Welsh Affairs Committee

Oral evidence: The UK-EU trade deal and border arrangements: one month on, HC 1179

Thursday 4 February 2021

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Watch the meeting

Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ruth Jones; Ben Lake; Rob Roberts; Dr Jamie Wallis; Beth Winter.

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Witnesses

I: Chris Yarsley, Policy Manager—Wales, Midlands and South West, Logistics UK; Pete Robertson, Chief Executive, Food and Drink Federation Cymru; Ian Davies, Head of UK Port Authorities, Stena Line; and Ian Price, Wales Director, Confederation of British Industry (CBI).

Examination of Witnesses

Witnesses: Chris Yarsley, Pete Robertson, Ian Davies and Ian Price.

Q1 **Chair:** Good morning. Welcome to this one-off session of the Welsh Affairs Committee in which we are looking at the impact on Wales arising from the new trade and co-operation agreement that was signed with the EU at the end of the year, the end of the Brexit transition period. We are particularly looking at impacts at the border and at our ports. We are delighted that we are joined this morning by a distinguished panel of experts drawn from the ports sector and across industry in Wales to help us look at this subject. I ask the panel to briefly introduce themselves.

Chris Yarsley: Good morning and thank you, Chair. My name is Chris Yarsley. I am the policy manager for Wales for Logistics UK, formerly known as the Freight Transport Association until last year—we felt there were too many FTAs coming along so we rebranded. We are a multimodal trade association representing users and operators of transport and logistics across the UK.

Pete Robertson: Thank you, Chair. Good morning. My name is Pete Robertson from Food and Drink Federation Cymru. Despite the accent, I have spent 25 years in food and other manufacturing in Wales. We represent over 24,500 employees as the second largest manufacturing sector in Wales.

Ian Price: Good morning, Chair. My name is Ian Price. I am director, CBI Wales. We represent multi-sectors right across the piece in Wales from manufacturing to construction and logistics. We cover most bases, and I have been at the CBI for about 15 years now. It seems like a lifetime.

Ian Davies: Good morning. Ian Davies, Stena Line, head of UK ports. I have a background as a seafarer. I have been in the ports industry for about 20 years. Also we are the largest ferry operator across the Irish Sea north and south, so I can comment on the ferry industry at the same time.

Q2 **Chair:** Thank you very much to you all. I will open the session by asking a very general question for all of you to reply in very broad, simple terms. What is the picture in month one of the operation of the trade and co-operation agreement? What are you seeing, and to what extent is this any different from what you had expected or from what would be the normal steady state compared with, say, last year? Ian Davies, given that you are running the ferries in and out of Wales, what are you seeing?

Ian Davies: I think the expectation was based on Government figures. The primary concern leading into this was the readiness of the ports, our IT systems and trader readiness. There were concerns primarily around congestion at the ports, and all ports had contingency plans. That was the primary concern. Also leading into this we saw a large amount of stockpiling taking place, especially in the last seven or eight weeks leading into the Christmas period. There were exceptional volumes coming through Welsh ports. On that basis, we expected a quiet start to the new period, which we did get.

Sorry, I should go back to the end of the transition period; our greatest fears were not founded, traffic flowed. We had an approximately 20% rejection rate, so good checking in to go to Ireland, about 20% were failing on some of the basic paperwork but we could correct those, and probably only about 5% were struggling to get across. The picture that emerged in week one and week two is that our volumes were down roughly 70% in freight. That picture has marginally improved, but by the end of the month we are still roughly 50% down in volumes through the ports of Holyhead and Fishguard. There is a dramatic drop-off in freight volumes.

Q3 **Chair:** Chris Yarsley from Logistics UK, you obviously represent hauliers. What is going on with your members? Are the freight volumes down because they have parked up for the month of January to avoid some of the teething problems, or are they deliberately choosing to avoid Welsh ports? What do you think is going on with your membership right now?

Chris Yarsley: Chair, you have possibly hinted at some of the reasons why. We have made it very clear that this time is our transition period. Normally when you switch from one working model to another, you run a trial in dual working and have dummy systems in place. We were not aware of what the systems would be fundamentally until the deal was done in late December, so we are now testing the whole operation in a live test environment. The message that we have been putting over to the UK Government and the European authorities is that we are in the new trading period but we are still putting in place the mechanisms to ensure that goods can move.

Ian has just pointed out that there were massive volumes before Christmas, so a lot of people got the goods into warehousing before Christmas and they are now drawing down stocks. As you just mentioned, we are still trying to understand if some of the causes of the reductions in flows are teething problems or if there are more fundamental policy questions that need to be addressed further down. But the good thing is that we have a deal, and that means we have the basis for discussions going forward. That is a positive message that we want to put forward.

Q4 **Chair:** Ian Price, what is the picture from your bird's-eye view looking at industry across Wales?

Ian Price: To avoid repeating a lot of what Ian and Chris have said, it is incredibly quiet and it has been since the beginning of January. There was an enormous amount of relief at the beginning of the month that there was a deal. I agree that there has been lots of stockpiling and people have made preparations for a very difficult January, but again it is a case of deciding whether some of the problems that are occurring at the moment are teething problems or whether they are the new normal. It is hard to judge.

There have been some unforeseen circumstances. I have spoken to a number of businesses that have been impacted that did not anticipate being impacted. Again, it is whether those issues can be worked through, and I am sure we will come across them in some of the questions as we move along through the discussion, but at the moment it is relatively quiet. The businesses that are being challenged are being challenged quite badly and the costs of transportation have peaked enormously, and that is causing huge problems. I don't know whether that will drop back again at some point or whether that will be the future. I have some horrific examples of how transporting freight is costing businesses that it was not costing pre-December.

Q5 **Chair:** Who is imposing these costs?

Ian Price: Transportation costs have gone up particularly. One example I have is a south Wales business that moves rather large capital equipment across into Europe. In the first month their costs increased by £250,000, which is a huge figure, so it gives you some idea. We don't know yet whether that is part of people mitigating against what is likely to happen and those costs will come down, but that is a cost that they are incurring and having to absorb, which makes things incredibly difficult.

Q6 **Chair:** Pete Robertson from the Food and Drink Federation, a significant chunk of the freight that moves through the Welsh ports between Ireland and through the UK on to the continent perhaps is agrifood. What are you seeing in your sector?

Pete Robertson: To follow on from Ian's point, the cost issue is one thing. It is interesting to understand that the food and drink sector in Wales has a certain dynamic to it compared to the rest of the UK. The food and drink industry is highly integrated across the UK and Europe. There are many examples of goods and ingredients flowing from the UK out to Europe, products manufactured, coming back into the UK, going—thanks to Ian's help—over to the Republic of Ireland, for example. From that point of view, it is a highly integrated system and the product flows are important.

The key thing about food and drink—as we have seen some examples of with seafood—is that it is not necessarily all ambient product. Time is important. If you remember, just before the deal was announced there were problems with the ports, because of Covid, getting out of the short straits and that created a 4,000-lorry backlog across the whole of the UK. As a consequence, when we were starting into the new period from a logistics perspective, Chris and his members were already struggling to catch up just to keep goods flowing.

There are two other areas of concern. One is the paperwork. Export health certificates are a real challenge for businesses in Wales because there is a cost, but it links into another area, which I am sure we will come on to, which is groupage. Quite often Wales food and drink businesses have to combine with other businesses to make their export businesses viable. In a situation where you require export health certificates and you have challenges at the ports, there are a lot of businesses in Wales where the viability of their current business model is under threat.

Chair: Thank you very much. I am sure we will come back to some of those points later.

Q7 **Ben Lake:** Thank you to the panellists for joining us this morning. I am interested to hear a bit more from you all about the level of engagement that you had with the Government at ministerial and official level towards the end of the implementation phase about any proposed measures in the deal and then since the deal was struck in late December.

Pete Robertson: FDF is quite fortunate because we have very solid engagement with Defra. We are part of something called the F4 committee, which has had multiple weekly meetings with members, including Ministers at Defra. We have had a good level of engagement there. We also have regular discussions with DIT and have a good level of engagement there. It is difficult because there are so many things going on and there are so many officials under a lot of pressure.

