



HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: [Brexit and trade: implications for Wales](#), HC 176

Thursday 1 October 2020

Ordered by the House of Commons to be published on 1 October 2020.

[Watch the meeting](#)

Members present: Stephen Crabb (Chair); Simon Baynes; Geraint Davies; Beth Winter.

Questions 70-111

Witnesses

I: Ian Davies, Head of UK Port Authorities, Stena Line, Spencer Birns, Interim CEO, Cardiff Airport, Andrew Harston, Director Wales and Short Sea Ports, Associated British Ports, and Richard Ballantyne, Chief Executive, British Ports Association.



Examination of witnesses

Witnesses: Ian Davies, Spencer Birns, Andrew Harston and Richard Ballantyne.

Q70 **Chair:** Good morning and welcome to a meeting of the Welsh Affairs Committee in the House of Commons, continuing our inquiry into the impact of post-Brexit trade arrangements on Wales.

We are delighted this morning to be joined by an eminent panel of people running the ports in Wales and people from the UK representative bodies. We are also joined by the chief executive of Cardiff airport, which is obviously another important port of entry into Wales.

Before getting fully into the questions, will each of the panellists introduce themselves briefly? Ian Davies, would you like to go first?

Ian Davies: Good morning. I am Ian Davies, head of UK port authorities for Stena Line Ports UK. My role within Stena Line, the ferry and ports organisation, is co-ordinating our readiness for Brexit.

Spencer Birns: Good morning. Thank you for having me. I am the interim chief executive officer at Cardiff international airport. As you pointed out, we are a significant point of entry for air travel for Wales.

Andrew Harston: Good morning. I am Andrew Harston. I am the regional director for Associated British Ports. ABP operates 21 ports around the UK and is the UK's largest port operator. I am responsible for 16 of those, including the five ports in Wales: Swansea, Port Talbot, Barry, Cardiff, and Newport.

Richard Ballantyne: Good morning. I am Richard Ballantyne, chief executive of the British Ports Association, a trade association for UK ports and harbours. I also provide the secretariat for the Welsh Ports Group, which is a grouping of all the ports in Wales.

Q71 **Chair:** Thank you all very much. Just by way of context, would each of you, briefly and in general terms, give us a bit of colour around the importance of the Welsh ports and Cardiff airport as well—the role they play within the Welsh economy obviously, but also what UK significance they have? Ian, would you like to go first again?

Ian Davies: We are Stena Line Ports. We operate ports across north-west Europe, predominantly supporting our ferry business, which is a slightly separate business. In Wales, we have two ports: Fishguard, to the south, which connects to Rosslare in the Republic of Ireland; and the much larger Holyhead port, in the north, on the Isle of Anglesey, where two ferry operators operate, Stena Line Ferries and Irish Ferries. We transport approximately 450,000 freight units on our northern corridor between the two ferry operators, and about 35,000 to the south. We transport about a million passengers through Holyhead port every year.

As an employer, we employ approximately 260 people in our ports and, likewise, we employ approximately 300 staff on our ferries. Then, on top of that, if you look at secondary supported employment, we probably have



HOUSE OF COMMONS

double that in our ports. There are probably around 500 related jobs in the ports sector, right on the tip of west Wales and of north Wales.

Q72 **Chair:** Thank you very much. Andrew Harston from ABP, could you also answer that question and just give us a sense of the role that the ports that you manage and run play within the Welsh and UK economy?

Andrew Harston: Thank you, Chair. Just to give some context, as I said, ABP is the UK's leading port operator, with 21 seaports around the whole of the UK, and with five of those in Wales. We also operate an inland rail port at Hams Hall, in the west Midlands.

In total, we handle approximately £150 billion of trade every year. Our ports include Immingham, which is the UK's largest port by tonnage—this is to put ports in context for you in a UK sense—and Southampton, which is the UK's principal port for automotive trade and cruise and is home to the nation's second largest container terminal.

In south Wales, ABP's ports of Newport, Cardiff, Barry, Port Talbot and Swansea play a vital role in facilitating trade and providing businesses with access to international markets. The ports support 21,800 jobs and contribute £1.5 billion to the UK economy. We are committed to investing in our infrastructure and services to maximise the potential of our ports to drive trade and economic growth in Wales.

To be a little more specific for you, in 2019 we handled just over 11 million tonnes of cargo through the five ports, and 60% of that would be import material flow, going directly into Port Talbot tidal harbour, to support the activities of Tata—all its manufacturing processes. As a result of that manufacturing, approximately 1 million tonnes of Tata finished product is shipped through Newport. In UK terms, Newport is the UK's largest port by some 100%—the next largest is Liverpool—in the import and export steel trade, so Newport is steel port UK. Newport, through south Wales, is the gateway to England for steel going in and out of the UK.

Swansea remains an important regional port in the west. It is still the base for Trinity House and the lighthouse service, ship repair, and a number of customers in the construction and steel sectors.

The port of Barry is important because without Barry operational, Dow Silicones, a major employer in Barry, would close. The import pipeline for its raw material comes directly through Barry, and the import and export of its containers globally go through the Barry intermodal terminal, which is situated within the port at Barry and operated by ABP.

Cardiff, of course, remains the capital port, and I think that, very significantly, we did see the effect in the early part of covid. Virtually all the petrochemical and gasoline products used in the M4 corridor come through Cardiff. That is an important coastal service, with three large ships every week moving between Milford Haven and Cardiff on behalf of Valero. All that product is moved by sea, which means a requirement for 800 tanker movements a day along the M4 and the A40 out to the west.



HOUSE OF COMMONS

So Cardiff remains very important in terms of the south Wales consumer market, as well as steel and construction.

We have 236 direct employees, and as I have said, the multiplier effect for the ports, particularly with the importance of Tata, is in many respects vital to a large part of the south Wales economy.

Q73 Chair: Mr Harston, thank you very much; that was very helpful. Richard Ballantyne, you obviously speak for all Welsh ports in some contexts and those ports that perhaps are not represented on the panel. What additional information can you give us to help us to get a picture of the importance of Welsh ports to our economy?

Richard Ballantyne: Following the excellent summary from my colleagues, I would say the overall picture in Wales is that ports provide around 11,000 jobs directly in Wales and facilitate nearly 50 million tonnes of freight through Welsh ports. Both the employment and the tonnages are around 10% of the UK total. I think it's just under 10% of the UK's 115,000 workforce and just over that for the 480-odd million tonnes that the UK ports industry facilitates. To give some context for today, about 32% of the Welsh traffic is actually EU-related, and there are around 600,000 ro-ro units, which I am sure Ian Davies will be able to elaborate on, because the bulk of those go through Fishguard and Holyhead, but we also have, of course, Pembroke Dock, which is operated by Milford Haven Port Authority. That is in your constituency, Chair, as you will of course know.

There are quite a few other facts and figures, which we will be happy to supply to you afterwards. They might be a bit too in-depth to go into now.

Q74 Chair: Thank you very much; that's very helpful. Spencer Birns, Cardiff airport is a bit of a different operation. Can you briefly give us a sense of where Cardiff airport sits within the Welsh economy, and perhaps a sense of the breakdown between passengers and freight? Obviously, we will talk a lot about freight in this session, but can you indicate how significant freight is for Cardiff airport?

Spencer Birns: Thank you, Chair. Good morning, everyone. We have been operating Cardiff international airport since 1942. We are a commercial passenger airport primarily. We facilitate freight activity, and also maintenance, repair and overhaul and other flying activities. We have 360 direct employees, but we support over 2,400 jobs off the back of the airport. Last year we carried 1.6 million passengers. The GVA input to the Welsh economy is currently running at an annual total of £246 million a year. We are a Welsh Government-owned business, but we are a commercial business at arm's length. We have grown 50% over the last seven years, pre-coronavirus, and one in three of our customers is a visitor to Wales. We work with a mandate that is focused on economic value to Wales, but we are also a significant gateway to the south-west as well as Wales. We know this because, when we look at our activities, particularly things like car park activities, 18% of our car park usage last



HOUSE OF COMMONS

year was bought from a south-west postcode. We are able to track that in a meaningful way.

