

## Y Pwyllgor Menter a Busnes

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Lleoliad:  
**Lleoliad Allanol**

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Dyddiad:  
**Dydd Iau, 9 Gorffennaf 2015**

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Amser:  
**10.15**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



I gael rhagor o wybodaeth, cysylltwch â:

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### Agenda

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**Brecwast Busnes Buddsoddi ar y Cyd mewn Sgiliau (08.30–10.00)**

**Rhag-gyfarfod preifat (10.15–10.30)**

**1 Cyflwyniad, ymddiheuriadau a dirprwyon**

**2 Ymchwiliad i Botensial yr Economi Forol yng Nghymru (10.30–11.45)**

(Tudalennau 9 – 54)

Jim O'Toole, Rheolwr Gyfarwyddwr, Porthladd Mostyn

Alec Don, Prif Weithredwr, Porthladd Aberdaugleddau

Paddy Walsh, Rheolwr Porthladdoedd y DU, Irish Ferries

Capten Ian Davies, Rheolwr Llwybrau ar gyfer Stena Line, De Môr Iwerddon

Dogfennau atodol:

Y Briff Ymchwil

EBC(4)–18–15 p.1 Porthladd Mostyn (Saesneg yn unig)

EBC(4)-18-15 p.2 Porthladd Aberdaugleddau (Saesneg yn unig)

EBC(4)-18-15 p.3 Irish Ferries (Saesneg yn unig)

EBC(4)-18-15 p.4 Grŵp Porthladdoedd Cymru (Saesneg yn unig)

### **3 Ymchwiliad i Botensial yr Economi Forol yng Nghymru (11.45–12.45)**

(Tudalennau 55 – 58)

Yr Athro Colin Jago, Deon y Coleg, Ysgol Gwyddorau Eigion, Prifysgol Bangor

Ieuan Wyn Jones, Cyfarwyddwr Gweithredol, Parc Gwyddoniaeth Menai

Dogfennau atodol:

EBC(4)-18-15 p.5 Prifysgol Bangor (Saesneg yn unig)

### **4 Papurau i'w nodi**

#### **4.1 Ymateb i'r camau gweithredu a ddeilliodd o gyfarfod 17 Mehefin ar Gaffael**

**Cyhoeddus** (Tudalennau 59 – 61)

Dogfennau atodol:

EBC(4)-18-15 p.6 Llythyr gan y Gweinidog Cyllid a Busnes y Llywodraeth at William Graham (Saesneg yn unig)

EBC(4)-18-15 p.7 Gwybodaeth ychwanegol a ddarparwyd gan y Gweinidog Cyllid a Busnes y Llywodraeth (Saesneg yn unig)

**Ymweliad y Pwyllgor ag Ynys Ynni Môn fel rhan o'i waith ar botensial yr economi forol yng Nghymru (13.45–14.45)**

**Ymweliad y Pwyllgor â Phorthladd Caergybi fel rhan o'i waith ar botensial yr economi forol yng Nghymru (15.15–16.15)**

Mae cyfyngiadau ar y ddogfen hon

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**Response to the National Assembly for Wales - Enterprise and Business Committee by  
The Port of Mostyn**

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

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

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

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

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

It is therefore hoped that if the HRO and HEO work currently undertaken by the DfT is in time transferred to the MLT then adequate resources will be made available to ensure applications are processed in a timely manner. No doubt the W.G. will appreciate that to attract investment, ports need to demonstrate a high degree of certainty and confidence about project delivery to prospective clients. Unless this certainty and confidence can be demonstrated prospective clients will seek alternative locations for their investment.

### **Transport Infrastructure/Connectivity**

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

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

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

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

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

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

abandoned and resources should instead be directed towards improving capacity and rolling stock for additional passenger and freight servicing north Wales' destinations only.

### **Assessment of our current business**

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

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

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

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

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



renewable energy sector is successful in attracting further offshore renewable energy developments.

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

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

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

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

### **Welsh Ports Overview**

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

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

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

In this context, we believe that some ports should not be regarded as a maritime cargo handling facility in the first instance. Most ports have quite large landholdings; with a change of emphasis perhaps their future development should be more focused on providing an integrated industrial/manufacturing location which also includes import/export facilities as secondary. In essence, some ports should be regarded more so as industrial parks with access to sea transport.

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

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

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

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

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

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

Moreover, it is somewhat ironic that on the one hand there is a binding commitment by Government to provide 20% of energy from renewable sources by the year 2020 to meet its obligations to combat climate change and the threat to habitats from sea level rise. On the other

hand however, this commitment will be frustrated if ports from which offshore renewable energy projects can be constructed and maintained cannot be made available due to overzealous application of conservation Regulations.

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

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

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

## **Submission to the National Assembly Enterprise and Business Committee on the Maritime Economy**

**by Port of Milford Haven**

We thank the Committee for the opportunity to make a written submission to the National Assembly for Wales' Enterprise and Business Committee in anticipation of appearing before the Committee on 9 July.

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

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

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

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

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

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

## **Commentary Requested by the Committee**

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

- Ports Policy is currently set by the UK Government.
- Policy is set out in the published UK Government document National Policy Statement for Ports accessible on the link below  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/3931/national-policy-statement-ports.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/3931/national-policy-statement-ports.pdf)
- The UK National Policy sets a clear framework and in particular makes the following statements:

#### 3.2 The UK port sector

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

#### 3.3 Government policy for ports

3.3.1 In summary, the Government seeks to:

- encourage sustainable port development to cater for long-term forecast growth in volumes of imports and exports by sea with a competitive and efficient port industry capable of meeting the needs of importers and exporters cost effectively and in a timely manner, thus contributing to long-term economic growth and prosperity;

- allow judgments about when and where new developments might be proposed to be made on the basis of commercial factors by the port industry or port developers operating within a free market environment; and
  - ensure all proposed developments satisfy the relevant legal, environmental and social constraints and objectives, including those in the relevant European Directives and corresponding national regulations
- Whilst the above is just an excerpt, the full policy refers extensively to connectivity and many other issues. We consider that the UK national policy is a good starting point for the development of a Welsh Ports Policy.