If we had an ask, we would look to get quicker engagement from HMRC, if possible, especially on rules of origin. However, with the amount of work those guys have to deal with, we understand that it must be very difficult to meet all the requests. We have been in conversations with Welsh Government to understand the preparedness levels that they have. We are fortunate with the levels of engagement we have had.

Q8 **Ben Lake:** Mr Price, how would you describe the level of engagement and the level of information exchanged?

Ian Price: Pre the deal, the levels of engagement were excellent. There was some good information coming out of Welsh Government and UK Government, the Wales Office in particular, leading up to the end of December and there were regular conversations. We have no complaints at all about the levels of engagement and information being provided. Since the arrangement, the engagement has been excellent again and I am on a call this afternoon with Michael Gove, the Cabinet Secretary, updating him on the situation in Wales. I have regular dialogue with the Wales Office, the Welsh Government and Welsh Government officials.

I have had quite a number of examples of businesses that have encountered difficulties during this first month and, to be fair to officials in both Governments, they have picked them up and tried to deal with them. They have not been able to do a great deal about them, because of anomalies in the deal, but they are aware now of the challenges that some businesses are encountering. They are doing what they can, but it is limited at the moment because we are still in the early days of making this work.

Q9 **Ben Lake:** Mr Yarsley, is the situation similar for your sector?

Chris Yarsley: Yes, to repeat, we have had very good engagement with officials and Ministers in the Welsh Government—Ken Skates and Lee

Waters—and also at Westminster we have very good engagement with Emma Churchill and the Border and Protocol Delivery Group. We have regular catch-up calls with those people and a good flow of information, not always getting the answers we want but the communication is definitely there. Like the CBI, our chief executive meets the Chancellor of the Duchy of Lancaster quite regularly on issues. We have written correspondence all the time and at various ministerial and official levels, through to Defra weekly calls on the Food Resilience Industry Forum, for example. The engagement has been pretty strong from both a Welsh Government and Westminster perspective.

Ian Davies: The level of engagement from a port perspective felt as if it started a little late. It didn't really start until pre-summer, but then the pace of engagement was excellent. I have no quibbles about that whatsoever from the Welsh Government and the UK Government. As a port operator we engage a lot with the Irish Government as well, and as we are pan-European we engage with the Dutch Government. From a company perspective, it is quite time consuming having to keep in touch, but we have no issues on levels of engagement. Post the transition period, I think the engagement has got even better but, like Chris said, our customers are finding issues and reporting issues. We are yet to get the answers or solutions that we were hoping for, but the level of engagement now is excellent.

Q10 **Simon Baynes:** Thank you to all the panel this morning for giving up your time to be with us. I want to move on to the issue of non-tariff barriers. What are the main changes in trade and customs arrangements between Wales and the EU as a result of the trade and co-operation agreement that are affecting you?

Chris Yarsley: Leaving the customs union and single market implies a number of additional requirements to trade within the EU, and also between Great Britain and Northern Ireland. There are four main ones. The first is customs declarations and the checks. The zero-tariff deal does not mean that you do not have to do customs declarations, and a percentage will be checked just to ensure compliance. These require investment in IT skills and knowledge. Then we move on to the safety and security declarations. During the negotiations we tried to get a possible waiver to these for goods up to a certain level. That was not agreed, but they are additional to the customs declarations, requiring over 30 datasets to be provided on various parts of the information.

We have just had a quick touch-up on the rules of origin. To qualify for zero tariffs you need to ensure that products are made in either the UK or the EU up to a certain proportion, and then from January next year the exporter will need to have signed documents to say that they are based in the EU and the UK. For example, goods being brought in from the far east, made in Thailand and sold to an EU company through a UK customer, will require customs to be paid. We also have the sanitary and phytosanitary checks, SPS checks, which are causing quite a few of the issues for movements from Great Britain to Northern Ireland. A lot of the supermarkets are seeing that, and you have the discussion on sausages and so on.

Those are the four main areas where we have seen that there needs to be a lot of work. A lot of investment has been put in to get the practices right so that goods can continue to trade following the end of the transition period.

Simon Baynes: That is a really useful summary. Just to note that we will be dealing with the issue of sanitary and phytosanitary checks in a question coming up shortly. I will put the same question to Mr Robertson, please.

Pete Robertson: We have a similar situation. I will note the SPS comment later. Implementation has been one of the challenges for food. To give you an example, deliveries have been stopped because it is blue ink not black ink. Export health certificates that don't have the stamp in the right place have been halted. One exporter of meat sent a whole lorry of meat carcasses over to France, and one of the carcasses had fallen off the hook. Ordinarily that carcass would be taken away and the load would be waved through. On this occasion the entire load, £100,000-worth of meat, was scrapped. Implementation is clearly a particular area. There is the actual amount of paperwork and this is something that larger members of ours who were prepared, or as prepared as you could have been—to give you an example, one of our members has three stock keeping units on a lorry. Before the deal it required two pieces of paper. It now requires 41 pieces of paper.

There is the scale of the change of the implementation, and the other area we can see is very much costs. There are lots of costs in lots of different areas. We will talk about growth and Covid recovery. For example, you would send a sample of food from here to Sweden and it used to cost you £30. It now costs you £85. That can be quite inhibiting and a cost challenge for the growing SME sector in Wales, when quite often you are sending goods that have a value of only £25.

Ian Davies: I have nothing to add on that point from a port perspective.

Ian Price: Quite a lot has been covered, but I agree with Pete. There is a lot of inconsistency and different approaches from different countries. We have some difficulties at the moment. I facilitated a conversation last week between the Northern Irish business organisations and Welsh Government because it appears that the Irish Government are being particularly difficult with goods coming down from Northern Ireland to be transported across from Dublin to Holyhead. Ian may be aware of this, and it is proving quite challenging, so we are having to lobby the Irish Government because they are taking a slightly different approach. Some consistency would be really helpful for everybody. There is a huge amount of extra workload on people at the moment and that is proving quite challenging, but I can't add anything to what everybody else has said.

Q11 **Simon Baynes:** Do you think those inconsistencies—we have heard about France and Ireland from what you have been saying in this conversation—will iron themselves out? The paperwork and so on is a different issue, but there seems to be perhaps an initial phase that might improve from that point of view.

Ian Price: Yes, I think potentially that might improve because, quite obviously, everybody is interpreting it slightly differently in their own particular way. I hope we can avoid that going forward and we can get a more standard approach. At the moment some of that is proving challenging if you are using different paperwork—to go back to Pete's point, a lot of talk about different coloured ink, ticks in the box from a particular direction and things like that are coming up and I think they will play through at some point. Some people are being slightly overzealous at the moment, which is probably not helping anybody at a fairly challenging time.

Q12 **Simon Baynes:** I have one more question, and I will put it to Mr Yarsley first. What will the new rules of origin arrangements mean for Welsh companies?

Chris Yarsley: Importers of goods from the EU will need to demonstrate to HMRC that their products have been manufactured in the EU. There is guidance available on this, and the records have to be kept for three years. From 1 January next year they must get a supplier's declaration from their EU seller. Likewise, exporters from Wales to the EU will need to provide the EU buyer with the information needed to be certain that the goods were manufactured and made in Wales. There is some work to do there in getting ready, but that is what we are doing now. As I mentioned at the beginning, this is the transition period for us to get the new rules embedded into our system, so we hope that they will not be too onerous going forward.

Q13 **Simon Baynes:** Do you see the rules of origin as being a major practical issue, or are they something that everyone will get used to and smoothed down?

Pete Robertson: We think it is a significant concern because the nature of some of the rules of origin mean that, for example, importing rice—I used to work in the breakfast cereal sector—will add 10% to the cost of the product. The component parts of the product are more than, I think, 30% rice, and as a consequence they will not get free tariffs and they will attract a tariff in the region of £380 a tonne for those products. The potential impacts will vary product by product.

Ian Davies: Again, no direct implementation from the ports, but it is another piece of paperwork that the importers and exporters have to get together. I think we will come to that later when we talk about preparedness for traders and so forth.