In terms of freight, the most significant freight that comes into or out of Cardiff airport at the moment is typically through Qatar Airways. They have the capacity for 11 tonnes of freight every day. We have opened our operational capabilities for freight at any time of the day, and we facilitate that. Most recently, we have been helping the NHS in Wales with PPE activities. We have been shipping freight in from China and Cambodia directly.

In terms of the split between freight and passenger activity, passengers are a much bigger part of our business, but now with the covid crisis ongoing, which looks to be for a long period, freight activity and the generation of freight activity post-Brexit is something we are particularly interested in. We are naturally interested in free ports as well.

- Q75 **Chair:** Thank you. Before getting into the Brexit-related questions—lots of colleagues want to pile in with questions on that—can I ask about covid? Perhaps I can come to you first, Richard Ballantyne, and ask, in very general and broad terms, about the impact of covid on the ports sector. In general terms, what has the economic shock done and how does it tie into the discussion around preparedness for Brexit, which we will get into in more detail?

Richard Ballantyne: It's fair to say that those engaged in the passenger markets saw the first shocks. I am sure that when we come to look at Cardiff airport, that will be magnified and they will be able to explain the particular challenges there. There was a general slowdown of the economy. Obviously, with the lockdown and the shutdown with manufacturing and with certain shops, and with other activities slowing down, it impacted all areas of the port industry, including components for manufacturing and goods for non-essential shopping type arrangements, and of course even things like fish landings were impacted because we were not eating as many fish in our restaurants and so on. So there has been an impact across the sector.

Ports have been fairly resilient, fortunately. One or two have faced more difficult and challenging situations than others. There has been a handful of redundancies in certain areas of our sector. The other impact not to underestimate is that on the operational side of ports where staff who have been classified as key workers have needed to be kept on site with quarantine and self-isolation measures. Also, in very important operational installations, people have had to modify workplaces to make sure that places are safe for staff and workers. Overall, in terms of volumes, we saw the second quarter figures come out provisionally from the Department for Transport, and overall we are about 18% down on last year, so it is a big hit to our sector, but, when we look at aviation, perhaps it puts it in perspective.

- Q76 **Chair:** Does the end of the furlough scheme mean that there will likely be more redundancies in the port sector across Wales?



Richard Ballantyne: I would not like to say specifically across Wales, but I think it is fair to say that operators will have to look at the lasting impacts. I would reiterate that we have not been hit in quite the same way as some of the passenger markets, apart from those ports that rely heavily on ferry and cruise activity and recreational activity as well. It is fair to say that ports will be reviewing their cost bases and having a look at what they do, but hopefully it will not be as dramatic as other sectors. We did call for an extension of the furlough scheme, which was probably the most popular stimulus that the port sector found of use from Government. We appreciate what the Government has done and understand the predicament it is in, but any extension of those types of measures would be broadly very welcomed by our sector. Indeed, the statement made by the Chancellor last week on how financial support may be continued in the employment sphere for the next six months is something we are watching closely.

Chair: Okay. Thank you very much. I do not intend to bring in the other members of the panel on that specific question. It may be, actually, that there are good commercial reasons why they would not want to go into detailed answers on that, so let's move on. I will now bring in Geraint Davies in Swansea.

Q77 **Geraint Davies:** I simply want to ask how confident the ports are that we are ready to respond to the different trading arrangements with the EU at the end of the transition period. I want to get a feel for how ready you are. Maybe we could start with Andrew from ABP.

Andrew Harston: Good morning, Mr Davies, and thank you. I should probably also declare that I was asked to be a member of the Government's transport services TAG—the trade advisory group—which met for the first time in early September as well. That is really for freight expertise and participation in the debate around the free trade agreements. I would say the one thing that characterises the industry overall at the moment, and probably business within the country, is still the high lack of certainty as to what those outcomes will be. In terms of being ready, we are probably as ready as we can be, given the level of knowledge that we have—bearing in mind that we are now less than 100 days from 1 January. Obviously, we have to be prepared for the 1 January arrangements, the further stages that come into play in April, and full transition with effect from 1 July. All the goods—I mentioned earlier that we handle them through Port Talbot with Tata—are typically rest of the world. They are coming from places such as Australia and the far east, in terms of iron ore, coking coal and so on. The majority of the products that we handle through Swansea, Barry, Cardiff and Newport would have a large EU component, but we are fortunate that, typically, they are either bulk or semi-bulk cargoes—things such as cargoes of timber. Invariably, they will be cleared on a single customs entry, and the arrangements for examining those cargoes are, at best, for a sample to be taken or visual inspection. We do not handle any products of animal origin, and we do not handle any foodstuffs at all. We do not handle any livestock in any shape or form. Compared with the ro-ro ports, in some respects it is easier for us



HOUSE OF COMMONS

to say, “We think we can be prepared,” but it is still that aspect of certainty that is the one the industry needs.

- Q78 **Geraint Davies:** Just so that we are clear, obviously there may be various scenarios, running from no deal to a difficult deal or a better deal, and you mentioned January, April and July. Remind us again: will there be continuity in January, and do you have flexibility to make further adjustments as you go towards April and July?

Andrew Harston: Our understanding at the moment, in terms of the trading arrangements and how they will apply through the transition period, is that phase 1, which commences on 1 January—or at 23.01 on new year’s eve—will involve customs controls being applied on controlled goods. However, importers of standard goods will be able to defer their payments and declarations for a further six months, which makes that more straightforward. In phase 2, which starts from 1 April, health checks will be extended to all products of animal origin. As I say, we are fortunate in south Wales that we do not handle any of those, but I am sure that the ro-ro ports do. Those products of animal origin will require declarations, but at that stage will not be subject to physical checks at the border.

In phase 3, which comes into play on 1 July, at the end of the transition period, all goods will require customs declarations and will be subject to the relevant tariffs. SPS checks will take place at the designated border control posts. I am sure that Members may well have seen some of the debate taking place about border control posts and their sufficiency and adequacy around the UK, and about some parts of the UK where the Government have stepped in—Kent is probably the most high profile—to create their own facility. I think there are still some emerging discussions under way that might see HMRC look to put some form of interim facility in the south Wales corridor, but at this point I do not believe that the location for that facility has been decided.

- Q79 **Geraint Davies:** As you mentioned HMRC, can I also ask you—I will then move on to the next witnesses—how up to speed you are on the relationship with HMRC, in relation to what you just said? You already said that there will be some extra time until July to sort things out. Has that been reciprocated with other countries, and are you confident that some arrangements will be made, akin to the Kent one that you already mentioned, before July in both south and north Wales? I will then ask the same questions to the next witnesses.

Andrew Harston: For obvious geographical reasons—without wanting to duck the question—I cannot comment on north Wales, I am afraid; I can only comment on what I understand is happening in south Wales.

We are engaged regularly, and the Government have a series of different bodies through which communications are taking place, such as the border and protocol delivery group—BPDG—HMRC itself, DEFRA and the DFT. We are regularly engaged to ensure that ports in south Wales and elsewhere in the ABP group are as prepared as they can be. I think there was some correspondence and discussion in the press over the weekend about



HOUSE OF COMMONS

something along the lines of a Kent passport being required for hauliers traveling through Kent to use either the ferries or the Channel tunnels. Ian may be better placed to comment on that.

However, it is this emerging complementary legislation and requirements, which are still coming forward, that we are not entirely clear on. I think people like Logistics UK—formerly the Freight Transport Association—and Richard Ballantyne may also be able to comment. However, there still seem to be either a lot of pieces of emerging legislation and requirements, which ports, as the intermediary, will be required to act upon, or things that are just now being dealt with that may or may not have been foreseen.

I think there will be a challenge. Our colleague from Cardiff Wales airport mentioned the south-west. From south Wales, we also manage the two ports that ABP has in the south-west—Teignmouth, in Devon, and Plymouth. In Plymouth, we operate the Brittany Ferry services to France and Spain. That is clearly quite a significant UK-based company, but it is French owned. Their managing director has been consistently clear that, whatever arrangements we put in place, he does not believe that we will receive a great deal of latitude on the other side of the channel, and that they will expect all checks to be done before the goods physically arrive there.

From our perspective, and from my TAG involvement, that is where a free trade agreement with the European Union remains critical, given the way in which we have traded freely for the last number of decades. We need real clarity over what documentation checks, physical checks and new systems will be required to operate ports and for the many thousands of vehicles and ships that move through those ports.