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

- Milford Haven is over-dependent on energy commodities. Whilst there is no suggestion that the current major operators at the Port of Milford Haven are anything other than long term participants in the sector, the Port has just suffered the cessation of refining at the Murco refinery.
- Around the Haven Waterway is a cluster of businesses in the engineering sector whose viability has depended in the past on having a number of energy customers to which they provide services. The great majority of such services have been provided in connection with maintaining refinery capacity (as distinct from tank storage capacity), and it must therefore be the case that this sector has lost competitiveness and is now at risk by virtue of the fact that they effectively now have only one refinery customer.
- What works for these companies also works for the broader local economy, namely that commercial businesses work best when they are in a strong cluster. Clustering (irrespective of sector) strengthens the skills market, the viability of the suppliers of services, the housing market, the viability of transport links.
- The Haven Waterway and the South Coast of Pembrokeshire are the true centre of Pembrokeshire's economy, and the A477 is, in the view of the Port of Milford Haven, Pembrokeshire's most important arterial route serving, as it does, South Wales's busiest ferry terminal, and the majority of the County's holiday accommodation, as well as the waterway's single largest employer, Valero.

- The Port is supportive of proposed enhancements to the A40, but we would also urge that the benefits of dualling the key route accessing the major industrial, tourism and employment centres of Pembrokeshire located around the Haven and the South Coast are fully investigated.
- The Port's Milford Dock development, focused on fishing and tourism, constitutes a great opportunity for the region's economy with the opportunity to create up to 600 new jobs. Development at Pembroke Dock has the potential with the right support to create up to 800 new jobs.
- Particular help will be needed to justify substantial new investment in new boat and ship repair facilities at Pembroke Dock, given the challenges being faced by the engineering sector in the county following the cessation of refining.

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

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

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

- Pembroke Port, part of the Port of Milford Haven, is ideally located and set up to be a base for developing and supporting a marine renewable industry. The physical attributes of Pembroke Port as a facility can be listed as follows

- Deep water berth: 7m-14m depth alongside
- 60 acres
- Proximity to one of the UK's best areas for wave and tidal resource around the coast of Pembrokeshire
- Modern high-bay fabrication halls
- 24/7 security
- These facilities are matched by the Port's own appetite to invest in its facilities in support of the local economy.
- More importantly, and uniquely, Pembroke Port as an area is at the heart of very high skill-level engineering design and fabrication industry whose credentials and capacity have been built up on serving the refining industry. Companies located in and around the port are listed as follows:
  - Mainstay Marine
  - Ledwood Mechanical Engineering
  - Rhyal Engineering
  - Jenkins and Davies
  - Haven Marine Services
  - Port Engineering
  - BDS
- The port's own marine expertise is supported by the presence on the Waterway of other significant operators in the marine space such as Svitzer, Williams Shipping, Smit, S5, Berger, Denholms, MCA and others.
- With over 8,000 ship movements a year, Milford Haven is Wales's largest port, and is the natural home within Wales for the marine and energy economy. It is important that this concentration of activity is not diluted. Indeed commercial operators need to be supported by ensuring that the regulatory environment does not place operators in the Welsh sphere at a competitive disadvantage relative to ports in Europe or on the Eastern seaboard of the United States and Canada.

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

- Welsh Ports are well used to a UK policy which clearly states that Port Development should be market led and that there should be a level playing field for competition between ports.
- Port areas need to be recognised as core development and economic zones for the Welsh Economy with hinterland connections to match. The creation of enterprise zones around



ports is indicative of a strategic approach, but making enterprise zones sector specific is likely to restrict opportunity.

- From a Welsh Ports perspective it is highly desirable that Welsh Ports Policy should have the effect of enhancing the competitiveness of Welsh Ports, not just against English ports, but against ports on an international basis.
- Are Welsh Ports set to become more attractive places for cargo, processing and for inward investment than ports in other jurisdictions? Alternatively, is there a risk that English and other Regions will out-compete Wales in stripping away unnecessary and anti-competitive regulation?
- We believe a successful strategic approach for Welsh Ports requires careful joint consideration of the impact of national transport strategy and regulations.
- The Port of Milford Haven and the Welsh Ports Group would welcome extensive engagement with the Welsh Government on the development of a competitive Welsh Ports Policy in the context of a global market place.
- A successful port at Milford Haven is good for the economy of Wales
- The Port of Milford Haven looks forward to working with the Welsh Government through and beyond the period of implementation of the St David's Day proposals.

Port of Milford Haven

25<sup>th</sup> June 2015

**Irish Ferries Report to**  
**The National Assembly for Wales's Enterprise and Business Committee**

**“How can Wales realise the potential of its Ports and the Maritime Economy”**

**Introduction.**

We are pleased to have the opportunity to respond to the questions raised by the Enterprise and Business Committee and felt it would be helpful to provide you with some background to the scope of our services in Wales and our recent and on-going involvement in Port Industry representation in Wales.

Irish Ferries are part of the Irish Continental group and operate freight and passenger services from Holyhead to Dublin, with 12 sailings per day and from Pembroke to Rosslare, with 4 sailings per day, using three multi-purpose ships and one fast craft, across both routes.

In 2014 Irish Ferries shipped 1.6 million passengers, 382,000 cars and 248,000 freight vehicles. The majority of these travelled on the Holyhead to Dublin service, given the frequency of sailings and some of the most popular tourism attractions, population and industrial concentrations in the greater Dublin area.

If we relate these figures to the population of the UK and Ireland, it is clear, on a percentage basis, that the majority of our customers live in the UK.

- 53.9 million England.
- 5.3 million Scotland.
- 3.1 million Wales.
- 1.8 million Northern Ireland.
- 4.6 million Republic of Ireland.

It is also significant that it is estimated that the UK population includes approximately 6 million people who are of Irish descent. This is a target market for all of the ferry operators, as family connections can often lead to repeat trips to Ireland. This category of the market is often referred to as VFR's (visiting friends and relations).