Ian Price: Undeniably it is causing some problems and challenges in the automotive sector at the moment. I agree with Pete, there is a cost implication to it as well. I think understanding will get better and people will work through it. It depends whether some of the costs rationalise or not once things settle down. That is a worry for a lot of people because, unfortunately, it is making them unproductive, and unviable in some instances.

Q14 **Geraint Davies:** I have a couple of quick questions. Mr Price, you mentioned the difficulties of transport costs and delays on UK exporters but also anomalies in the deal. To what extent do you think some of these problems could be overcome operationally as we have a learning curve? Are there areas with anomalies in the deal where perhaps there might be suggestions for future realignment to make trade easier?

Ian Price: I think some of the anomalies will be ironed out because businesses are pretty resourceful and adaptable, and they can find a way of making most things work. In that case, yes, we will find a way through some of those challenges. I think there have to be certain deals over and above this current deal to make some sectors viable. One sector that is particular challenged at the moment is the pharma sector. They are having some real problems because the EMA did not give them equivalence. While the medicines agency in the UK has given European drug companies an agreement, the EMA has not given UK companies the same level. That is causing some real problems, and I am aware of a group of three businesses in south Wales that are in real difficulty as a consequence. It is really sad to see.

But if side deals can be made and have to be made, I think they should be and I am pretty confident that the UK Government will at some point get some of these deals in place. The challenge is what we do in the meantime.

Q15 **Geraint Davies:** My understanding is that we have constraints on our exports going into the EU. Some of them are administrative and others are legislative, and imports coming across will not be constrained until later in the year, so it is very unbalanced. Given that, do you think the Government should step in to provide financial support, whether it is compensation, export credits or whatever, in the interim so that British industry can adapt and not go bust in this particularly difficult time?

Ian Price: UK Government support would be hugely beneficial. I would far rather see deals in place to enable them to trade. The danger is you can continue to support people, but a particular example is if it is not viable to make something in Wales. There is one instance I am aware of where they have already moved the production of a particular item to Dublin because they can’t continue to make it in Wales in the time allowed. It is a time-sensitive cancer drug that they were importing into Europe and, sadly, as a consequence of the deal they now have 200 or 300 consignments blocked somewhere in the system in Europe that are having to be thrown. That is an example where they don’t have the time and they will have to move production to Dublin to get that drug into the market in Europe. That is just one example. Deals will be made, but my worry is what happens in the meantime.

Q16 **Geraint Davies:** Can you provide the Committee with more information by sector on where we crucially need deals? You have mentioned medicines and pharma, and it sounds dreadful if vital drugs are being thrown away and manufacturers here are going bust. It would be good if you could provide some more detail. We are aware of agrifood, but not so much on the drug side.

Ian Price: I don't want anyone thinking that anybody is going bust. I think they are just moving operations elsewhere, but jobs will be lost in the short term. Pete is better placed than I am to comment on food, but there are instances in the food sector. It is quite challenging in automotive at the moment. It is still playing out, and it is really hard to judge. Of course the transport element is cross-cutting and affects every sector. It doesn't matter what sector you are in, you will be impacted if your transport costs are increasing.

Q17 **Geraint Davies:** I turn to Pete Robertson to comment on these issues. We have heard about delays, transport costs and administrative barriers. What is the extent of this in challenging the future viability of our business base? What should the Government do in the short term to provide support and, moving forward, to iron out any barriers? Is there a need for any side deals, as has been suggested, to help to have a sustainable business base here?

Pete Robertson: I will start with a specific example about vet mutual recognition. It is easier to import New Zealand lamb into the EU than it is Welsh lamb. There will be 20 times more checks of UK or Welsh lamb going into the EU than there is of New Zealand lamb, and that is because of the mutual recognition of the vet procedures. We use a similar system to the EU system because of legacy, and New Zealand uses a different system. That is one that is quite Welsh specific.

The great challenge in how we move forward is that there is not one magic bullet or two magic bullets. It is a case of helping businesses and helping the sector try to move through. One of the areas to a certain degree is that we are fighting with what we are trying to deal with now. However, one of the challenges is what is coming ahead. I know we are going to talk about SPS checks from 1 April, but currently the majority of the industry's headaches are around exports. From 1 April we will have quite a significant challenge on imports. Until that goes through it is difficult to understand the scale of the impact on the business, but clearly the food supply chains will be under pressure for sure.

Q18 **Geraint Davies:** In a nutshell, is it your suggestion that there is a way of aligning our rules in future side agreements or full agreements to enable more free flow? Until such time as we may want to make changes because of sovereignty, these would keep business going and stop businesses falling over.

Pete Robertson: I don't necessarily want to get into the details from that perspective. The trade system that has been operating for 40 years has been harnessed over 40 years, and it is very difficult to replicate that in a period of less than four or six weeks. However, as Ian said, the food and drink sector is working as hard as it can. A specific area that could help is capacity in the system and in processing, and also collaboration between those who are implementing the rules that we have. Our view is that we have what we have. The focus needs to be to operate that as effectively as we possibly can, and that is how we look to move forward. I also agree with Ian that we hope there will be some different mechanisms in the future.

Q19 **Geraint Davies:** On quick wins, what do you think we could do now to increase capacity and collaboration to smooth flows?

Pete Robertson: It is probably better that Chris answers on capacity, because the flow of goods is probably more in that area than in our section.

Q20 **Geraint Davies:** All right, I will turn to you, Chris, about capacity and collaboration on speeding things up. We have heard that there are problems in the first month. People were stocking up last year, but we need a free flow and we are seeing blockages, delays and costs. What are your suggestions on how we make it better?

Chris Yarsley: One quick possible win would be a revision of the Trader Support Service, the TSS, that has been set up. It is basically the Government body that helps traders between Great Britain and Northern Ireland. It does all the paperwork for them. This has come from our policy manager in Northern Ireland. It appears that the system has been set up so that, if you are moving goods from GB to NI, you can use the TSS and that involves using the CDS system. That does all the paperwork for you, but if you are moving goods from Northern Ireland into Great Britain it only does CDS. At Holyhead it is CHIEF that needs to be accessed. The system is not viable that way, so you need to pay £35 for a declaration to be made on your behalf. That is an additional cost for Northern Irish businesses. When I heard about it, I didn’t understand why it had been set up like that. The TSS could reduce costs and facilitate trade between the nations of Britain quite well.

We have also been calling for the possibility of a retail movement scheme, which would be some kind of authorised, certified supply chain for retailers to move goods to NI from GB that would be based within the rules at the moment. It would not need an additional treaty-level deal at all, but it would give assurances to the EU that goods entering Northern Ireland from Great Britain comply with EU regs and the Northern Ireland protocol. That is an agreement that could be done between the UK and the EU.

Alternatively, though, we are in a new trading environment and there are businesses that have grown up that simply cannot match what was their business model up until the end of 2020. We have quite a lot of members across the UK who facilitate tours for culture, music events, exhibitions, art galleries and so on. I think UK companies represent 85% of the companies that do this trade. They go off on a three-month tour with a pop group, for example. That is not possible under the current arrangements. That would need a separate negotiation to try to implement a trading relationship that would allow those companies to continue to prosper, otherwise they face significant challenges that will not have a quick-fix win.

Chair: Sorry, Geraint, we are going to have to move things on a bit quicker.

Q21 **Geraint Davies:** That is fine. Thank you for that advice, Chair. Finally, Chris, is there a possibility, given that Holyhead is so close to Northern Ireland, that we have a better trading relationship with the EU through Northern Ireland than through France, for example, or is it always going to be more difficult via Northern Ireland?

Chris Yarsley: I am not quite sure that I got the sense of the question, sorry.

Geraint Davies: Okay. I will leave it because we need to move on, as the Chair said. Can I finally ask about the—

Chair: Very quickly, Geraint.

Q22 **Geraint Davies:** Yes, I got it. Ian Davies, can you give us a sense of which sectors are being worst hit in movements through ports? We have heard a lot about farming, of course, but is it a general problem? What are the future problems by sector?