Q80 Geraint Davies: To be clear, if we have a free trade agreement, you think that we can continue, with some adjustments, but if we have a worse deal or no deal, how bad could it be? Just so we are clear, in terms of movement of goods to and from our ports.

Andrew Harston: It is like any transition. It would be great to imagine that it will be seamless, but I think in the early period there will be some hiccups. There will undoubtedly, potentially, be some systems issues, but on the other hand we have all spent the last nine months working with Teams and Zoom in a way that we would never have thought possible, so I think those will bed down relatively quickly. But there will be some impact at each of the three stages, in January, in April and in July, as we go through each stage of increasing regulation and increasing inspection, and ensuring that everyone is geared up with the right resources and, particularly, staff to be able to deal with those inspections and—I was going to say “paperwork”—the processing required for the transactions. There is still some way to go, but a lot of people are working very hard, particularly on the commercial side, to ensure that our business continues as close to normal as it can be.

Q81 Geraint Davies: May I turn to Ian Davies? In essence, how ready are



HOUSE OF COMMONS

we, how confident are we and how much has HMRC helped with the paperwork preparation, for the varying scenarios that we may face? Obviously, until the end of October, we still will not know what the deal is, whether it is no deal, or whatever.

Ian Davies: Good morning, Mr Davies. Andrew has summed up the three phases very well. Likewise, with Stena Line ports, we feel fairly confident in our own preparation, which is within our control, and we are on target. However, areas of concern remain, and they are very much along Richard's lines, so I will recap—I have made some notes.

First, border control system readiness. All ports and ferry companies on the Irish sea—we have a choice of operating model—operate the pre-boarding notification system, so at least we have the same system, but as yet of course those systems are not fully developed, are not fully integrated into the ferry companies' check-in systems and have not been tested, so we are reliant on speed of development and integration. We feel that we are on track, but we are in the hands of the development. As a ferry and a port operator, we are looking at not only the UK systems, but we are having to look at the Irish and Dutch systems, to make sure we get integration into those as well. So from an IT resource, that is quite a drain on our business and, as yet, we have been unable to check those systems.

Secondly, Andrew mentioned the infrastructure required, especially for phase 2 onwards. We have had a lot of time with HMRC regarding Holyhead—I will start with Holyhead because it is the biggest freight port. About 450,000 freight units pass through Holyhead every year. There has been an acknowledgement through good dialogue that there is insufficient land to have all the required facilities at Holyhead port, so an inland facility is required—that has been acknowledged—and, as far as I am aware, they are looking for a suitable location on the isle of Anglesey, somewhere off the A55. There has been something in the press about that and the local agencies. That will be a category 1, so when it comes to goods exiting the port, there should be no hindrance—they should exit the port and go to those facilities for processing, before travelling onwards—but as yet those facilities do not exist and the site does not exist.

On Fishguard, again we have had good dialogue, but we are not getting the clarity that we need. Fishguard has acknowledged that there is not sufficient space to have all the facilities. It seems to be that Border Force requires, or wishes, to undertake some of those functions at Fishguard port, but it acknowledges that there is not sufficient capacity to do all those functions at the port, so there will be some need for an inland facility. Our preference is, rather than having two facilities—it is difficult to communicate to hauliers the routing that is required—to have one inland facility and, ideally, that facility should be a category 1 so that there is a level playing field between ports. That facility, ideally, could facilitate goods from Fishguard and from Pembroke—somewhere where their own networks join up, around the St Clears mark. We think that would be a more efficient and cleaner process that we can then communicate to the hauliers and route them accordingly.



Lastly, I have to say, our relationship as a port is not directly with the freight hauliers, but our customers—the ferry companies—have a relationship with the freight hauliers, and we have concerns about the readiness of the freight hauliers in preparing for the 1st. We have had a lot of dialogue; we are giving them as much clarity as we can, as and when we get it, but of course we can only answer questions as we get our questions answered. There is a good level of engagement, but sometimes the answers and clarity that we require are quite slow in coming through, and of course we then have to pass that on to the hauliers.

I suppose the question is one of haulier readiness, because again, a lot of the hauliers who use Welsh ports are Irish hauliers, and they are having to learn the UK system and the Irish system. Some of them are using what we call the land bridge—they are transiting from Ireland through the UK and on to the continent again—and again, it is for the hauliers to understand those processes. Just to recap, as a port, we feel as if we are prepared, but we have three areas of concern there.

Q82 Geraint Davies: Thank you. On this, as a Committee, we want to provide some recommendations to be helpful, and you have mentioned the problems in Holyhead, Fishguard and Pembroke. We do not have the clearing facilities that they are getting at Dover, for instance; on a smaller scale, we need them. What guidance and support do we need, and what do you think we should be recommending, to help ports now as we move towards this cut-off date of 1 January?

Ian Davies: I think we have clarity on Holyhead. The engagement is very good; our question, really, is whether they will have the infrastructure in place, and that is not for us as a port to comment on, but there has been good dialogue.

I suppose the question regarding Fishguard is that we need a decision on the class 1 and class 2 categorisation, because time is ticking, and as we have been very clear, we believe that it should be class 1. We believe that all ports should have a level playing field when it comes to trade, because—this goes on to the next point—it is about the control process between category 1 and category 2 ports, and where the liability rests between category 1 and category 2 ports. We do not have clarity as port operators about where liability sits for releasing goods and directing goods through these facilities. The sooner we get clarity on those points, the better, because we need to communicate that and adjust our processes. Those, for me, are the points that really need clarity: can we have category 1 categorisation for south Wales ports, and where does the liability sit under the pre-lodgement model?

Q83 Geraint Davies: Thank you. Richard Ballantyne, what is your view? How ready are we, what more help can be given, and is HMRC doing enough, given that we are moving very quickly towards the 1 January cut-off date with uncertainty about whether we are going to have a good deal, no deal, or a difficult deal?



HOUSE OF COMMONS

Richard Ballantyne: I should kick off by recording my support for the previous comments from my colleagues and members, but I would also add a more lively comment. I do not think that a deal or a no deal makes a particular amount of difference to our sector, notwithstanding some technical things like permits for lorries and access into EU markets, which is a very significant issue for the haulage sector and, of course, the ro-ro ports that Ian represents. Other than that and some other, rather technical things, a deal and a no deal do not look too dissimilar at this point. They will both require full customs controls, we understand, for goods travelling between the UK and the EU, and they will also require phytosanitary and sanitary checks—animal and plant health-based product checks on goods. As Andrew said, for commodities that are in bulk loads, that could be a bit fiddly. It certainly requires some changes: some re-education of the freight sector and some changes at the ports, both in physical and digital infrastructure. It will probably have a bigger impact on the ro-ro sector. You have Ian here to talk through that in detail.

On that particular dynamic, we cannot overestimate the value of a deal, although things like tariffs and others—which are collected away from the border and are a fiscal transaction, and are not conditional on goods entering the country—have an added cost for trade. We always like to keep trade as cost-efficient as possible. But in terms of the actual border processes, there is not a great deal of difference.

You mentioned timescales. Ports are not typically political; they want to get on with running their businesses. They are independent, both financially and strategically, from the Welsh Government and the UK Government, so when they see big changes like this and the political deliberations that we have witnessed over the last three years, it has been quite an interesting time for the port operators and the shipping companies to try to understand and get to grips with what the measures will be.

We did have a lot of uncertainty, but although many of the operators may not like the nature of the deal that is coming through, we all understand that there is now clarity. Particularly since the first quarter of this year, and then in June, July and August, we have seen a huge amount of stakeholder engagement from HMRC and the border protocol and delivery group, both on a one-to-one basis with ports and shipping companies and on a national level.

Although timescales are very tight, we can see that there is a lot of activity and engagement. We are getting to the stage, which Andrew and particularly Ian mentioned, of technical deliberations. The port liability point is very interesting for us in the sector. Effectively, that is how we determine the process of clearing goods at frontiers and who is liable for them, and whether there are any particular cost implications for HMRC or port operators if processes are not adhered to. We are now at that stage.