The total Ferry Market between the island of Ireland and England is 4.8 million passengers, 1.1 million cars and 1.5 million freight vehicles. These are carried on around 80 sailings per day, split 50/50 between the Irish Republic and Northern Ireland. The freight carryings are also split around 50/50, however the passenger and car totals are about 60/40, with the pre-dominance on services to the Irish Republic.

Irish Ferries are members of the Welsh Ports Group, which represents the interests of Ports across Wales, and through this forum, we interact with nominees from the Welsh Assembly Government, and currently also the Westminster Government. The Welsh Ports Group is jointly organised by the British Ports Association and the UK Major Ports Group, which between them represent almost all of the UK's network of commercial ports.

In July 2013, Irish Ferries were also invited by the Minister for Economy, Science and Transport, to join the Freight Task and Finish Group, to advise the Minister on key freight issues, from the perspective of the Ministers economic development priorities. Irish Ferries took an active part in this Group, which issued 24 recommendations to the Minister, on the publication of its report, in March 2014. A number of these issues are live and relevant to the questions posed here by the Enterprise and

Business Committee. Where some of these are mentioned in the context of this report, specifically those items related to Welsh Ports, we have shown them in italics, for the sake of clarity.

### **Question 1.**

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

Overall, Irish Ferries would view the devolution of ports to the Welsh Assembly Government as potentially beneficial to the industry.

There are more than 650 ports in the UK, of which 120 are commercially active (many other ports are primarily leisure based or fishing ports).

Although Wales has the third largest port, in the UK, in Milford Haven, taking oil and gas into account, and in Holyhead, the second busiest Ro/Ro port in the UK, the focus in the UK is often on the cross channel and North Sea ports and the vital links that they provide to the European mainland. A local Welsh Government focus, on the strategic importance of the Welsh Ports to the Welsh Economy, has the potential to strengthen established links between Government and the ports industry in Wales, promoting a better understanding of the issues and encouraging business growth.

There are some key issues that should be mentioned, for further consideration;

#### **Equal Status for Welsh Ports and the UK Ports.**

To ensure that a "level playing field" is maintained, so that trade and business development in Welsh Ports is not at a disadvantage to other UK ports.

This would include planning and consent issues, which will be raised by colleagues representing Port Authorities in this review.

However it would also include Border Controls and checks, to ensure that displacement of traffic did not occur, with the loss of business to competitive routes outside Wales. There are no issues with this currently, however the introduction of Exit Checks by the Westminster Government, for "passport controlled" ports would have business implications, if introduced on selected Irish Sea routes. It should therefore be noted that any checks at Welsh ports, whilst balancing safety and security, should not create any disproportionate market advantage, e.g on ferry routes connecting to the Northern Ireland land boundary. In fact, it should be a policy and aim of the Welsh Assembly that the CTA arrangements, remain in place, following any post devolution proposals.

#### **Devolution of Ports Policy in Northern Ireland & Scotland.**

Irish Ferries currently have no direct involvement in any of the ferry routes or ports in Northern Ireland or Scotland, however both regions have had several years-experience with the Devolution of Ports Policy and we are given to understand that there was a different approach in each region. We suggest that the Committee may wish to seek further advice in this regard, to see what lessons, if any, can be learnt. The British Ports Association may be a source of information, as they are involved in trade representation, in both areas.

#### **Land Availability and Use – Ports Estates and Adjoining Land.**

*"The Welsh Government asks the UK Government to issue guidance for ports to take into account when drawing up master plans and disposing of port land, the potential role of the port in inter-modal freight networks, and the opportunities for freight processing activities on port land"*

*“The Welsh Government ensures that the need to take into account the potential for effective inter-modal freight networks when developing land use plans is integrated more effectively in the planning system in Wales”.*

These are two of the key issues raised as part of the report by the Freight Task and Finish Group Final Report.

The key point is that there is a very limited amount of land in Wales, with direct natural harbour access to the sea, and in particular deep water access and with existing, or the potential for road/rail development and links. In addition, the end use of any available land close to the ports should also be closely monitored, to ensure that any short term or immediate development of the land won't prejudice the future potential expansion of the port, or compromise road and rail links to the port.

## **Question 2.**

### **Irish Ferries assessment of the strength and long-term viability of its current markets including risks and opportunities and any support required;**

#### **Market Review.**

Here is a summary of the overall market performance and Irish Ferries own performance for 2014.

#### **Car and Passenger Markets.**

It is estimated that the overall car market, to and from the Republic of Ireland, grew by approximately 3.6% in 2014 to 780,000 cars, while the all-island market, i.e including routes into Northern Ireland, is estimated to have grown by 2.4%. Irish Ferries car carryings performed strongly during the year, at 381,000 cars, (2013: 350,900), up 8.8% on the previous year. In the first half of 2014 Irish Ferries grew its car volumes by 5.9% while in the second half which included the busy summer holiday season, the increase was higher, at 10.8%. The strong market and Irish Ferries performances, reflect the positive performance of the Irish Tourist Industry. Initiatives by the tourist industry have been instrumental in promoting “own car” tourism around the west and southern Irish coasts, and have helped broaden the distribution of tourists around the island. It should be noted that this growth is primarily UK based and the Irish market has been and is flat in recent years.

The total sea passenger market (i.e comprising car, coach and foot passengers) to and from the Republic of Ireland also grew by 2.6% in 2014, to a total of 3.2 million passengers, while the all—Island market grew by 1.6%. Irish Ferries passenger numbers carried were up 4.8% at 1.643 million (2013: 1.568 million). In the first half of the year Irish Ferries passenger volumes were up by 0.8% and in the seasonally more significant second half of the year, the growth in passenger numbers was 7.8%.

#### **Freight.**

The Ro/Ro freight market between the Republic of Ireland, and the UK and France, which had resumed growth in 2013, due to increased capacity, continued to develop in 2014 with the total number of trucks and trailers up by around 6.7% to approximately 838,000 units. On an all-island basis, the market was up around 3.3% to approximately 1.6 million units.