Ian Davies: Going back to the previous point, what we saw initially is an imbalance. You talked about ease of imports one way or the other and Chris will know that to make haulage work you need a balance of goods. We don’t want trucks moving empty one way or the other. In the initial few weeks we had a lot of goods moving from Ireland into the UK, then we had a lot of goods backloaded but not able to export. That caused a huge amount of congestion with a lot of goods waiting in lorries for export. Ultimately, that adds cost to the manufacturers and suppliers. That is one area of concern.

We also know that there are a lot of empty movements, so hauliers are having to reposition freight units empty. Ultimately that adds cost. They want a balance of flow each way so that they carry goods both ways. That is another area of concern.

Q23 **Geraint Davies:** Is that groupage, because you can’t put everything together?

Ian Davies: Yes, that is just one example. Groupage is a big part of modern logistics, and Chris knows better that it is a sector that is struggling. Groupage is where you put small parcels together so you get time efficient and cost efficient movement of goods, and it is an area that is definitely struggling. Food is another one moving through the ports. Historically about 30% of goods moving through Holyhead port are destined to or originated from Northern Ireland, and we can see there is currently a big deflection in trade flows on that route.

Geraint Davies: Unless you have an immediate suggestion on how to solve it—

Chair: Thank you very much. Ruth Jones, please.

Q24 **Ruth Jones:** Thank you to the four panel witnesses for coming in. It is really helpful to have concrete examples of what is going on on the ground, so thank you for that. My question is about the new SPS checks. What is different in your particular sectors, and what are you doing to mitigate against these new delays?

Pete Robertson: The challenge is around the volume of checks and the requirements at the ports on exports. We are concerned about 1 April, because the SPS checks have not been implemented on imports. There is a phased implementation of the border operating model. What does that mean? It basically creates delays. We have talked about specifics. One specific is that shellfish from Anglesey needs to get to Boulogne in three days; in five days it is dead. It is the knock-on effect of the checks and also the various different support requirements for the business. It is another task. It adds cost and time, so it creates a challenge in the whole food and drink supply chain for any products that require those checks.

Chris Yarsley: We have been working quite closely with Defra on a SPS solution for groupage loads, especially groupage between GB and Northern Ireland. Some of our members are reporting that they pick up their loads on day one and they have a day four delivery, and that is purely due to administration. The Government could possibly implement an IT solution to help streamline the administration of SPS checks in the same way as the Trader Support Service does for customs checks.

Q25 **Ruth Jones:** Mr Davies, do you have an overview of the implications of SPS, other than what is happening now?

Ian Davies: Retail and food going through Holyhead port, for example, is a big sector for us. With just-in-time logistics you would get supermarkets distributing late evening in the Midlands, then shipping through Holyhead, arriving very early hours of the morning into Dublin and so on, but now they are required to give 24 hours' notice. It is another level of preparedness and a level of cost. We have seen some movements. We know that they have given an easement of four hours in Northern Ireland, which is allowed under the rules, but in the Republic of Ireland it is still 24 hours. Sometimes we get these misalignments. Would that make a difference? The cumulative effect of all these elements makes trading that much harder.

Ruth Jones: Mr Price, what are your thoughts?

Ian Price: I can't really add anything to what has been said already, but 1 April is a concern for everybody and they have not quite come to terms with 1 January yet.

Q26 **Ruth Jones:** You have mentioned already about New Zealand having an easier time getting goods into the EU than GB at the moment. On things like mutual recognition of vets, are there any concrete examples or ways forward, solutions that could help us ease our flow of goods into the EU, and out obviously?

Chris Yarsley: We have seen the reports, and they have been raised here already. I don't want to comment on the difference, because they are different beasts to compare. The EU-UK agreement has a road and air transport access deal that the others don't. It is a bespoke agreement between the two bodies, and it also takes into account the geographical distances between us. Helping to ease the traffic between them would be an increase in the number of vets available at the ports to enable the loads to be sealed. It is even possibly sealing single pallets that are able to be put on to a vehicle, so the entire vehicle could have one final seal by the final vet and then that can be classed as safe to proceed, although we recognise that there will always be a percentage of vehicles that need to be checked. It is a bespoke deal, so we need bespoke responses to it.

Pete Robertson: I will answer that with one specific about a conversation we had with Ministers and members of the sector last week. We have talked about shellfish, and what shellfish had to do was to combine the goods into one load. They sent it from Holyhead all the way up to Larkhall in the west of Scotland, combined in a consolidated load, and then it was sent to the European Union. We made the specific request for one of those hubs to be located in Birmingham, which would mean that we could get shellfish from Anglesey and from Cornwall, and those two areas could combine and be sufficient to have a viable business model moving forward. We have tried to facilitate conversations between business and Government, because it is the businesses that have the ideas.

Ruth Jones: That absolutely makes sense. Mr Davies, do you have anything to add?

Ian Davies: No, nothing to add on that point.

Ruth Jones: Okay. Mr Price?

Ian Price: We are seeing industry sectors trying to make arrangements as we speak, so there is a lot going on. The speed with which it is happening is causing the problem at the moment. I anticipate that there will be solutions for one or two sectors in time, but the challenge now is how we support businesses in the meantime.

Ruth Jones: Thank you for those answers.

Q27 **Dr Jamie Wallis:** Thank you very much to the four witnesses for giving up their time this morning. I want to touch on the provisions in the TCA that allow for the UK and EU to co-operate on avoiding some of the unnecessary barriers to trade. What is your sense of the general likelihood that agreement will be reached on minimising some of the SPS checks? Do you think that any reduction that is negotiated in these checks would be contingent on greater regulatory alignment between the EU and the UK?

Chris Yarsley: At the moment we don't see any changes to the deal itself as being particularly likely, unless challenges that affect both sides became very obvious. We are gathering feedback from our members on how they are adapting to the new arrangements, and we will be happy to share the analysis with the Committee once we have gathered it. One I have mentioned that will affect UK companies and needs a different agreement in place is the touring companies that do, for example, Formula One, the music exhibitions and so on. We are working hard with Government to discuss with them the ways we can try to mitigate that, either via some kind of extra level deal or another way of doing things that the rules don't allow currently.

Dr Jamie Wallis: Ian Davies, do you have anything to add?

Ian Davies: No, nothing else to add to that point.

Dr Jamie Wallis: Ian Price?

Ian Price: As I mentioned in answer to the previous question, there are discussions going on in particular sectors that are a challenge and I think that will continue. I don't know how easy that is and whether there will be something-for-something arrangements, but there are talks going on and I hope we can resolve some of the areas that are particularly challenging.

Dr Jamie Wallis: Finally, Pete Robertson?

Pete Robertson: Thank you. I have nothing specific to add on that point.

Q28 **Dr Jamie Wallis:** In my last question I want to touch on Northern Ireland and particularly the movement of goods between Wales and Northern Ireland. Looking at the Northern Ireland protocol, what are the implications for companies that are looking to move goods between Northern Ireland and Wales? I know you have already touched on some of this in your previous answers, but could we spend a few minutes looking at that in a bit more detail?

Chris Yarsley: I don't think there is anything specific for Wales, because it is the same regime. All the things we have discussed apply to all the movements of goods. We have gone through quite a lot of them, and I can't think of anything over and above that that we have not yet discussed.

Dr Jamie Wallis: I appreciate that this has come up in a few of your previous answers but, Ian Davies, can you see any things that we have not raised yet that arise out of the Northern Ireland protocol that are particularly pertinent to moving goods between Wales and Northern Ireland?

Ian Davies: The reasons may be the Northern Ireland protocol or may be others, but to give an example, as I said previously, about 450,000 freight units pass through Holyhead port every year and about 150,000 of those are originated to or come from Northern Ireland. I can't see the market. All I can speak for is on behalf of Holyhead port but also for Stena Line as a ferry company. We are seeing a huge distortion in the market currently, and it is quite marked. There are two ferry operators at Holyhead port, Irish Ferries and Stena Line. It is a very competitive market and both are roughly 40% to 50% down on 2020 volumes. It is quite marked and yet ferry routes from Northern Ireland direct to Scotland and England are approximately 5% up. Within five weeks you get this very marked difference in the market. People ask whether it is bypassing. It is not. You have to understand that the easiest way to market for a lot of the Northern Ireland companies is through Dublin. It is less than two hours from Belfast to Dublin. It is a very easy trade route, and it works very well for a huge sector, and yet within four or five weeks there is a big distortion in the market. It is yet to be seen whether that is short term or long term.