In terms of preparations from HMRC, I would say that we complement the efforts from them and the border protocol and delivery group in recent times, but on big things like infrastructure decisions, there is still a lot to



HOUSE OF COMMONS

be done. Across the UK, I would say that it is highly likely that all the infrastructure will not be ready in time—some of it will, of course—for the ro-ro ports particularly. It is something that the Government is going to need to accept. It is going to have to decide what it does and whether further mitigating measures are needed. Andrew Harston articulated very well the staging on imports. Whether those will need to be extended in some way if they need to be for certain routes, or whether the Government takes a very firm line, remains to be seen.

We haven't really talked that much about exports, which is something not to underestimate. The EU, according to their rules, regulations and membership, will enforce full controls. Particularly for ferry routes, those ferries go back and forth. It is all well and good having measures in place in the UK, which will hopefully work and facilitate traffic without too many, as Andrew said, hiccups. That outbound traffic will have to undergo those controls from a much earlier stage—from 1 January. Whether the industry—as Ian said, the haulage industry, the traders and the exporters—is completely ready remains to be seen. That said, we understand their pain. We are not pointing the finger of blame at them. We have been in a similar situation for nearly four years, not quite knowing what to do, when to do it, etc.

Geraint Davies: That's great. In a nutshell, then—

Chair: Very quickly, please, because time is moving on.

Q84 **Geraint Davies:** I tell you what. I'll move on to Spencer, then, for an airport perspective. How ready are you and how much extra support do you need as we move towards 1 January?

Spencer Birns: Thank you for the question, Geraint. It is much appreciated, and I will keep it brief for you, Chair. From our side we are actually really well prepared. We work really closely with Border Force here. We have been having delivery meetings with them on a local basis and at senior level very frequently.

The main changes that we need to make sure are thought about and communicated effectively—so going back to your ask, what is it you can help us with: it is really getting a communication message ready so that it is clear what the parameters are for customers and freight. So looking at passengers, what is the messaging that needs to be clearly out there, so that customers clearly understand from 1 January what are the rules for travel in the EU, what are the rules for visas, what are the rules for entering the UK? Today there have been further announcements on plans on the new points system for visas for coming into the UK, for immigration. So all that stuff needs to be absolutely clear, so that it avoids confusion and backlog at the border. That would be our key ask.

The other thing to note—we don't only run Cardiff airport. We also have facilities that we help facilitate across other Welsh airports. The one big one we help run is St Athan. There is actually a significant activity going on there involving teardown and recycling of aircraft, which is going to



continue to grow. That particular company needs clarity on what the rules regarding aircraft coming in from the EU will be and then parts being shipped back out to the EU through the process. So it is virtually styled a free port covered under the current rules, but are they going to be covered under the new rules, and what is the clarity on that? So those are the kinds of things we will be looking for, but my main message is we just need clear communications and a campaign of clear communications ahead of 1 January.

Q85 Geraint Davies: Finally, Richard mentioned carrying on furlough. How do you see the new furlough scheme working? Do you think there will be more redundancies?

Spencer Birns: In terms of our business we are massively impacted by the covid crisis. To put it into context, we are down 93% versus where we were this time last year. The furlough scheme has been very helpful to us on the current structure. We have yet to get the full details of the new job retention scheme that was announced last week; we haven't seen that properly yet. On the initial look at that, it is going to be quite challenging for us to utilise that very well. It is probably more akin to dealing with the hospitality sector than actually the airport sector, but we are having a good look at it.

Q86 Geraint Davies: Okay, I'll leave it there Chair, but if the witnesses have got any submissions on ideas on furlough, that would be great.

Chair: Thank you, Geraint. I am keen to bring in my colleague Beth Winter in a moment. Can I just come back very quickly to something that Ian Davies said in his answer to you, Geraint. There were a few things, Ian, that you said, that made me a bit concerned, but one of those was in relation to pre-boarding notification systems. You suggested that there was still work needing to be done at pace around developing the system and integrating the system. Can I ask you who is responsible? Is that an HMRC function? Has that been outsourced to a private sector contractor, or is it Border Force? Who is doing that work, and at this moment in time where is your confidence level that that will be delivered in time for us to successfully press on after the end of the year?

Ian Davies: I am not directly involved in those discussions. We have an IT department. They feel that the integration will be achieved on time from our point of view. So there is a fair level of confidence that that will be achieved on time. What we need, though, is testing time and then the ability to communicate how those processes will work to our customers. So the process itself and the integration we think is doable. It is just we need time to test and to communicate.

Chair: Thank you very much. Over to you, Beth.

Q87 Beth Winter: Thank you Chair. Thank you witnesses for coming here today and giving us your time. I wanted to focus on potential for congestion at the ports, because we have heard concerns, particularly in relation to food shortages, about possible congestion. I would like to ask you what concerns you would have about this once the transition ends.



HOUSE OF COMMONS

What solutions or transitional arrangements are you developing to avoid any such disruptions from January and beyond? I would like to ask Mr Harston that question first, please. Diolch.

Chair: I think we've lost Andrew Harston. We are trying to get him back, but we have lost the connection.

Q88 **Beth Winter:** Okay. Let's ask Mr Ballantyne.

Richard Ballantyne: Thank you, Ms Winter. It is a good question, and it is something that a lot of people will be very interested in. I would say that it is particularly pertinent to the ro-ro ports. I am not sure what Andrew might have added, other than a very authoritative view about his particular operations. It is something that the Government is fully alive to, certainly, and this is why it is considering setting up and installing inland facilities, so that you effectively move the congestion away from the gateway and the delays do not cause bottlenecks at that natural bottleneck.

There has been a bit of analysis, certainly by the Welsh Government, looking at the impact on the Welsh lambing trade and what happens to products being exported there. There are some interesting findings, which I think the Government is fully alive to. But quite frankly, we have these checks and it will have an impact. Whether it will lead to food shortages—I think that might be a bit extreme. But what it certainly could do is add costs to logistics chains and operators. People who want things quickly—that just-in-time mentality—will have to factor the new operations into their business model. They may have to have more stock, or they may have to adapt what they are doing. Of course, they may look at sourcing more locally, which may have an impact on our UK ports industry, the frontiers and traffic going through them, but generally I would say it is probably less dramatic than a food shortage point, although I stand to be corrected next year. I think it is more a technical point and a cost point for those operators who have to get themselves ready for new processes.

Q89 **Beth Winter:** What do you feel the UK Government could do to minimise any disruption in the ports if new checks were introduced?

Richard Ballantyne: I would suggest, humbly, that they could look at taking a very pragmatic approach to things such as the sanitary and phytosanitary checks and controls. These will be prescribed by rules and regulations. We currently follow the EU's annexes on these kinds of things, so it is very difficult to waive certain processes and practices. But if you imagine consignments of meat or something coming into the EU under the usual arrangements, which we are still subject to at the moment, those consignments might be inspected. They may have a documentary check, and they may even have a physical check. There could be a percentage sampled for anything from bacteria to other health concerns. As we are dealing with a known entity, which in Wales's case is the Republic of Ireland for ro-ro and a lot of the other traffic coming in from the EU, we would think that standards are fairly similar, so we would urge the Government to take a pragmatic view on this.



HOUSE OF COMMONS

Effectively, we do not know what will happen in the final negotiations. We have had indications from the UK Government that, of course, customs is not something on which it is wishing to seek alignment, but we might get some reciprocal standards that could trickle down into things such as plant and animal health checks, although it remains to be seen whether that is a real aspiration. Obviously, if the rules would impact on what the UK can do in terms of its own regulation or its own future trade deals, I think the UK Government would be fairly dismissive of that. But we may get some closer alignment if there is a deal, which could help on things such as the amount of animal and plant-based product checks there will be. I suppose the underlining factor is we will have some kind of checks, because the UK Government has indicated that it wants to leave the single market.

Q90 Beth Winter: Thank you. Mr Davies, can I ask you the same question, in terms of congestion and in relation food shortages? I know Holyhead and Fishguard have been mentioned in lots of the reports. More specifically, you have been quoted in a Welsh Assembly report from 2017 as saying that Holyhead would “come to a grinding halt” if checks were introduced. Do you still think that to be the case?

Ian Davies: Good morning, Ms Winter.

Beth Winter: Bore da.