Irish Ferries carryings, at 247,000 freight units (2013: 205,300), were up 20.8% in the year, reflecting a strong performance by Irish Ferries, relative to the market (volumes were up 18.5% in the first half and 22.9% in the second half). The primary reason for this strong performance was the introduction of a charter vessel, the MV “Epsilon”, in terms of increased capacity and frequency of sailings on the Holyhead to Dublin route, with freight sailings on this route now every six hours.

## Outlook.

### North Wales – Holyhead.

With the improvement in the UK and Irish economy, resulting in Market growth and with a combination of multi-purpose ships with excellent freight and passenger capacity, frequency of sailings and the fast craft option for passenger to halve their journey time, Irish Ferries are confident that their operations in Holyhead have a long term viable future.

There is no doubt that the strategic importance of Holyhead, feeding into the capital of Ireland and also to the area of the greatest concentration of population, will ensure that Holyhead will continue to be the dominant port in the Welsh ferry industry. In addition the frequency of sailings, from both ferry operators (20 per day), is also a major factor in attracting and sustaining business. A market could grow by as much as 10%, when there is a significant increase in frequency of sailings.

### South Wales – Pembroke Dock.

Applying the same logic to ferry services in South Wales highlights some issues that will continue to have a negative impact on potential business growth and expansion;

- **Less frequency of sailings.** Pembroke and Fishguard have a joint total of 8 sailings per day, from two ports, with both ships sailings at very similar times, versus 20 sailings per day from Holyhead. In both Pembroke and Fishguard if you miss one sailing, there is a 12 hour wait for the next one.
- **Limited Market.** Traffic that originates in or is destined for, the market along the M4 corridor, may benefit from using the South Wales ports. In addition traffic connecting with the English Channel ports, may also choose South Wales.

Therefore South Wales attracts a level of business that is generic to the route, but it is unlikely that there will be any significant increase in throughput, with most of the increase in freight business likely to continue in North Wales.

The Welsh Assembly Government are currently gathering information regarding the possibility of dualling the A40 from St Clears to Haverfordwest. During the consultation process, Irish Ferries were asked to comment on the prospect of a combined Irish Ferries/Stena Line port, in South Wales, potentially operated on a similar basis to that at Holyhead.

Irish Ferries response was that, given the current constraints at Fishguard, there would need to be a major investment programme to make the port suitable for two operators, and to provide sufficient operating space. Whilst we are aware that there are some development plans at Fishguard, it is our understanding that these do not include providing an additional linkspan at the port and therefore there would be questions over the access arrangements at a competitor owned port, particularly given the similarity of the timetables.

The shorter crossing time from Fishguard has clear benefits in terms of fuel savings, however Pembroke Dock has significant advantages currently, in terms of the existing two tier ramp and excellent operating space for the freight business, and capacity for expansion, within the immediate port area.

### **Question 3.**

**How the role of ports themselves, ferry operators and related businesses should be supported, both in terms of connectivity and as part of wider Maritime Economy;**

#### **Road Infrastructure.**

Unrestricted access to and from the ports is crucial to the continued success of Welsh ports.

In North Wales, access to and from the port of Holyhead, is still hampered by the junction over Blackbridge, to connect to the A55. When the port was developed in the mid 1990's, there was an issue over access and ownership on land formerly owned by British Rail.

This is a significant bottle neck on departure from the port (it is the first impression of Wales from the perspective of Irish Passenger entry into Wales) and is not in keeping with what is the UK's second largest RoRo Port (and Wales primary RoRo Port) and should be addressed, in tandem with port development plans from the Port Authority. In fact, given the investment in the road structure on the A55 from Holyhead it is disappointing that the port exit does not match the significant improvements made over the last 15 years.

In South Wales, there are business cases being made, to support the dualling of A40 to Haverfordwest and the A477 to Pembroke Dock. It is unlikely that there will be funding for both projects and it is crucial that the final decision helps to sustain the current traffic levels on the primary route, but also provides for future growth.

#### **Impact of Severn Bridge Toll Costs for Freight**

Two of the recommendations by the Freight Task and Finish Group were;

*“The Welsh Government continues to do everything in its power to persuade the UK Government to remove the tolls on the Severn Crossing when the current concession ends”*

*“The Welsh Government requests the UK Government to look at the case for installing free flow tolling technology on the Severn Crossing, if the UK Government decides not to remove the tolls when the current concession ends”.*

The costs of the Toll Bridge is an impediment to trade and these costs are disproportionate to other road use charges.

For example in April 2014, the UK introduced a HGV Road User Levy, with a daily charge of up to £10, per freight vehicle, for use of the UK road network in total.

The current cost of the Toll on the Severn Bridge is £19.60, which is a significant cost for any haulier using the bridge several times per week.

#### **Question 4.**

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

Since the mid 1990's, Irish Ferries have invested over €500 million in ships and port development, primarily on routes connecting Wales to Ireland. This is almost exclusively private investment by Irish Ferries parent company, the Irish Continental Group, with very little funding being made available, even for port investment.

Irish Ferries will consider the business case for any potential investment, on the basis of cost versus benefits and make the investment, if the anticipated rate of return warrants the investment.

The most recent example of investment was the charter of the MV "Epsilon" for the Dublin to Holyhead service, which has allowed us to increase our sailings on Dublin Holyhead by 18 sailings per week, as well as a weekly round trip from Dublin to Cherbourg.

#### **Question 5.**

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

#### **Sulphur Emission Control Areas (SECA)**

From 1<sup>st</sup> January 2015, all ships operating within the SECA's have to use fuel with a sulphur content of 0.10%, where previously the sulphur content would have typically been 1.5%. This represents significant additional costs in fuel.

The SECA encompasses the North Sea and the English Channel but excludes the Irish Sea, where ships can continue to operate using heavy fuel oil, until 2020.

There is an EU Directive due for introduction in 2020, which will reduce the sulphur content, for ships using the Irish Sea, from 1.5% to 0.5%. This is not as stringent as the 0.1% that has been imposed on the SECA, from 1<sup>st</sup> January 2015.

