Eluned Morgan:** Just on that note, I think I'm right in saying that you have received fairly significant ERDF funding there over the years in Holyhead and Pembroke Dock. No?

[393] **Mr Walsh:** Not for the investments. My understanding is that, obviously, when we invested, between ourselves and Stena in 1994–95, we invested something like £42 million, and, from my recollection, there was less than £1 million that we received in terms of funding. I stand to be corrected on those figures. That's just from memory, but it was of the order of £42 million, and it was less than £1 million. Obviously, Stena and Irish Ferries did the cost-benefit analysis, as we did with Milford Haven Port

Authority in 1997, when there was a joint investment of £11.3 million. The funding wasn't included in the £11 million, shall we say, because we'd done the cost-benefits analysis, as we'd done at Holyhead, and all parties agreed that it stacked up and made sense. So, we did it.

16:45

[394] **David Rees:** Do any other Members have any questions? Mark.

[395] **Mark Isherwood:** In terms of the broader transport infrastructure, you mentioned Swansea bay and your involvement there. In north Wales, of course, we've got the North Wales Economic Ambition Board and growth bid proposing a model that would impact, hopefully beneficially on you, and cover many of the things that you might be seeking to happen. To what extent, therefore, as we take this forward, do we need to ensure engaging not just with both Governments, but with the regions as well?

[396] **David Rees:** Does anyone want to answer that?

[397] **Mr Jones:** Yes, I'll answer that. From our perspective, we see that as fundamental. That's 101—we need to be, and are, engaged with all levels. And I think that sort of collaborative approach sounds maybe a bit cliché-ish, but we just see that as the DNA; that's how things have to operate, and it has. I think we're starting to see some of the results, hopefully. So, it's been very successful, but that is a multilevel engagement, so that everyone understands the scale of the opportunities and each level also has a different role to play, so it's not necessarily the same role.

[398] **Mark Isherwood:** And particularly in Holyhead, because the vision, and now the bid, going forward is very much focused on many of the key things that will impact on Holyhead. To what extent are you involved, and how critical is it that that north Wales economic board model is incorporated?

[399] **Mr Davies:** We probably work more through the master plan, which feeds in through Anglesey county council and so forth. So, as a port operator, we therefore are working with the Welsh Government and working with Anglesey county council. The master plan really has kind of broadened our scope of engagement, and it's very important that we do that. But, as a port, and a relatively small port in that sense, it's very difficult to focus time on all potential parties. So, working through the Welsh Government and Anglesey council is a great medium for making sure we focus on the right

things.

[400] **Mark Isherwood:** Are you involved with the north Wales business council as well?

[401] **Mr Davies:** No.

[402] **David Rees:** Any other questions? Just one final question from me then, to the port operators. Clearly, the decision to leave the EU is going to happen. That's been made quite clear. Are you preparing different strategies for different scenarios? For example, are you preparing strategies for a World Trade Organization exit, an exit of the customs union but perhaps on some form of different tariffs, and exiting the customs union but with free-trade arrangements? Are you in the current situation of preparing strategies to deal with each different scenario now, or are you waiting to see what happens?

[403] **Mr Couper:** There's an emerging range of scenarios, and we are—I say 'we', which is the company I work for, Associated British Ports—are starting to model what-ifs, but there's such a level of uncertainty that we could make a lot of time available to it for no good reason. And I, sort of, soothe my mind somewhat by considering that there's no cliff edge, that there is going to be a transitional period, inevitably, because of the implications that could occur otherwise.

[404] **David Rees:** That is still not clear.

[405] **Mr Couper:** It isn't clear, but I think that, in the terms of probabilities, we do look at scenarios, land requirements, opportunities and risks, but they can only be within what we know at the moment. And, as I say, ports are adaptable. We will carry on trading. We're not making the position; we're largely a reactive industry. We didn't think of the container, but we followed the container when that was developed. If there are changes in trade, some ports will benefit and other ports may not, but they've probably got the capacity to do a certain amount of it. And if they max out in another port that's the alternative to wherever it is, there will be effects elsewhere. It's like prodding that great big spongy ball: something will happen somewhere else. There's probably the same amount of trade and we can only use what we've got.

[406] Now, if, on the positive for the company I work for, we benefited through other people's misery, effectively, that public limited company—UK

plc or Wales plc—doesn't get any advantage through that. Maybe as a single company perhaps it would, but what we'd like to see overall is benefits accruing that aren't available at the moment. What they may be, we just want to set the framework for, rather than starting to make physical or actual preparations for it. We are by nature a reactive industry. We will go out and look for trade, have discussions and try and cause new investment and development in our port, made partly by the port, partly by the customer, and we're doing that all the time. That is our business, but if there are disturbances through regulation or other means, then we have to react to them. But I think we are—

[407] **David Rees:** And what type of timescale do you think is appropriate for you to react to—?

[408] **Mr Couper:** It depends on the level of the impact. During 1989, there was significant change in employment in the ports, and that caused 20 years of redistribution of trade and investment. It took a long time for it to settle down. I suppose it's this indeterminate hard Brexit, soft Brexit—the degree of immediacy that it causes—whether there's going to be traffic jams all the way down the M55 in the worst case, or whether it's barely noticed. I've no idea, but it will always go much beyond the port, and it's largely down to our customers and where they are sourcing goods from, and, hopefully, where there are new trading relationships made, that we see trades that we didn't have access to before. We can make investment and provide infrastructure in the port and carry out port services to get goods in and out, and that's what we're in business for. But it's a very uncertain outlook at the moment in terms of how that might emerge.

[409] **David Rees:** Okay, thank you. No other questions. Thank you, then, for your attendance this afternoon. You will receive a copy of the transcript for any errors you might identify. If there are any factual inaccuracies, please let the clerks know as soon as possible so we can get them corrected. Once again, thank you very much for your time.

16:53

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public
for the Remainder of the Meeting**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(vi).*

*accordance with Standing Order
17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[410] **David Rees:** I therefore move on to the next item on the agenda, and can I therefore ask that, under Standing Order 17.42, we resolve to exclude the public for the remainder of today's meeting? Are Members content? They are content, therefore we move into private session.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 16:53.

The public part of the meeting ended at 16:53.