Ian Davies: I will have to cast my memory back to 2017. Richard touched on this very briefly, but I will talk a little bit about the trade that goes through Holyhead—just under half a million freight units, about two thirds of which come from the Republic of Ireland, and about a third of which are transit goods between and from Northern Ireland. There is a real mix of goods traveling from Northern Ireland, down to Dublin, across and into the UK. A lot of those goods are what they call groupage, because it is a mix of goods.

A huge segment is the retail sector—for the large supermarkets. It is a huge, huge business. You quite often get raw products that may start in the Republic of Ireland, travel back and forth over the border until they become finished goods, end in Northern Ireland, transit through Holyhead port to the supermarket distribution centres in England and are then redistributed back out to Northern Ireland or the Republic of Ireland. It is a very slick and integrated logistics chain that the supermarkets currently operate.

We talked about congestion in Holyhead back in 2017. I am less concerned now than I was in 2017, because of the point that Richard made—that it has been acknowledged that we will have inland facilities away from the port, so traffic coming from Ireland will, relatively speaking, have free access through Holyhead port and to the inland facilities for checking. That is a positive tick. However, Richard also talked about the checks in the Republic of Ireland. They have the facilities built in Dublin port, where approximately 1 million freight units go through every year. Holyhead has about half the goods that come through Dublin port, through the ro-ro sector.



HOUSE OF COMMONS

Of course, if we get a level of congestion in Dublin port, it will put out the schedules of the ferries that operate, which will then have a knock-on effect back in the Welsh ports, because when the freight goods check in at Welsh ports for export to Ireland, they have to meet the pre-clearance for the Irish regulations. I am not so worried about congestion caused by goods coming in from Ireland, but if we have disruption in Irish ports, the knock-on consequential effects in the Welsh ports is a concern.

On the level of the SPS checks, quite often we have talked about market intelligence. Because we have been living in the EU for 20 years, we probably do not have the level of detail on what is in a lot of these units—we are not required to under EU regulations—so a lot of it is market assumptions. The best assumption we have is that, dependent on the free trade agreement that comes out at the end of this, we could need something like between 88,000 and 200,000 SPS checks for goods travelling through Holyhead. That is the silent thing that people have not been talking about enough. It has been talked about by HMRC. Probably the greatest concern is the level of these checks. As Richard said, some level of alignment would be hugely beneficial.

Q91 Beth Winter: Do you have any suggestions for what the UK Government could do to minimise disruption if checks were introduced?

Ian Davies: My suggestion would be that all ports should have inland facilities, to make sure that goods flow clearly and we do not get a backlog in the port itself; and clarity on—maybe some streamlining or alignment between, if at all possible—the standards between UK and EU goods when it comes to animal and food products.

Q92 Beth Winter: Thank you. Diolch yn fawr. Mr Ballantyne, do you want to come back in?

Richard Ballantyne: Quickly, just to defend Ian's statement in 2017, because I am sure I was quoted at the same time making similar statements, although less specifically about Holyhead. One thing to factor in that we do not currently have in Wales—this is another ro-ro point—is that most of those trucks are driver-accompanied, and if the driver is going to continental Europe, and because we are outside Schengen, there is an immigration check for those drivers going both ways. Because Wales, Ireland and the rest of the UK are in the common travel area, we do not have that intervention at the moment. Yes, there are security checks of course—special branch and the police monitor things, and Border Force has a roaming presence—but there is not that routine check. What I am trying to say here is that we are not used to traffic stopping at Welsh ro-ro ports on these journeys, so it is even more of a culture change for the sector to have to deal with.

Q93 Beth Winter: Thank you. Diolch yn fawr. Mr Birns, I assume you will have much that you want to add on those questions, but, whether or not a deal is reached in the next couple of months, do we feel that there is sufficient time before January to implement any new processes and checks that are required?



Spencer Birns: I think so, and thanks for the question on congestion, because it is a topic for us, too. One of the factors that a lot of people do not realise is that advance passenger information is shared quite regularly ahead of arrival—it is actually shared ahead of boarding of flights—for entry into the UK and entry into the EU, as well as a lot of global destinations. Those systems have been in place for many years, so that should help.

The main possible point of congestion will be if there is a UK-only entry point, which has been proposed, we understand, by some parts of the UK Government—it has not necessarily been implemented. That could create further congestion at the border, because they may not have enough staff to deal with the non-UK points and that could create backlogs. Ultimately, we expect that that will be pretty fluid and that sense will probably prevail, so the EU customer will come through the current channels.

The other point is that if there is backlog and congestion at ports, in particular for perishable, high-value or high-speed goods, we will probably see an uplift in air travel for those goods to be sent across by freight. We have seen that in the past when there has been congestion—for example, when there have been closures at ports due to strikes, we have seen a significant uplift in air freight activity from the EU. I think we will probably see the same again. We are geared to cope with that—we are a 24-hour operation as well—but, for us, it is just how much that volume increases and how much we then need Border Force to help with that.

Beth Winter: Diolch yn fawr. Thank you, Chair.

Chair: Thank you, Beth. Simon Baynes, we seem to have lost you a couple of times during the course of the sitting. Are you ready to come in with your questions?

Q94 **Simon Baynes:** Yes, I certainly am. I want to focus on the effect that the Northern Ireland protocol to the withdrawal agreement will have on customs checks, processing and declarations. We have been touching on that, but I am interested to explore it more specifically. We will start with Ian Davies.

Ian Davies: Good morning, Mr Baynes. As I touched on before on Holyhead port, approximately one third of the traffic that transits through Holyhead port comes from or was destined for Northern Ireland. Some of that is going directly into Great Britain, or it is transiting through Great Britain and going on to the continent. What we do not really have is clarity on the flow of goods and what is meant. They talk about unfettered access, but will the goods that travel directly from Northern Ireland to Great Britain be treated the same as those goods that will be transiting through the Republic of Ireland and Holyhead port? We don't have the level. It is a huge part of our business and we do not really understand that relationship as yet. We do not have clarity on what that Northern Ireland protocol will mean, and what unfettered access truly means to the hauliers.



Q95 **Simon Baynes:** I will come to the other panellists, but just to pick up on that point, what is your route of access to find such information? How do you go about seeking that information from the Government?

Ian Davies: We have been seeking clarity on this point, not only through the UK Government but through the Irish Government. As yet, all we get referred to is that it is in front of the committee to provide clarity, and we just don't have it. Of course, it is linked to the clarity of what that north-south border between the Republic and Northern Ireland will mean. We are asking questions and we have a good level of dialogue, but we don't have answers yet.

Q96 **Simon Baynes:** Okay. Spencer Birns, could you answer next, please?

Spencer Birns: Good morning and thank you for the question. It is an interesting one, because at the moment we are not expecting a significant impact. The most pressing point is what it means for the customer. Currently, Northern Ireland customers are domestic, whereas Irish customers are treated as the common travel area—the same as the Channel Islands. We need clarity on how a Northern Irish customer arrival is supposed to be treated. Are they going to be treated as common travel area or are they going to be treated as domestic? We expect that they are probably going to remain as domestic. That is the most significant part. The rest isn't really a significant concern to us at the moment.

Q97 **Simon Baynes:** Okay. Andrew Harston, please.

Andrew Harston: Thank you, Mr Baynes. Apologies, Chair—I also seem to have had a few technical problems, but I can assure you that I am back on now. I think we will be affected slightly differently, because we are unlikely, or far less likely, to face the situation of goods moving across an Irish border between the north and the south. We regularly receive cargoes from Northern Ireland—particularly cement, which is shipped into Swansea. We also receive and ship cargoes to and from the south of Ireland. They are likely to remain discrete and distinct parcels going to one country or the other.

The point about the common transit convention and the potential for checks is a very real one. If that was the case, as envisaged under the protocol, up to 1.5% of goods would be required to undergo compliance checks by HMRC. Clearly, Ian has already talked about the number of vehicle movements, and that would raise another level of inspection to be carried out in addition to the ones we have talked about for SPS and other requirements. That could result in a decline in traffic using the land bridge in the longer term.

If those goods are moving—I have done this for 37 years now, and goods tend to find a way to move—the challenge for the UK, and Wales in particular, is the loss of any value created by that traffic moving through Wales, if indeed it took a direct service in the future, perhaps from southern Ireland directly to the European mainland, or more traffic to travel between Northern Irish ports and, let's say, Scottish and English ports. That depends on the point that our colleague from Cardiff airport



HOUSE OF COMMONS

made about whether it is treated as domestic or under the common transit convention. As with so many of these items, we can only speculate and participate in the various groups. What we need is clarification.