There is an opportunity now, for Wales and any other Irish Sea port e.g Liverpool, to look at shipping services and routes in the SECA, that are incurring these additional fuel costs, with a view to diverting to, or establishing services at, a Welsh port. In 2020, this competitive edge will largely be lost, when the sulphur content of fuel, for ships operating on the Irish Sea, is further reduced.

Perhaps the Welsh Assembly Government could consider appointing a consultant, to assess the viability of this.

#### **Cruise Ships.**

Irish Ferries position in relation to cruise ships visiting Wales is entirely neutral. It has very little impact on the ferry industry, other than potential difficulties in port access and navigational risk. However we are aware that a great deal of time and effort can be spent on attracting such services to the Welsh ports.

One of the issues is that a number of cruise ships no longer have the capacity to disembark its passengers by tender to go ashore. The preference is for cruise ships to have an alongside berth facility where passengers can dis-embark via a gangway. This is also a more practical and inherently safer way of disembarkation.

Given the limited alongside facilities in Welsh ports currently and the size of modern cruise ships, it would require substantial investment to provide these facilities.

We are not certain that the rate of return from visiting cruise ships, in terms of real benefit to the Welsh economy, warrants any substantial investment.

We suggest that a more in-depth study on the real benefits of this, in terms of spend per head and revenue to the ports and the Welsh economy as a whole, versus costs, is completed, before any further investment is proposed.

#### **Question 6.**

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

In our view, the Welsh Government have made some commitments to engaging with Industry, through dialogue with Industry Representative Groups, e.g The Welsh Ports Group.

In addition the formation of Industry Focus Groups e.g The Wales Task and Finish Group”, with specific objectives and time frames, is a further example of engagement.

Paddy Walsh  
UK Ports Manager  
Irish Ferries Limited.

23<sup>rd</sup> June 2015.



**Submission to the National Assembly Enterprise and Business  
Committee on the Maritime Economy****by the Welsh Ports Group**

Thank you for the opportunity to feed into the Committee's inquiry. We hope you find these comments useful and we would be pleased to discuss these further should it be useful. This is a high level strategic response and we understand that some of our port members will provide you with additional oral evidence shortly. We would expect these ports to provide some more detailed points, perhaps linked to their own geographical location and the future viability of different markets.

The Welsh Ports Group is comprised of the overwhelming majority of ports in Wales. Its membership includes all the main commercial cargo handling ports as well as a number of smaller trust and local authority ports specialising in leisure and fishing activities.

Latest figures show that in 2013 Welsh ports handled almost 12%, or 59m tonnes, of UK freight. The main components of the port market in Wales are ferry traffic with Ireland, oil and gas, containers, steel, biomass and general and bulk cargoes, offshore renewable cargoes and services as well as facilities for cruise ships, leisure activities and fishing. These are diverse and fundamental trades, supporting growth, employment and other sectors of the economy.

Ports are a key part of the Welsh economy and provide significant levels of employment. In a recent study by Oxford Economics it was found that 0.9% of all jobs in Wales were port related. Large Ports such as Milford Haven, Port Talbot and Holyhead are vital gateways for the UK's national economy. Smaller regional ports and harbours are also of importance to local economies and regional employment.

The quality of the transport network is critical for efficient freight movement and business growth. The ports sector is essentially a private sector industry operating in competition, unsubsidised on a commercial basis. While ports ask very little of government they do require a good national transport infrastructure and good links to the network. While we would not underestimate the role that rail can play in the freight sector, roads are of particular significance to ports, with around 85% of all landside port traffic in the UK entering and leaving by vehicle. This figure is of course even higher for Ferry/Ro-Ro activities such as at Holyhead (340,000 freight units pa), Pembroke Dock (153,000 freight units pa) and Fishguard (126,000 freight units pa). Investments in passenger

focussed transport schemes tend to receive the greatest political attention but accommodating freight activity within transport strategies is vital. Priority for good port hinterland connections is equally as important.

Welsh Government statements on transport, so far as they go, recognise its importance, but tend to be light on more rigorous commitments to funding, and tend not to recognise the overall competitive position of Wales and the UK compared with other EU member states. The DfT's "Action for Roads" published in July 2013 stated that "While the British strategic road network was not too different from its EU competitors twenty years ago, it now falls a long way short. Since 1990, the length of new motorway built in France is greater than the whole of the UK network". This is in spite of the fact that "one of the UK's greatest strengths is its compactness". It is often the case for ports that although the main highway network is good, the links to it are poor, or traffic becomes gridlocked in towns and cities.

The Welsh Government and the various Welsh freight-focussed stakeholder groups have identified a number potential improvements. However the allocation of funding remains a challenge. We feel that support for the freight network should therefore be backed up by clearer funding commitments and clear policy in support of the commercially led development of ports. Pressure on ports in the UK to make contributions to the cost of new road and rail links can often threaten projects and is certainly virtually unknown in Continental Europe. Also we would suggest that new arrangements are also needed whereby information about port connectivity needs can be regularly fed into the policy and planning processes at both national and regional level.

As well as transport infrastructure, the swift processing of goods and passengers at ports is important and helps to contribute to a competitive and efficient economy. Wales is a key maritime gateway to Ireland and fostering a border control and regulatory regime which fully takes into account trade facilitation principles is something we strongly support. This can include efficient border security and customs procedures, animal and plant health checks, and other activities such as HGV safety enforcement. It is worth stating that the preservation of the Common Travel Area agreement is of vital importance to the Welsh ferry sector as without this the crossing would be slowed substantially and many vehicles would simply use other services from ports in England to travel 'domestically' via Northern Ireland.

Milford Haven and Cardiff/Newport are identified as Core ports under the EU TEN-T Regulation and every opportunity should be used to take advantage of this status. There are opportunities for funding from the Connecting Europe Facility of rail related schemes in particular and we support the Welsh Government's aspiration to utilise this funding, include for road freight accessibility to the industrial base at Pembroke Dock.

A good freight and logistics sector also requires a stable political and policy climate. Following the St David's Day devolution agreement and the imminent introduction of legislation in Westminster a number of currently reserved responsibilities, including ports policy, will be transferred to the Welsh

Government. This will create opportunities for the Welsh maritime sector but there are also some unknown issues on which our members have some concerns.