As colleagues have said, there is a degree of adaption going on without doubt. People are getting used to it, and we are seeing a trickle back, but that is quite a stark reminder of what is happening in the market and it is putting a big strain on the ports industry and the ferry industry. I am going to talk about those in particular. Like all industries, we had a very difficult 2020. Our income streams are twofold as a port. Not only are they freight, they are tourism and last year we lost 80% of our tourists. We are probably at about 90% currently, so it is putting a big strain on the ferry and port sector.

Ian Price: I will go back to the reference I made earlier to the meeting I arranged between Northern Ireland business organisations and Welsh Government officials last week. I concur with what Ian said. Traffic is now going from Dublin down to Rosslare and crossing to Cherbourg, and that is the direction of travel. There are some genuine concerns that that might become a permanent move. It is hard to judge at the moment, but unless things improve between Dublin and Holyhead, I think it will be difficult in the future.

Dr Jamie Wallis: Understood, thank you.

Pete Robertson: One thing that has not been mentioned is that there will be a change in Northern Ireland in February before we get to April regarding supplementary declarations on meat and meat preparations. There has been an initial derogation on documentation so there will be further documentation required in February, which clearly is a challenge. As we stand at the moment, there are no inbound checks in Northern Ireland because of the security concerns they have there. That is all I will add on that particular topic.

Q29 **Dr Jamie Wallis:** Do you hold out much hope for the work of the Trade Specialised Committee on SPS checks and how it might facilitate some easing of these issues in the coming months? Again, I will ask Chris to answer first.

Chris Yarsley: I honestly don’t think I have an answer to that question, I am afraid.

Ian Davies: Likewise. Can I go back to the last point that Pete raised? I talked about hopefully a short-term deflection of goods from Northern

Ireland, but Pete touched on the point that there is now a huge volume going directly from the Republic of Ireland to France, which is bypassing Welsh ports. Originally, Stena Line and Irish Ferries had one ferry each. About nine ferries have gone into the sector now. It has grown by about 300%, which is a huge increase. They are basically avoiding the landbridge, and maybe something we need to touch on later is the way that the landbridge doesn't seem to be working.

Dr Jamie Wallis: Ian Price?

Ian Price: I can't add anything.

Dr Jamie Wallis: Okay. Finally, Pete Robertson?

Pete Robertson: The same here, apologies.

Dr Jamie Wallis: No problem at all. Thank you very much.

Q30 **Chair:** We will come on to the specific questions about the UK landbridge a bit later.

Ian Davies, you just spoke about the diversion of freight away from using Welsh ports where the freight would be going up into Northern Ireland. Last week I spoke to a very large Welsh haulage company who normally would use the Rosslare link for taking goods into Northern Ireland, up through the Republic into Northern Ireland. They told me they are now using either Liverpool or Cairnryan. They are making a deliberate choice, even though normally it would be more expensive to do it that way, but that is now their preferred route. Is that because of a double effect of new regulations going into the Republic and the Northern Ireland protocol? Help me understand why a Welsh haulage company would actively choose not to use Welsh ports to get goods into Northern Ireland?

Ian Davies: They would probably be better placed to say but, as you say, it is a detour in mileage and extra cost to the haulier. That in itself tells a story, because it is an easy drive from Rosslare, which connects Fishguard and Pembroke, up into Northern Ireland. It is quite a considerable detour, and they are obviously doing it for business reasons. When we talk to our Irish customers about why they are not using landbridge and so forth, there is an additional cost in going from Ireland to France by sea rather than doing landbridge, but they are burdening that cost in the short term rather than taking on the administrative process of travelling through the UK and through Dover-Calais or the North Sea.

There is a distortion going into the market that importers and exporters would prefer to use—I heard that it is because they want a degree of certainty. Some of them are ready for the paperwork; some are not ready; some of them are concerned about being tripped up. I think importers and exporters are looking for ease rather than costs in the short term, but that will need addressing ultimately.

Chair: Thank you. That is very helpful.

Q31 **Beth Winter:** Thank you, witnesses, for giving us your time this morning. I want to delve a bit deeper into the implications of the new checks and processes. We have all seen in the media since the beginning of the year some concerning and quite distressing instances where particularly shellfish exporters have had problems getting their shipments transferred overseas. Meat processing was an instance with 150 workers in Llanidloes being made redundant due to the new border processes. Lesley Griffiths, the Minister for the Environment, has commented that the TCA has had a catastrophic impact on the seafood industry.

What impact do you think the non-tariff barriers and also the challenges since the introduction of the new customs arrangements have had on companies since 1 January?

Pete Robertson: There is a huge number of challenges, but I will give you a couple of practical situations from the rural food and drink businesses in Wales. One of the real dynamics we have seen coming out of Covid is the move towards direct consumer sales to open up new channels, to give them a chance to grow. Quite often those direct consumer sales are on the internet, and I have spoken to a couple of businesses that have broached beyond Wales and across the Irish Sea to Northern Ireland and the Republic of Ireland and in some cases into France. I mentioned before about the cost of samples. The cost of samples is the same for small particular products. It is a dairy product. Having built that business as a way to recover from Covid and opened that new channel, the new channel is not cost effective or time effective for them now. That is a practical application.

The other one is about the appetite to grow and the ability to explore opportunities to grow. A lot of businesses were ready and were quite shocked—and I mentioned one earlier—about the scale of the impact, but it is the scale of what businesses are having to deal with and how they try to operate through that and try to move forward. The danger is looking to move to Covid recovery and building business. Wales food and drink has been a fantastic growth story over the last few years, and trying to get back to it will make it that much more difficult.

Q32 **Beth Winter:** What support have you received as an industry from UK Government in response to the challenges? Are you in conversations with them about the challenges that they face?

Pete Robertson: Food is a devolved matter, so the support that comes into our food and drink manufacturers tends to come through Welsh Government. Welsh Government have made quite a significant number of financial contributions, and there is also a range of support available for food and drink manufacturers in Wales via Welsh Government. UK Government has also helped facilitate and fund that on many occasions, so I am not trying to get into that situation. There are support networks available for Welsh food and drink businesses. It is just the scale of the challenges and their ability to grasp them. There is so much information out there, and it is very difficult for people to know where to go and how to move forward.

Ian Price: I think the challenges have come about because of the short notice of the deal. At the end of the day, we had only a few days' notice of the deal, and I think that caused some panic. Equally, the levels of preparedness are subject to the size of the organisation. Larger organisations seemed to be far better prepared than smaller organisations. There were different levels of preparedness.

The challenge is that January has almost become a month where we prepared for something that had already happened. As a consequence you still have people working through what they need to do, hence you are seeing the stories and the instances in the press of the challenges that businesses are encountering. Some of that will have stemmed from the fact that they didn't know what they were preparing for in December, so as a consequence there was a number of people who sat on their hands in the end because they thought potentially there would not be a deal so they didn't do the advance work.

We are still at the very early stages here and I agree that there are some heavily challenged businesses, but I think we will get a clearer picture of how prepared people are and how we can work through this probably by the end of February and into March. There is an enormous amount of nervousness, so it does not take a lot to spook people. The mountains of paperwork are terrifying, and when you have not had to do it previously it comes as a bit of a shock to everybody.

Chris Yarsley: I fully support everything that has just been said. As I mentioned in my introductory statement, this is our transition period. We are putting in place the new rules and procedures and bedding them down in the companies. The challenges are there, and we hope they will smooth out as we go. We monitor quite regularly. The Cabinet Office set up the Border Operations Centre, the BOC, which produces a daily report that is quite useful as a source of information, if you want to have a look at that. Everyone feeds into it. It is the central thing looking at all the agencies that interact with the border. That is quite a good source of information if you want to look at what has been happening and the challenges that a lot of companies are facing.