Q98 Simon Baynes: Thank you, Andrew. I want to pick up two of the points you made and introduce two further questions. I am very happy to go back to Ian and Spencer, if they wish, on these two points. It would be useful, if you have anything more to add, Andrew, for you to do that before I go on to Richard.

The two interconnected questions are as follows. What additional capacity is required at Welsh ports to manage checks and customs, which you just referred to? You made reference to product going from southern Ireland straight into the EU. That gives rise to the question: how concerned are you that Wales and the UK could be bypassed as a land bridge to carry goods from the Republic of Ireland to the rest of the EU? I don't know whether you want to come back and develop those points further, Andrew. You have obviously already touched on them.

Andrew Harston: I am happy to comment to the extent that I can, given the nature of our more general bulk cargo goods. I have just lost the picture, so if somebody confirm that you are still hearing me, I am happy to continue.

Simon Baynes: Yes, we are, very much so.

Andrew Harston: That's great. In terms of additional capacity, Ian made the point about space being identified for certain facilities within Fishguard. There is no space in Holyhead. On the creation of the inland facilities, it is exactly the same situation we have with the ro-ro port at Plymouth: there is no space in the port to accommodate such a facility. Therefore, it would need to happen away from the port.

In terms of capacity, the real question is how long these checks are going to take, because what happened in terms of unrestricted access when we became proper members—some will remember the 1992 campaign, but this was 1 January 1993—was that all the documentation checks that used to exist largely fell away, as did all of the jobs involved in customs clearance and freight forwarding clerks, who were also in place to make those applications and checks in the system.

The ports themselves were not necessarily involved in that, but what tended to happen was that the checks could take some time to do, particularly inspections. And that tends to create a demand for a vehicle to be at the inspection facility for a longer period of time, because for so many years now we have enjoyed, as we largely do when we use the ferry as consumers, the fact that you—and freight more so—can, almost, turn up and drive on. We are used to frequency on those journeys, and at the other end you drive off and [*Inaudible*] on your onward journey. As soon as you introduce further delays into that, it is not necessarily the point of congestion, but somewhere those vehicles need to be held while those checks are taking place. So I suspect that, for many of the ports—which have seen their volumes grow quite significantly over the last 20 years of



HOUSE OF COMMONS

trade with the EU, as our biggest trading partner—more and more of the space that might traditionally have been used for examination or inspections has become transit space and marshalling space: the area that vehicles are held just before they go on the ferry, or as they come off to go through passport control and out through the gates and on to the highway system.

That has enabled ports to be very much more efficient. It has enabled the delivery process in productivity terms to be more efficient, because a lot of the sea legs are geared around giving the drivers the right amount of break, so that when the driver comes off the ferry, he is able to drive and get on with his delivery.

Once you introduce another check or balance—the term is appropriate—into that system, it introduces another constraint, which the supply chain has to deal with. In the widest sense, if those checks are not ultimately efficient, more capacity will be required, not just at ports but all the way through the system, because if the system is operating at a slower round-trip pace, ultimately you need to add more resource into the system to maintain the rate of flow, and the collection and delivery of those goods needs to happen at the pace that it happens today.

If those are delayed for 15 minutes or an hour, you have to make up all those hours on the many hundreds of thousands of vehicles that are being talked about. Ultimately, that would require more capacity being put into the system by everybody. Of course, that capacity has a cost and the end user is unlikely to want to pay for that, and that will apply pressure all the way through the system—the whole of the logistics chain—in an industry that clearly has had a very difficult period over the current year and that is taking on a significant requirement for cost.

Even from the ports' perspective—the more general cargo ports—we will have to ensure that we are monitoring the customs clearance of goods before they are released into what we call free circulation outside of the port, effectively through the internal border of the port. That is because, under what is called wharf approval, ports are responsible for the payment of goods or duty—the liability point that Ian touched on earlier—until those goods are cleared and authorised from customs to be in free circulation, at which point the port can release them.

Typically, for the more general cargo and bulk goods that we handle, “in transit”, as it is referred to, you are also typically allowed 90 days before you need to ensure that you have cleared those goods, or made other arrangements, put them into bond or something else. The port, as the wharfinger, will have a responsibility to monitor that inventory control, putting the systems in itself that are linked to the Customs and Excise systems, Border Force, to ensure that, before we release any goods—or our customers, many of whom operate their own areas or terminals where there is a connection with the port—we can be sure that those goods are fully duty paid and then able to go into free circulation.



That may bring us on to the free port debate, but when we look at the levels and volumes and the nature of fast-moving goods between Europe, the UK, Wales and the Irish market, that is such a fast-transit system that unless they were bonded all the way through, or some other facility was used, a facility like a free port would not address the challenge of those checks that are required to be made.

With the southern Irish direct EU trade, one of the things that we are also seeing—Ian might be able to comment from a North sea perspective—is that there is undoubtedly a bit of a switch going on away from the use of the Dover-Calais, Dover-Zeebrugge corridor in the south-east market. If you are bringing goods in and out of the UK, you can do that on a ferry where the truck comes with it, which it does in much of the Irish market. That is called driver accompanied. There are a number of routes on the North sea where, because the sea leg is much longer, the trailer is put on to the ferry on its own. The tractor units in the port are used to load those trailers and then take them off at the other end. That is called unaccompanied. That tends to be slower moving freight, not high value or perishable freight, which goes accompanied by the driver. You see that with many of the goods that come across and go directly, for instance, to a fruit market in Manchester, or with high value electronics.

Thirdly, there is the opportunity to use short sea container ships, many of which carry the same European goods in a container instead of a trailer. What we have seen over the last few years, and we tend to find more—particularly between the Humber corridor, where we have two container terminals, and Rotterdam in particular, which is linked in to the whole of Europe—is a tendency for short sea container operators rather than ro-ro ship operators offering door-to-door services from the middle of Germany or Italy directly to the UK and also through to Ireland, where those goods are moved in a container as opposed to a ferry. A number of those services already exist between northern and southern Ireland and the continent, the difference being that it is quite a long journey from Ireland to do that by ship, whereas on the North sea you can sail from the Humber, and 12 to 16 hours later you can be discharging the ship in Rotterdam or in a port close to Rotterdam called Moerdijk, so it is quite efficient. But there are alternatives available, particularly for slightly slower moving cargoes, and that could take away the use of a land bridge and make the sea bridge more prominent in those transactions. That is a little bit long-winded, I am afraid, but I hope it helps.

Q99 Simon Baynes: Not long-winded at all. It's a very helpful and comprehensive answer. Thank you very much, Andrew. Richard Ballantyne I would be grateful for your comments on those interrelated questions, as well.

Richard Ballantyne: I will not try to eclipse Andrew's very eloquent description of lots of complex logistics flows, but I can follow Ian's comments on one thing, particularly about the lack of clarity about what the protocol will mean in terms of actual operations. We have a lot of Government focus on this and a lot of good work is going on at HMRC and at the border protocol and delivery group, but on the joint committee,



HOUSE OF COMMONS

which we understand has a very important role, I am not sighted on what it intends to do and propose on things like this. We are getting snippets of information. We understand that possibly the customs requirements for goods coming from Northern Ireland to Great Britain will be a lot less than those going into Northern Ireland. What that means for ro-ro flows, particularly on the Irish sea, remains to be seen.

As Andrew indicated, freight finds a way. In terms of road haulage and ro-ro operations, it is fair to say that hauliers find the path of least resistance—the most efficient routes where there is the least potential for delays and stoppages and so on—so it might be that one or two hauliers and haulage companies look at which routes to take. Although Ian has articulated very well the fact that a lot of their business comes from Northern Ireland, but via the Republic, it is probably fair to say that certainly in terms of ro-ro, we do not have any direct sailings from Wales directly into Northern Ireland. They all go into Rosslare and Dublin, of course. There has been another, rather anecdotal bit of information: talking about things like sanitary and phytosanitary checks, the single market and so on, rightly or wrongly, there is a perception that the food industry in Northern Ireland might be a rather attractive place to establish and do things in the future for food manufacturers and processors, etc. What that means for Welsh ports is something to watch closely, because if you see in the future food developers and others investing in new facilities in Northern Ireland because they effectively have access to two big markets—the EU and the UK—that might have an interesting dynamic that Welsh ports could do rather well out of; there could be increased flows on the Irish sea, particularly. It is something to watch, but I really think that joint committee as an entity is something we would like to learn a bit more about.