The UK's ports industry is market-led and individual ports operate commercially in competition with other ports. Ports attract private finance and investors are wary of policies which might disrupt existing markets. We are yet to formally discuss what form a Welsh ports policy might take but we are hopeful that it would not deviate too greatly from the existing UK policy. Our members are keen to discuss this further. If ports policy is not to be managed on a UK national basis, then Wales faces the risk that ports policy in English regions results in the English ports sector becoming more competitive and closer to core UK markets than the corresponding Welsh ports sector. Welsh ports policy therefore needs to be competitive and highly conducive to private sector investment.

There are three main types of port, private, trust and local authority owned. Whilst these are all independent from central government they do comply with a number of pieces of harbours legislation and policy codes, particularly related to their governance and statutory duties.

Of particular interest for policy makers has been the status of trust ports and in the Wales the largest trust is Milford Haven. Trust ports are both commercially and strategically independent. Trusts are private companies, drawing down bank finance from the same sources as any other commercial business and paying corporation tax like any business. Nonetheless they remain publicly accountable to their local and regional stakeholders, including customers. As with other major trust ports, the Chairman of Milford Haven is currently appointed by the Secretary of State for Transport, but in accordance with legally binding guidelines which require the post to be advertised and the appointment made on merit. There is no other strategic link between UK Government and the port. Smaller trusts have no direct link to government although the DfT has previously published guidance for all trusts which is currently under review at present. There is at this point no corresponding guidance published by the Welsh Government.

In many ways ports are a barometer of the economy. The future of the UK economy and the growth of key sectors such as manufacturing and construction are closely linked with port activity. As we move out of the recession the Welsh ports sector certainly has the capacity to accommodate new business and increased activity. However the freight and logistics industry has developed around historical markets and industries and so stimulating and encouraging new routes is often difficult. It may be less realistic therefore for the growth of certain cargo sectors but there are real opportunities in Wales in areas like cruise and renewable energy. Renewable energy developments in particular represent an opportunity for new hubs of activities related to manufacturing, construction, installation, and the long term operational maintenance. Ports will play a key role in all these processes and there is also the opportunity for smaller ports to play a role. However planning consents and development costs can present barriers to projects. We are keen that the Welsh and the UK

Governments are clearer in their strategies and subsidies so that more schemes like the Swansea Bay tidal lagoon and the North Hoyle and Rhyl Flats wind farms come to fruition.

There is also a need to ensure that the port planning regime delivers decisions as speedily as possible. Port developments often rely upon external investment and a swift and predictable planning framework is vital. The efficiency (or inefficiency) of the terrestrial planning system, the treatment of Harbour Revision Orders (HROs) and the efficient processing of marine licensing consents can be problematic but with the devolution of HRO consenting to Wales there is an opportunity to link and speed up the whole process to Wales' competitive advantage. The Welsh Government can also support port applications by improving the balance between facilitating development and the constraints arising from environmental legislation, particularly in port zones. The current imbalance creates overly-complex, and lengthy decision making processes, and does not deliver sufficient legal certainty. Moving forward it is also vital that when fulfilling its marine conservation objectives such as with Marine Conservation Zones, the Welsh Government does not take forward plans which may unwittingly limit port activities and economic development.

To summarise we feel strongly and would encourage that as and when ports policy is devolved to the Welsh Government;

- Port connectivity and freight network improvements are prioritised with new arrangements whereby information about port connectivity needs can be regularly fed into the policy and planning processes at both national and regional level;
- The existing policies and market-led approach to ports policy which the Department for Transport currently supports, whereby there is no strategic or financial intervention from government, particularly on issues that might distort competition between ports;
- Recognition that there is capacity and appetite at Welsh ports for increased traffic;
- There is firm support for the continuity of the current mixed ownership model of ports in Wales;
- Continued recognition for the existing rights and obligations of ports maintaining the competitive position of the Welsh ports industry broadly in line with ports in other parts of the UK and beyond;
- There is an adequately staffed and resourced team of officials at the Welsh Government to engage with ports and also to facilitate Harbour Orders and Byelaws casework;
- A joined up approach to port consents across the relevant bodies in Wales to help speed up the planning process;
- Ports are acknowledged in Welsh transport policies as important economic and freight hubs, and vital to the development of other key industries in the Welsh Economy including steel, energy, agriculture, construction, tourism and manufacturing;
- Smaller ports and marine leisure activities are recognised as important coastal economic hubs for employment and regional business;

- Recognition that a stable business and energy policy climate are vital to the Welsh ports industry given the significance of energy cargoes in Wales;
- Further clarity on planning priorities and subsidies for marine renewables are outlined.

Richard Ballantyne  
Welsh Ports Group  
24 June 2015

## REALISING THE POTENTIAL OF THE MARITIME ECONOMY OF WALES

Professor Colin Jago  
SEACAMS Director  
Dean of the College of Natural Sciences  
Bangor University

### 1 RISKS AND OPPORTUNITIES

#### 1.1

The maritime economy, particularly with respect to marine renewable energy (MRE), is intimately linked to the coastal zone. This is the environmental sector affected by the interaction of terrestrial and marine processes; it extends from the lower regions of river catchments to the outer edge of the continental shelf. It has enormous local, regional, and global significance in terms of economic value and human wellbeing and it has particular importance in Wales:

- A high proportion of the UK population is directly or indirectly dependent on the coastal zone for residence, employment, food, or leisure.
- The marine environment accounts for more than 40% of the territorial area of Wales and about 60% of its population live in the coastal zone.
- This zone is immensely important to the EU contributing more than 40% of GDP.
- The coastal zone is particularly susceptible to the impacts of climate change and human activity. In a global context, the twelve largest cities in the world occupy estuarine and/or coastal plain areas that are highly vulnerable to the combined impacts of river flooding, sea level rise, and extreme weather events. Events during winter 2013-14 have shown the vulnerability of large swathes of the UK coastal zone to erosion and flooding.
- Due to population pressure and excessive exploitation of natural resources, the coastal zone is highly susceptible to biodiversity loss, habitats destruction, pollution, conflicts between potential uses, and space congestion problems.
- There are environmental and socio-economic issues relating to sustainable resources and new technologies for food security, MRE for energy security, offshore natural resources (aggregates, hydrocarbons), water quality and ecosystem health in relation to tourism, etc.