Ian Davies: I reiterate Pete's and Ian's point that the level of preparedness is quite daunting for the smaller operators. It is quite daunting for the bigger operators and, of course, we talked about exports, but quite often they need to complete an import from a different jurisdiction, so it is understanding both sides of that. That has been a real challenge. There is the lateness of when it has come through and understanding for small and large companies. Some are better geared up to it but from our own experience, because we are a pan-European company, we are having the same dialogues in Ireland as we are having with the Welsh Government, the Dutch Government and the UK Government. As a large corporation, it takes a lot of time and effort to get involved in those.

I go along with Ian and say that we are not seeing the true picture yet. We are going through a lot of pain in the short term, but I don't think the true picture has emerged yet as people adapt.

Q33 **Tonia Antoniazzi:** My questions are for Ian Price. Ian, how many businesses in Wales have experienced issues with importing or exporting since 1 January? Do you have exact figures or ballpark figures?

Ian Price: It is difficult to put a figure on it. I am aware of specific instances. What has tended to happen is that the businesses that have prepared have pretty much managed, but there have been some unintended consequences. Two particular businesses that I am aware of did not anticipate any difficulties, but of course when the deal was signed they were both caught up in slightly different ways in what was the deal and, as a consequence, they simply were not ready on 1 January for the challenges that came about.

It is really difficult to tell numbers because it is so quiet, which is not helping. That is not giving us a true reflection of what is happening because it reflects in Ian's figures and suchlike. A lot of businesses did their business in December, and as a consequence that allowed them to do very little in January. I think it will take a while to play through, but there are challenges to a certain extent for almost everybody who moves goods around Europe and the UK.

Q34 **Tonia Antoniazzi:** You said there would be a clearer picture by the end of February into March, and Chris also spoke about this being the implementation period for many people. This is a case of survival of the fittest from our perspective. It has impacted on people. Is it really just a case of teething problems while adjusting to the new rules, or do you anticipate these challenges to continue past February and March?

Ian Price: Some of it is teething problems, but some of it is slightly more serious. There are issues for particular sectors that need addressing through arrangements, and we have discussed it already where we mix ideals in particular sectors. They are not teething problems. They need something specific to happen, but a lot of people are just working their way through the system. As I said earlier, businesses are pretty adaptable and they will find ways through it or they will change their markets to a certain extent. But there are some businesses that really need some help and support, and they need some arrangements in place if they are going to continue to survive.

Q35 **Tonia Antoniazzi:** Do you think that support is coming from UK Government? You have spoken quite highly of having contact with UK Government and Welsh Government, but is more support needed to help importers and exporters to understand these new additional requirements?

Ian Price: I think the officials were learning to a large extent as they were going on. To be fair to them, they were not aware prior to the arrangement of some of the challenges that have occurred because we all did not get a great deal of notice. Some businesses will get there, and I think the officials have been excellent. This is not a political point and whether they have been Welsh Government officials or UK Government officials, they have all reached out and done what they can to help, but the sheer volume has taken people by surprise. We need more support in that respect to help people navigate. I think that is the answer in the short term.

Q36 **Tonia Antoniazzi:** Are you anticipating that any businesses are going to fail because of what has happened?

Ian Price: I don't think I have spoken to anybody who is going to fail. I have spoken to people who are going to do things differently, and sadly that may involve not doing them in the UK. I have not spoken to anybody specifically who said they are going to fail, but I have spoken to a number that are now setting up operations elsewhere in Europe to make what they do easier.

Q37 **Tonia Antoniazzi:** You spoke about the cancer drug that they are moving elsewhere, and that is a loss of jobs. Will we see the jobs come back in another area? That is our concern. Thanks, Ian.

This is a question to everyone. What can be done to minimise the disruptions to imports, exports and supply chains? If you could say what needs to be done specifically, what would it be?

Pete Robertson: There is a lot of support and information for businesses to access, but they are still left to access particular areas, especially for businesses that are not used to exporting out of the EU. We talk about rules of origin. There are things like Meursing codes and various different aspects, even just the terminology. I think if we could up the level of support for businesses to go through that and give them help. Rather than just signposting, give them proactive support to help them understand what the possibilities are for them in their product group and sector. That is one specific.

Chris Yarsley: It is incumbent on us, representing the logistics sector, to educate our members to understand the new rules, because they are there and they are not going to change in the short term. Getting our members ready for the border is key on that.

On things that are dissuading people, SPS controls on groupage, trying to remove the administrative burden will help smaller SMEs move their goods from jurisdiction to jurisdiction. I have touched on the system that could be put in place for supermarket deliveries to Northern Ireland, a retail movement scheme. We are talking about the big supermarkets. They are trustworthy companies that have been fully audited and assessed by the supply chain. It will mean that all the goods on their vehicles are already precleared and can go through all the way to Northern Ireland with few checks needed.

Truck-level declarations for express parcels delivery, simplified SPS and customs checks for vehicles carrying up to 5,000 different parcels, not requiring declarations for every single parcel but a truck-level declaration, would be an extremely useful development for the parcel sector.

Ian Davies: From a port point of view, no. There is a lot of material out there, probably too much material. A lot of people have been swamped by the level of material. People are working their way through it, and I think they are generally doing a good job. Sometimes there is a very small point that they can't quite get an answer to, and that holds up the whole package. Perhaps we need some kind of trader support service to answer very specific questions. It is no criticism of the people who are doing it, but quite often they are asking questions and it takes a long time to get an answer because there are a lot of people asking a lot of very specific questions for their particular industry. There could be some kind of help or support on that, but I think Chris has come up with some very practical solutions as well.

Q38 **Tonia Antoniazzi:** How do you think it is possible to ensure the sustainability of supply chains in UK-EU trade in the future?

Ian Price: Supply chains are evolving as we speak, and it is interesting to see what is happening in the market. Some of this is down to Covid, not just Brexit. People have been looking at their supply chains since last year because of the consequences of Covid. Extended supply chains are looking incredibly unattractive to people nowadays, and they are trying to bring some of their supply chains closer to them. That might be a positive impact on what is happening now. We have the challenges of Brexit, but there are some positives or potential positives there if we see shorter supply chains, because it will mean that some of the product that now sits in the far east may end up in the UK, which is good news.

Q39 **Tonia Antoniazzi:** That sounds great, Ian. Can you give us an example?

Ian Price: At the moment there is a huge problem in the automotive sector with chips—not the sort that you put salt and vinegar on. There isn't any supply in the market at the moment, because it all comes from the far east and these things takes an enormous amount of time to turn around. I have spoken to a business this week that is in a fairly challenging position. It has only enough chips in its manufacturing process for the next month, and it has been told it will not get any more until June and there is nothing it can do about that. That is not a Brexit-related issue, but it shows how you can get into difficulties when you have elongated and extended supply chains. That would not happen if there was an alternative chip manufacturer in Europe or the UK. That is an example this week.

Q40 **Virginia Crosbie:** Thank you to all the witnesses, and a warm welcome back to Anglesey for Ian Davies. You have chosen a really good day to come. My questions relate initially to the landbridge. Holyhead in my constituency is a major port for trade between the Republic of Ireland, Wales and the UK. How important is the landbridge to the Welsh economy for jobs and its contribution to wider economic activity? Is there a risk that the UK landbridge could be bypassed permanently, or is the direct continental route from the Republic of Ireland too long and expensive? If so, is any drop in traffic at Holyhead and other ports only going to be temporary?

Ian Davies: The landbridge from Ireland and Northern Ireland is about 120,000 to 150,000 freight movements through Holyhead port. It is a huge part of it. You have to remember two things. Ireland exports more than it imports from the EU, so quite often you get goods coming from Ireland going to Europe but the return loads are picked up in Europe, brought to the UK, unloaded and then short loaded back into the Republic of Ireland. Historically, the UK and Ireland have very strong trading ties. The landbridge has always been a key part of it. It worked very well historically, and it is a big business for all our customers.