Q100 Simon Baynes: Just on your point about the food manufacturers, presumably that logic is applicable to other businesses as well, or other industries.

Richard Ballantyne: Yes, potentially, but I think the established infrastructure of the Republic of Ireland and the island of Ireland lends itself to food manufacturing and production. They do not have the same raw materials in other spheres, but yes, you are right: in theory, you could see other facilities set up to manufacture there. These investment decisions take a long time to come to fruition, of course, so I am not suggesting that on 1 January there will be a spate of new facilities opening in Northern Ireland, but it is certainly something to watch.

Q101 Simon Baynes: Ian and Spencer, do you want to come back on any of the additional points we have developed since I asked the question to you both? Ian, do you want to add anything?

Ian Davies: Just that I was very impressed by Andrew's answer; it was a very full answer. I would maybe throw a few more numbers around it. The freight market—the accompanied market—is roughly 70% of what we carry from the Republic of Ireland. That is because they have such an efficient logistics flow, and what would be interesting to see is that if we



have a slowdown in that efficient flow process going back and forth, that would affect the drivers' hours, and therefore they have to have rest periods, and therefore the whole chain starts to slow down. You then add on top of that the uncertainty within the freight haulage market about where their drivers are going to come from. They have a lot of EU drivers; will they have the same numbers of drivers available?

There are a lot of questions around those logistics chains, but if you look at the size of the varying markets, roughly between the Republic of Ireland, Wales and Liverpool, there are about a million freight units that get transported by ferries. If you look at the Republic of Ireland to the EU—not container ships, just the ferry market—it is only about 40,000, so you can see that the quantum of scale between the two markets is hugely different. As yet, on the ferry side of our business, we have seen that business grow, but there is still capacity and it is not a quantum leap. We have not seen a dramatic shift from one routing to the other, and it is generally the just-in-time logistics. For many of the manufacturers and suppliers, the long sea passage does not work; they need the short land bridge through Wales, adding value sometimes as it goes through the chain, and ending up in the EU. It will be really interesting to see how that is affected.

Q102 **Simon Baynes:** That is very interesting. Finally, Spencer, do you want to add anything?

Spencer Birns: There is not a huge amount I can add on this particular topic. Ultimately, the land bridge is more related to freight or activity that needs to come through there. On the air bridge side via the land bridge, that ultimately comes through hub flying. We as a cargo port are not currently a hub; you would probably find somewhere like Heathrow or Manchester more affected by that, as they are potential hubs out of Ireland and Northern Ireland.

The one bit that it probably will affect is the ability for companies to trade, like the one I mentioned in St Athan. An aircraft might come from Estonia into St Athan; the parts are then taken apart, and the engine is sent to Ireland. That then potentially comes into the land bridge, because that engine is going to be sent by surface transport across there. In theory, because it has come in from the EU and back out to the EU, it is outside of the tax regulations as to where they have sold and handled it. That is probably the only part that is going to have an impact, and this is really about the legislation and how they handle it.

Simon Baynes: Okay. Thank you, everyone, for your attendance this morning. That is me done, Chair, thank you.

Q103 **Chair:** Simon, thank you very much. Richard, I wonder whether I can ask you about a port that is not represented on the panel, which is the port of Milford Haven. Obviously, we have spent a lot of time talking about ferry and freight services, and an element of Milford Haven port is involved with that, at Pembroke dock on the Irish sea route. May I ask, though, about the energy nature of the port of Milford Haven? Andrew, in one of



HOUSE OF COMMONS

his earlier answers, mentioned the Valero trade along the south Wales sea corridor to Cardiff, but broader than that, Richard, are there any points that we as a Committee should be concerned about in relation to post-Brexit trade discussions that affect the trade in oil and petroleum products in and out of Milford Haven?

Richard Ballantyne: I know you have a vested interest in that part of the world, Chair. Milford Haven, for those who do not know, is the UK's biggest energy port by throughput. It is of huge significant and strategic value to the country, and particularly to that part of Wales. Obviously, any dramatic changes in an area that is, it has to be said, predominantly rural—if you were to remove certain activities—would, I am sure, have an impact that would be felt disproportionately in your region. There would be obvious concern about any major impacts.

I am not an expert in the oil markets, but I think that a lot of fuel and oil products are very international in nature. They are subject to other pressures, such as pricing, along with the gas—LNG—cargoes that the port also facilitates. Wider economic and market influences are very important.

I was, perhaps, rather relaxed in my description of the impact of tariffs broadly on our sector. I think it is something to watch—quotas and tariffs in trade deals. Will we have the same access to European markets for things like energy products, fuels and so on? Although not all of it, obviously, is transported to the EU and shipped there, if there are changes, then those kinds of global dynamics do have an impact on what happens. We have seen random things like incidents in Japan where, after the tsunami, the Japanese Government ruled out the further use of nuclear power stations. They started buying in things like gas, and that had an impact on places like Milford Haven, because a lot of the demand was sucked away from the UK and our part of the globe.

That is something to watch, certainly. You will probably have to ask the port directly, or some of its customers, like Valero and its terminals, and the wider sector. It is definitely a good one to raise, Chair.

Q104 **Chair:** Thank you very much. Free ports were mentioned a few moments ago, again by Andrew Harston, so Richard, representing the ports trade body for the United Kingdom, can you give us any insight at all into where the policy development process within Government has reached on free ports? Has it fallen victim to the reduced bandwidth of Government as a result of covid, or do you get a sense that the policy is still being worked up and that we will see it delivered in some form?

Richard Ballantyne: I think it is fair to say that the Government are still very committed to the free ports concept. Indeed, it was a manifesto commitment. Some detail on what a free port will be has yet to be clarified, and it may be that there are various deliberations in places like the Treasury and others wary of any loss of revenue at this time when the Government have spent a huge amount supporting business and individuals.



HOUSE OF COMMONS

There was a slight delay in a recent consultation on what a free port model might be, but we understand that the timescales are still that there will be a bidding process this autumn, potentially, and that the free ports will go online in one form or another at the end of 2021 or the beginning of 2022. Quite where they are remains to be seen. Our big concern is about the number 10—not No. 10 Downing Street, but the number 10 as the level of ports. That is a rather arbitrary number of ports. Of course, we have Spencer here—it is not just seaports that are eligible; it is airports and other facilities. If you do a straw poll and look around the UK, you quickly use up those 10, because there is a lot of interest from various locations. Now, to cluster and zone around ports is a policy we have been lobbying on for many years, so we were very pleased that the concept seems to be acceptable to the UK Government. But that number 10 is a recurring frustration for us, and we are very suspicious about the potential impacts that could have—perhaps not directly on displacement of activity, but in future investment terms. There may be more attractive areas.

Somewhere such as Milford Haven—I think it is in the public domain that they are very interested in the free ports concept—would be wary of any competitors, areas and regions of the UK getting a status that they do not have, and of whether that would have an impact on the refinery activities in south Wales. Perhaps it would not do so immediately, but it may make it less attractive for future decisions. There is certainly a lot of interest in the area, and I think it is fair to say the Government remains committed to the policy for now.

Q105 Chair: Speaking on behalf of the Welsh ports specifically, do you gauge a high level of interest among your membership in Wales? Is there active work going on around bids?

Richard Ballantyne: Yes, absolutely. Again, I think it is fair to say that Milford Haven are fairly advanced with their considerations. I will let my colleagues talk about whether there are possibilities for their particular operations; there probably would be. Even at the port of Mostyn in north Wales, which has done a lot with manufacturing with, for example, BAE and offshore renewables developments, I know there is interest in that particular region—Denbighshire and so on.

I guess the danger is that finite number of 10. Politically, I think it would be hard for the UK Government not to allocate at least one free port to Wales. But it is a competitive sector and an independent sector strategically and financially, so if the Government is intervening, it is almost picking winners and starting to underline a new freight strategy, potentially, with this. We would have serious concerns there, but the ports have certainly looked at this with great interest.