#### 1.2

A major challenge for the maritime sector is how is to integrate the sustainable use of natural resources for the provisioning of energy, water and food with the delivery of other ecosystem services, i.e. how to reconcile blue growth and sustainable coastal/marine ecosystem services. This is a major societal issue that has local, regional and global relevance. However, its solution offers opportunities for growth in the commercial sector.

A high environmental priority is to develop the science and policies needed to ensure coastal and marine ecosystem integrity over the long term on local and regional scales. This is especially critical for Wales given the economic value of its coastal and marine environments. While a major priority for the Welsh economy is to promote and support a dynamic and sustainable maritime economy, including MRE, this must be accompanied by policies and measures to mitigate the impacts of climate

change, to adapt sensitively and appropriately to the effects of climate change, to build resilience and coastal and marine systems, and to conserve present resources.

### 1.3

The continental shelf and coastline of Wales experience a hydrodynamic regime that is particularly conducive for MRE developments. These include tidal stream, tidal range, and wave energy. Tidal stream potential (i.e. exploiting fast tidal currents) is focused around the Pembrokeshire and Anglesey coasts; tidal range (i.e. development of coastal lagoons) has potential in South Wales (Swansea and Cardiff Bays) and North Wales (between Colwyn Bay and the Dee estuary); the focus for wave energy is off SW Wales. In addition, there are functioning offshore wind energy devices off the North Wales coast with the potential for considerable expansion in the Irish Sea off Anglesey. Finally, there is potential for marine pumped storage hydroelectric schemes on coasts backed by high cliffs. Added to the development of increased nuclear energy at Wylfa on Anglesey, which is marine-related in terms of construction and operation, Wales will become a major contributor to the UK energy requirement on a decadal time scale. The supply chain infrastructure needed to develop and maintain the marine energy sector will be a major contributor to the maritime economy in Wales.

### 1.4

MRE development is an inherently high risk venture. Much of the scientific knowledge needed to progress the consenting process and for de-risking investment is at the cutting edge of scientific research. This relates to the siting of engineering installations in regions of high hydrodynamic energy which is challenging and requires high resolution data on the hydrodynamic resource including extreme events. It relates also to potential environmental impacts, both local and far-field, on time scales from days to decades. These include changes to seabed morphology and stability, coastal erosion and sedimentation, water quality issues, threats to ecosystem health and sustainability, impacts on fisheries and marine mammals, and impacts on human health.

## 2 SUPPORTING THE ROLE OF RESEARCH INSTITUTIONS AND BUSINESSES

### 2.1

Bangor University conceived and leads the £25M, five year project SEACAMS (Sustainable Expansion of the Applied Coastal and Marine Sectors), in partnership with Swansea University, supported by EU funding via the Welsh European Funding Office (WEFO). SEACAMS works directly with businesses in the commercial marine sector. About 60% of the 121 collaborative projects with businesses undertaken to date by SEACAMS have been in the marine energy sector. By the end of the project, it is likely that SEACAMS will have generated about £10M of induced investment into the Convergence Region of Wales.

### 2.2

SEACAMS works directly with businesses so as to address issues of direct concern and relevance to commercial developments and growth. The success of SEACAMS demonstrates the merits of the Structural Funds programme in general and the advantages of direct collaboration between researchers and businesses in particular. It is important that this direct link is maintained and not diluted by directing the contact via government or NGOs.

### 2.3

SEACAMS also demonstrates the value of creating a single entry point for businesses. Businesses appreciate the advantages of building direct relationships with projects like SEACAMS and with particular researchers. The direct link between research scientist and business team is essential and underpins effective knowledge transfer and consequent commercial exploitation. The direct link also enables university researchers to focus on the scientific questions which businesses want addressed. This is important for researchers in the applied marine science field as it helps them focus on science that is likely to have impact – important for the REF. The direct link provides the most effective and efficient conduit for mutual benefits to research institutions and businesses and optimises the economic benefits to the Welsh economy.

### 2.4

Related Welsh Government initiatives, such as the National Research Network in Low Carbon, Energy and Environment (NRN-LCEE), provide a valuable basis for collaboration for projects such as SEACAMS. The scientific expertise of NRN-LCEE expands the knowledge base, while SEACAMS provides the conduit and mechanism for knowledge transfer to the commercial sector. Moreover, the database generated by SEACAMS projects provides a valuable resource for the scientists of NRN-LCEE. This link between blue-sky and applied marine science research is an essential element in optimising knowledge exploitation by the commercial sector.

### 2.5

It is important that existing and successful networks in Wales are supported into the future. New government-supported initiatives should build on, and not duplicate or dilute, existing successes.

## 3 MEASURES TO SECURE EU FUNDING

### 3.1

SEACAMS is funded by the EU Structural Funds Programme. SEACAMS is a collaborative project between universities and businesses but also has buy-in from agencies (NRW). A key tenet of SEACAMS is that Blue Growth requires close linkages between researchers, businesses, and policy makers/agencies. Businesses not only have access to cutting edge research and facilities but also gain advantage from knowledge of policy developments in an era of rapidly evolving legislation. Hence SEACAMS has engaged with the relevant public bodies.

### 3.2

The Bangor-led follow-on project, SEACAMS2, in the EU Structural Funds Programme is a collaboration between Bangor and Swansea Universities and the Centre for Ecology and Hydrology (CEH) at Bangor. CEH is the sole institute of the Natural Environment Research Council (NERC) in Wales and plays an important role in influencing NERC's scientific strategy for the UK. SEACAMS2 therefore broadens the scientific base of the project: the radical land-ocean linkage which CEH provides is a considerable advantage for leveraging future funding from the EU.