We are seeing a disruption to that now. As somebody touched on previously, we saw it the week before Christmas where there was Covid and Dover-Calais started to disrupt the flow. What we are seeing now, short term at least, is that goods are avoiding the landbridge from the Republic of Ireland and Northern Ireland, and there are big flows going direct. I am not going to comment on the prices that we charge, but a new ferry company has done long services that go from Rosslare to Dunkirk and that takes roughly 24 hours. Our freight customers tell us that they can do landbridge in roughly 18 hours, and they say that going through this other company to Dunkirk costs them roughly €400 more per load. We know the economics of direct services are more expensive and more time consuming. A ferry company operator needs a flow, a balance north and south, yet we believe currently there is more southbound than northbound.

It will be interesting to see what happens with some of those services logistically from a long-term sustainability point of view for a ferry operator. Our freight customers are telling us, "We want landbridge back and we are desperate to have it back." That is from Irish manufacturers, both north and south, and the haulage industry as well. They need landbridge to work, and as a port, Holyhead, we want landbridge to work as well.

Ian Price: I think Ian has covered it fairly well. What was raised last week is that the reason people are deterred now is that there are two potential areas of delay in the crossing from Northern Ireland through to Europe, and they were avoiding that by going through Rosslare-Cherbourg. But there was no appetite for that crossing among the organisations we spoke to last week. If the challenges could be overcome, I think we would get that traffic back because it is a rough old crossing and it takes a long time, whereas you can cross the UK by road a lot quicker. It can be addressed, but we need to address the challenge of the two potential delay points creating the uncertainty that is there now.

Chris Yarsley: I absolutely back that up. We support any investment in UK port infrastructure. The ability to get goods out and into new markets is key as just a principle position. Ian Price is absolutely correct. The impact on the landbridge may be not so much in north Wales but certainly in south-east England with the imposition just before Christmas of the testing requirement by the French authorities, and the new Kent access permit with a £300 fine against drivers who don't have their amber or green declaration from the Check an HGV service. That has an impact on the attractiveness of the landbridge as well.

What Ian Davies said matches up with what I was going to say. We have a sister association based in Ireland, and one of its companies has used the new direct sailing routes, so avoiding it, and they had a €300 increase in cost, so roughly similar to what was just said, and goods arrived at the destination only four hours later. There is extra cost but whether or not that can be massaged into your business model—you are not dealing with great numbers. A lot of companies would prefer to use the landbridge, but is this the thin end of the wedge or is it just a blip in the market? We don't know that at the moment, but from experiences that we are getting it is not too different from using the direct service and you have a hell of a lot less paperwork to deal with if you can go directly from Ireland into France.

Pete Robertson: I think it has been pretty well covered. For us it is about free flows. It is important to consider that it is a landbridge and there are two ends of the bridge. What can happen in Holyhead is driven a lot by what happens in the short straits as well. I think it is really important that there is a balance and it is back to the flow. The regular flow is really important, but otherwise I think everything has been said.

Ian Davies: Can I add a comment? I think what is happening now is that people are going for certainty. They know that the long sea route gives them a degree of certainty and they just want to get to market, so they are doing that. They are bearing the cost and the time element in the short term. I think, given time, if we can give a degree of certainty on what is happening Dover-Calais, if they see there is no congestion Dover-Calais, it is giving confidence back to the market that the landbridge is not the problem they perhaps worried it was. People are definitely going for the known rather than the possible now.

Q41 **Virginia Crosbie:** Thank you for that clarification, Ian. Much has been made of the drop in lorry traffic between Holyhead and Dublin since the end of the transition period, and I believe the figures are starting to rise again, as you said earlier. We have talked about this. Is there anything you would like to add as to why we are seeing the figures improving?

Ian Davies: We touched on stockpiling and, if I net it up roughly, we know that Ireland is exporting less currently. We don't underestimate Covid. The building industry has shut down in Ireland as well, so the market is depressed from what it was. There is a degree of stockpiling. We have said that there are goods moving north, there are goods moving south and there are certain specific sectors, as Chris touched on, that really need some help. Ian gave examples where you have haulage companies now putting in a lot of road miles in the UK to deviate, adding costs, and that needs to be addressed.

We speak a lot to the Irish Government and the Irish Revenue Department. We would encourage practical solutions between HMRC and the Irish Revenue. How can we smooth out some of these things? The rules are the rules, nobody is asking for that, but are there easements within those rules that can make trade? We all accept the playing field, but through dialogue we are hoping that we can get easements to make industry flow a bit easier again.

Q42 **Virginia Crosbie:** Would anyone like to add anything on that? No. My final question is relating to the role of HMRC and the border controls. Clearly, Holyhead is a key part of that. What are your thoughts and feedback on the HMRC role?

Ian Davies: The UK has a light touch for the first six months. We are seeing no real issues with goods flowing through Holyhead. Ireland has invested €35 million in Dublin port, putting infrastructure in place ready. We have had examples of delays through customs facilities, checks and so on in Ireland. It feels as if everyone is easing their way in. It is a new dawn not only for Welsh ports but also for Irish ports and the revenue systems.

Going forward, there is a lot of discussion about preparedness for 1 July for the checks, and the infrastructure is yet to be in place. The infrastructure is not going to be built in the ports due to the size, as we don't have the footprint anymore. It is a devolved matter now for the animal and food origin check facilities to be built, and also for the HMRC facilities to be built that don't exist yet. That is an ongoing concern. It is not directly in our power to comment any further than that, but the 1 July deadline is very close when you see what they have to achieve.

Chris Yarsley: As Ian said, it is not for us to say what they will be doing but we need to be ready. For trade to continue to flow as freely as possible from 1 July, there need to be facilities in place for the checks that the UK Government will be doing. We welcome the fact that they have pushed it back to allow the export checks to go in, so inbound checks need facilities in place. We are hearing a lot of discussion about what is going on, and we would like that to be sorted out as quickly as possible because a lot of companies are looking at what is available now and thinking, "Birmingham and Warrington, that is not going to happen." The message needs to go out that investment needs to happen as quickly as possible at these border posts.

Q43 **Rob Roberts:** Thank you to the panel for your time. I want to go back and pick up on something that Mr Davies said a few moments ago. The message I got was that confidence is key to making sure that people want to use the landbridge. I am interested to know, partially with the A40 and the M4 across south Wales, but more particularly from my point of view the A55 across north Wales, whether the panel thinks there is much confidence to be gained in using the landbridge through upgrades to those particular routes. Would that make much of a difference, and also electrification to the north Wales coast line for the trains as well? Would those types of things add confidence and make people want to use the landbridge and put more faith in it? As it was topical for Mr Davies, let's start there.

Ian Davies: I will start with the A55. It has been one of the catalysts for Holyhead growing as much as it has. Before we joined the EU, when we last had customs facilities, Holyhead port handled 70,000 freight units. We now handle 500,000. It is huge growth and the A55 has been one component of that. It links into the UK network, it links industry and logistics centres. It is all about logistics these days. An upgrade to the A55 probably not, but there are pinch points on the A55, ironically the last bit as Virginia knows better. It is the last bit. The A55 in essence stops about half a mile too short. It has to cross through Holyhead. It bisects Holyhead town, so it is not great for the local residents. That is one pinch point.

Another pinch point is that we have the Britannia bridge going across. It is single carriageway, susceptible to high winds and so on. Generally the A55 is not an impediment. Yes, we would like to see improvements and I think that will happen. We have a very good network in south Wales but the Brynglas tunnels are an ongoing discussion that needs addressing. Like everything, we want certainty. It has been talked about a lot. That is one pinch point.

Then there is the dualling from Carmarthen or St Clears to the last legs to the ports. Obviously it is an expensive project but that would ease flow. Even if it is not full dualling, an ability to have overtaking lanes for certain parts would encourage more traffic flows. If you look at what has happened in Ireland and how much they have invested in road infrastructure, that really has made a big difference.

Pete Robertson: I think Ian has more than covered it from our perspective.

Chris Yarsley: Yes, please invest in infrastructure in road, rail, ports and airports as well. We have not really touched on air cargo today, but anything that has better investment to allow companies to trade is welcomed by us.