It is fair to say that some of the customs easements, which are a possible part of a free port, may be less attractive to certain operators and more attractive to others, depending on the nature of the business. Across the board, I think that things such as planning easements and consenting easements for new developments and so forth would be broadly welcomed by all port operators, who have found that working within certain planning



HOUSE OF COMMONS

and environmental rules is quite restrictive and has made them less agile. What we are talking about here is land and marine planning and consenting rules. We are not talking about ripping them up or destroying them; we are talking about making them work better so that ports can respond in a quicker way and be agile to new business opportunities.

Q106 **Chair:** Thank you. Of course, in Wales those planning rules and other regulatory requirements are largely the responsibility of the Welsh Government. Do you get a sense that there is an active conversation involving the UK Government and the Welsh Government about how the totality of a free ports policy, with all those planning easements that could be involved, could be delivered in a Welsh context?

Richard Ballantyne: I think it is fair to say there is definitely interest from the Welsh Government. But also, because of differences in political allegiances between the two Governments, there will be a natural suspicion of a central policy. Of course, customs and trade policy are reserved matters, but you are absolutely right: things such as enterprise policy and planning policy are devolved matters. I think the UK Government is taking things quite delicately and not impressing what the devolved regions must do; it is trying to highlight the potential opportunities. I think the Welsh Government understands that, and the industry certainly understands that and is communicating that with the Welsh Government.

Q107 **Chair:** Thank you very much, Richard. I don't know whether any of the other panellists want to come in on the issue of free ports. Spencer has his hand raised.

Spencer Birns: Yes, please. Thank you, Chair, and thank you, Richard—that was a great summary.

This goes back to your previous point about Milford Haven and the strategic opportunities there. We are very interested in free ports, and not necessarily free ports only as air ports. We are interested in the collaborative concept of free ports, linking air ports as well as sea ports. That has been done in a number of parts of the world, and one that we have already been fleshing out strategic partnership relationships with is Qatar. Obviously, there is the LNG project going on in Milford Haven, and we have the strategic air link between Wales and Qatar, and the growing value of that is important, particularly from an investment perspective in Wales. More importantly, they have a sea port and air port free trade zone as a structure that is working. We understand that that is done elsewhere. We believe that there is a good possibility, and we would be very keen to develop that concept, no matter which port it was in south Wales and how we did it with them. That is something we would be very keen to take forward.

Q108 **Chair:** Thank you. Ian, is there anything you want to add?

Ian Davies: I think Richard summed it up nicely. We just don't have the land mass in our ports. We chatted previously about how we have made our ports far more efficient. For example, at Holyhead our throughput has



HOUSE OF COMMONS

increased fourfold in the last 20 years. We see a collaborative approach, so in Holyhead we are working with Anglesey County Council to look at a more regional benefit, and we are taking a regional view of what a free port can deliver. We are confident. The big thing for us, which Richard touched on, is that the bidding process is clear and transparent and you don't lose out not only to other Welsh ports, but you don't end up with a strong English neighbour, so to speak, that has a detrimental effect, especially in north Wales, where we have Liverpool just up the road. That's it, from my point of view.

Q109 Chair: Thank you very much. That is helpful. We are going to bring the session to a close in a few moments.

Ian, can we just come back to the Holyhead issue and the end of the Brexit transition period? Reflecting on some of the remarks that you made earlier, is there a concern that Holyhead and the island of Anglesey could see a lot of lorries arriving and being stuck—perhaps some lorries arrive without having done the necessary pre-checks and cause strained relations on the island?

Ian Davies: We definitely had those concerns 12 months ago when we thought we were going to crash out. We had a contingency plan as part of the north Wales contingency plan, which is about bottlenecks at the port and how that shunts back up the A55. Those contingency plans are currently being re-evaluated. It is a live document, working with North Wales police and so on and so forth.

My personal concern is less, because we have this inward flow, but there is still the distinct possibility that the Irish infrastructure does not operate as it should. It is a bit hard to show the picture of Dublin port, which is quite congested as it is. They have built all the facilities in four sites around the port, and we don't have transparency on how those flows work. The consequential knock-on effect would be on the ferries, and the ferries operate in a very competitive way. Ironically, their timetables are virtually the same, so they land and arrive virtually within 20 minutes of each other. There is always the danger that that backs up the logistics chain, which ends up in Holyhead port. There is a concern. We have a contingency plan, and we will see how that development in Dublin affects Holyhead.

Chair: Ian, thank you very much. Beth or Simon, do either of you want to have a final question? If not, we will bring the session to a close.

Q110 Simon Baynes: I don't know whether it is entirely relevant to what we have discussed, but I just wondered about the potential and the future for new free ports in Wales. Does that have any bearing on our deliberations, or is that just taking us off at a tangent at this late stage in the discussion?

Chair: Simon, do you want to explain your question? I'm not sure I fully understood it.

Simon Baynes: I just wondered whether the panel have any views on



how potential new free ports in Wales could affect the situation.

Chair: Perhaps Richard would like to have a stab at answering that.

Richard Ballantyne: Mr Baynes, there are potentially two elements to that. Are you talking about whether free ports could be used as a tool to mitigate the impact of, for example, new customs controls introduced post Brexit, or are you talking about whether, during our negotiations on this state aid sphere, the EU would frown upon the UK Government effectively almost incentivising a sort of competitor area or something?

Simon Baynes: More the former of your two points.

Richard Ballantyne: I'll cover both. It is interesting that Ian mentioned a potential lack of land. For ro-ro ports, a free port might not be a silver bullet on customs, certainly, because ro-ro ports are effectively gateways that traffic flows through, and at some point the goods, which are usually driven by drivers, will have to go through a customs boundary. Of course, for Andrew's operation, he may have a slightly different view, in that goods can be imported in and, as he mentioned, accommodated for up to 90 days, and there are other customs easements and processes.

There may be some onsite manufacturing opportunities—processing and things like that—so that you can bring goods in without them attracting any customs paperwork, documentation or, indeed, duties and tariffs, and turn them into something and ship them out in a far more efficient way. However, I think, broadly across the sector, the planning interests would be relevant to all types of port. It might be something that helps our ports to grow, develop and turn into something that they are perhaps not at the moment; it all comes back to investment and jobs, I guess.

On the point about the EU and the state aid element of the negotiations—I will not pretend to fully understand exactly all the connotations or be informed as to what each side's position is—you can of course already have free ports, in a customs sense, at least, in the EU. It has to be said that a lot of them are legacy ports and airports that previously had that status and still have it now. I think the EU has made itself clear that it does not particularly want the UK to have these things, but whether that becomes a real stumbling block remains to be seen. It is probably above my pay grade, in terms of this particular session.

Simon Baynes: Okay. Thank you, Richard. I do not want to dwell on this too much. Unless anybody else wants to comment, I am happy to leave it, Chair.

Q111 **Chair:** Thank you, Simon. Richard, is your hand raised?

Richard Ballantyne: Sorry, Mr Chairman. I just have a final comment I wanted to come back on—there was a question I thought was coming; one of your very kind researchers said it may come up—along the lines of certain things that the Government could do and look at to help preparations. Something we saw move through Westminster recently was some planning easements for English local authority areas. A statutory instrument was pushed through that effectively gives central Government



HOUSE OF COMMONS

the ability to develop inland infrastructure without going through the usual Town and Country Planning Act permissions and through local planning offices. I just wanted to register our interest in a similar procedure. You mentioned, Chair, that planning is of course devolved, so this would be a matter for the Welsh Government, but we think that it would be helpful for our sector. With short timescales, getting things done quickly is something we are very interested in doing. It is not just funding but the actual planning permission.

Chair: Richard, thank you; that is useful information and we will certainly make a note of it. Thank you to Spencer Birns from Cardiff airport; Ian Davies from Stena; Richard Ballantyne, obviously wearing the hats of the Welsh Ports Group and the British Ports Association; and Andrew Harston from ABP, who I think we have lost, finally—he has been with us on and off during the session. Thank you to you all, and to the remaining Committee members on the call, for making this a really useful and practical session as part of our inquiry. Have a great day.