### 3.3

SEACAMS2 has been developed after close consultation with the businesses with which SEACAMS has engaged. This is a uniquely strong partnership with the commercial sector which can be exploited to secure future EU funding (e.g. Horizon2020).

## 4 BENEFIT TO, AND SUPPORT FOR, THE MARITIME ECONOMY

### 4.1

Wales is a world leader in marine science research and has a strong track record in collaborative applied marine science. Thus at Bangor University, the Centre for Applied Marine Science (CAMS) which hosts SEACAMS has been a self-sustaining unit since the late 1970s and has grown considerably by developing new research in collaboration with businesses, agencies, research councils, and government.

### 4.2

SEACAMS is an excellent example of how collaboration between HEIs and businesses contributes to scientific knowledge and supports the development of the MRE sector. For example, one of the leaders in tidal stream technology, the Swedish company Minesto, acknowledges its debt to SEACAMS and has stated that it would not be operating in Welsh waters without the help of SEACAMS. SEACAMS has also been working closely with Tidal Lagoon Power on its proposed tidal lagoon developments in South and North Wales. SEACAMS provides such companies with expertise, facilities, and resources that they lack so as to set up collaborative research programmes.

### 4.3

Based on the SEACAMS experience, SEACAMS2 aims to improve significantly its offer to businesses by upgrading its data and modelling capacities and improving accessibility to businesses and other practitioners in the marine sector. SEACAMS2 will expand the strategic reach of the project by establishing a new Welsh Integrated Marine Observation System (WIMOS) linked to a new Environmental Knowledge Systems Hub (ENVOKH). WIMOS linked to ENVOKH is a portal that provides businesses with improved data handling and data availability, and tools and numerical models for data interpretation: a 'one-stop shop' for practitioners in the maritime economy.

## 5 WELSH GOVERNMENT STRATEGIC APPROACH

### 5.1

SEACAMS, funded via Welsh Government, is a strategically conceived operation designed to optimise knowledge transfer to a rapidly expanding part of the maritime economy. This represents a significant strategic investment by Welsh Government.

### 5.2

ENVOKH will be a pan-Wales facility that not only integrates applied marine science in Wales but also integrates science across the land-ocean boundary. ENVOKH will be developed to harmonise with EU-wide data portal initiatives. The funding of SEACAMS2 will therefore reflect a strongly strategic approach to the development of the sector that is harmonised with wider European-wide initiatives.

Jane Hutt AC / AM  
Y Gweinidog Cyllid a Busnes y Llywodraeth  
Minister for Finance and Government Business



Llywodraeth Cymru  
Welsh Government

William Graham AM  
Chair, Enterprise & Business Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

30 June 2015

*Dear William,*

**Enterprise & Business Committee – 17<sup>th</sup> June 2015**

During my evidence to Enterprise & Business Committee on 17<sup>th</sup> June 2015 I undertook to provide the Committee with further information on the following:

- Further information on the general Designation for public procurement
- A response to the question raised by Mohammad Asghar on NHS procurement practice

Please find attached at Annex A further details on the general Designation and at Annex B information relating to NHS procurement.

*Yours sincerely,*  
*Jane*

**Jane Hutt AC / AM**  
Y Gweinidog Cyllid a Busnes y Llywodraeth  
Minister for Finance and Government Business

## General Designation on Procurement

1. Following a two year dialogue, the UK Government has agreed to grant a general Designation Order to the Welsh Government under Section 2(2) of the European Communities Act.
2. The order will go to Privy Council on 15 July and be laid before Parliament on 22 July and is expected to come in to force on 12<sup>th</sup> August.
3. Securing the Designation Order places Wales is on an equal footing with the other devolved administrations, which both have specific legislative competence on public procurement.
4. The Designation Order will give Welsh ministers powers to regulate in regard to procurement matters, allowing secondary legislation to be developed for public procurement in Wales and strengthening adoption of the Wales Procurement Policy Statement.
5. The provisions of the General Designation for Procurement are:
  - The Welsh Ministers would be able to use the designation, by way of secondary legislation, to:
    - (a) implement the obligations contained in the Public Procurement Directive, the Utilities Contracts Directive, the Concessions Contracts Directive and the Remedies Directives, and / or
    - (b) make provision arising out of or related to those obligations, where these obligations relate to contracting authorities whose functions are wholly or mainly Welsh devolved functions.
6. Once confirmed, the early priority is to introduce Regulation in relation to the application of our Community Benefits Policy.
7. The first meeting of the Welsh Government Community Benefits Task & Finish Group was held on 28<sup>th</sup> June and will conclude its work in January 2016 after which I will be announcing how I plan to utilise the designated powers to strengthen policy adoption.

## NHS Procurement

I am assured that procurement carried out in the NHS follows the principles of the Wales Procurement Policy Statement and adopts appropriate best practice, with major capital procurement being coordinated through the NHS Wales Shared Services Partnership.

The NHS recently achieved a 'Working Towards Advanced' rating - just one level from the highest rating of 'Advanced' - from its Procurement Fitness Check process and has an action plan in place to address areas of development identified.

Responding to the question from Mohammad Asghar, officials from Value Wales have discussed the points raised and have received the following information:

1. Capital funding programmes are often significantly oversubscribed. Replacement equipment is prioritised in terms of issues such as age/state of repair, clinical risk, benefits to the patient and value for money, amongst other criteria
2. Often, for high value/high usage equipment such as CT Scanners and Mammography equipment, upgrades and updates to software packages which enhance clinical functionality are built in to the agreement, extending the useful life of equipment.
3. Repairs and refurbishments are also factored into agreements for medical equipment, as are extended warranty provisions.
4. There will be occasions where the cost of a repair can be equal to or more than replacement. In these instances a commercial and clinical decision is made around affordability and benefits of a replacement versus repair.
5. Investing, where appropriate, in replacement equipment often has significant clinical and patient benefits in terms of quicker and more accurate diagnosis which in turn can have a positive impact on matters such as waiting times and improving patient pathways and outcomes. This can have a cost savings attached to it above and beyond the cost of the equipment itself.
6. Often equipment replacement is governed by advice and guidance from professional bodies such as the Royal College of Radiologists.