Q44 **Rob Roberts:** Do you have any kind of indication on that point as to how much investment in road and potential electrification of railways would add to the sectors in percentage growth, or even just percentage of increasing confidence to use those services?

Chris Yarsley: I would have to ask our research team for that. I don't have those figures to hand, unfortunately.

Q45 **Rob Roberts:** It would be potentially useful. If you could, perhaps send an email to the Clerk. That would be super helpful. Mr Price, do you have any additions to what we have heard?

Ian Price: It makes absolute sense. Any expenditure on infrastructure will benefit everybody. Going back to your original question about confidence in the landbridge, at the moment road traffic is fairly low so I don't think it is about road traffic now. It is purely the challenges at both ends, Dover-Holyhead. Road infrastructure makes absolute sense in the future, and any expenditure on the A55 or the M4 in the south would benefit us, but road traffic is fairly low and it will be interesting to see.

It is not for this conversation, but maybe it needs a rethink. The world of work will change enormously for a lot of people. Are we going to see the volumes on the road post-Covid that we saw previously? It will be interesting whether we need to be a bit cleverer about it. Yes, infrastructure, but slightly cleverer infrastructure than purely building roads. That seems odd for somebody from the CBI to say, but I thought I would throw it in there.

Q46 **Rob Roberts:** It is a good point. I live very close to the A55, and I am very aware that, you are quite right, traffic is very low at the moment, but I am cognisant that in the summer months there can be dozens of miles of tailbacks on the A55 through people going down the coast.

Chris Yarsley: Any investment in infrastructure needs to be future proofed as well. With the climate goals that the UK Government have set and the prohibition of new sales of diesel vans and cars, we need to have an infrastructure for charging not only at the smaller end of the market but also at the heavier end when it is a bit clearer what that will be—hydrogen, electrification or AN Other. That investment needs to be future proofed.

Ian Price: On the point about the value of return on investment for infrastructure, I can’t remember the figure but for every £1 spent on infrastructure you get £2 back. That is a fairly simple guide. Yes, you would get a return on investment.

Q47 **Rob Roberts:** A final question occurred to me on the back of what Mr Yarsley said about cars going to non-petrol and diesel by 2030: how do you think that might encourage business and industry back towards using rail for their freight rather than roads? Do you think it might make a significant difference?

Chris Yarsley: Rail serves a market. Whether that is the market that will be served by diesel vans not being available is another question. Rail tends to take the heavier, the aggregates, the steel products around the country rather than any kind of parcel deliveries. It is not the same kind of products being carried.

Q48 **Chair:** We are drawing to the closing stages of this session. Thank you to you all. It has been a really interesting and useful couple of hours.

I will ask a question to Ian Price and Ian Davies about the potential effects on the ports serving the south Wales corridor. There was a time when there was a ferry port in Swansea, Pembroke, Fishguard. Now it is just Fishguard and Pembroke, and both of those are relatively smaller ports, certainly compared with Holyhead. We are feeling the pinch at Fishguard and Pembroke, as we have talked about in this session, with haulage avoiding using those ports and diverting through England and into Northern Ireland directly. They are feeling the pinch because of traffic diverting on to the direct service from the Republic to the continent.

Does this raise concerns or fears on your part about the long-term viability of two relatively small ports in that corner of south-west Wales? What might the future look like if all of the pre-Brexit, pre-pandemic traffic does not return to those ports?

Ian Price: I will use a term that has been used a lot recently, which is pivoting. Milford Haven has been quite creative for a number of years in spreading their risk. They have moved heavily into renewables and other areas, and I think potentially there is a future for both the ports. We need to be a bit cleverer and a bit more agile about what we do. We are not clear yet whether the traffic will come back or not—and personally I think there is a possibility it will—but for ports to survive we have to be a bit more adaptable and look at other areas rather than just specifically freight and that type of traffic. I think we have to do other things. There is a lot of good talk about floating wind and some other areas, and potentially that will cement their futures.

Q49 **Chair:** Sure, understood, but are you suggesting that one of those ports should give up its ferry service? At the moment you have two ports each offering a ferry service. Are you suggesting that a consequence of this could be that there will be just one port offering a ferry connection to Ireland?

Ian Price: It is subject to demand, isn't it? Demand will dictate whether there is one or two ports. At the moment it is very hard. We are in a period where the figures are not clear to us, and probably by the summer we will have a better idea of what traffic will be like. Maybe that is a decision for that time, but I would not be making any decisions now based on what is happening in January. I would be waiting to see what happens. The level of traffic will dictate whether there is one or two ports. If there is enough traffic for two, two will remain.

Q50 **Chair:** Thank you very much. Ian Davies, I appreciate you might not want to comment in too much detail. We talked about these issues even before Covid, even before Brexit, about whether it would make economic sense for the west Wales economy to have one consolidated ferry terminal, perhaps offering even two services off one dock. Have the recent trends that we have been talking about this morning served to stimulate any further discussion or thinking about this within the group?

Ian Davies: I can only speak for myself. I can't speak for Milford. I think where the growth of Holyhead has been fundamental is that Holyhead has two customers, Stena Line and Irish Ferries. That has created a competitive market and a frequency. As Chris knows, frequency fuels an economy and the two ports in south Wales don't have frequency of service because it is a competitive market. They virtually run the same timetable. A lot of the ferry company customers would like to see a one-port solution where you get two ferry operators operating a back-to-back timetable. That would be the utopia, because it is all about just-in-time logistics, so you have a six-hour frequency. Would that happen, could it happen? It depends currently. It is a difficult time for a port operator. As I have touched on, we rely on two income streams, tourism and freight. We have a third income stream—duty free—which we hope will come back online. I am a little bit sceptical about whether that will return to the volumes and levels that we had before. I think it will benefit our business, so that is good.

Going back to Ian's comment, ports need to keep diversifying, keep looking for new sources. Fishguard is a very small port. We were very successful in attracting the cruise industry. Obviously that is another industry that has been pretty much hammered in the last year. Holyhead port has new industries coming in, with the likes of the Swedish tidal generating company, so there are exciting opportunities.

Going back to the point about having two relatively small ferry ports or ferry operations in south Wales, the market is not to make any changes to those yet because they are long-term investments. Logic says it would make more sense from a logistics point of view and an economics point of view to have one strong ferry port with frequency of service. We would say that should be Fishguard, because it is the shorter ferry crossing.

Q51 **Chair:** Thank you very much. At various points during this morning's discussion there has been talk of potential solutions, potential things that could happen to improve some of the difficulties and challenges that we have seen over the last four weeks or so. What I don't think has come across clearly is whether the panel believes that there is anybody in the heart of UK Government really leading on this. Unless I am wrong—and perhaps I can ask you, Mr Yarsley, as a trade body representing your members—do you get the sense that the concerns that you have been highlighting to Government are being listened to and there is somebody at a Cabinet level leading on this, trying to find the easements, workarounds, solutions to hopefully reduce some of the onerous paperwork and cost?

Chris Yarsley: There is definitely somebody in the Cabinet who is listening to industry and that is the Chancellor of the Duchy of Lancaster, Michael Gove. We have very good relations with him and his team in the Cabinet Office. I have mentioned the Border and Protocol Delivery Group. He spoke at an event that we organised in December for our members and did a live Q and A from his office. That goes to show that there are some very good relationships. As I mentioned right at the beginning, sometimes we don't always get the answers we want but we are being listened to and issues are being taken on board to be dealt with within the constraints of the new working environment we find ourselves in.

Pete Robertson: We are in a similar situation, but we are more pointed into Defra. To pick up on what Ian said earlier, we found that the officials have been fantastic in trying to deal with the issues that we have raised and are trying to engage with the industry. We have a roundtable of a broad range of industry association bodies, and Defra and DIT, and on some occasions HMRC, regularly interact with us.

Chair: Thank you all again. Unless there are any further comments or questions from any of my colleagues on the Committee, or any final remarks from any of the panellists, I will bring the session to a close.

Thank you very much. It has been very useful and very helpful. We really appreciate your taking the time to be with us this morning and being so frank and open in your remarks. It has been extremely helpful for us. On behalf of all the Committee, thank you and we wish you all a good day.