The impact of Brexit on Welsh ports – An Update

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Introduction
This summary considers the questions posed by the Committee as a follow up to the previous inquiry into the implications of Brexit for Welsh ports. In doing so, we focus upon developments since our evidence session in June 2017. However, to provide some context, updated statistics for port volumes through Wales are shown below, for 2017. Overall there has been decline when compared to 2015 (the data provided in our previous evidence. This decline has occurred in two sectors – bulk and general cargo, with Milford Haven seeing a particular drop in volumes, and Lift-on/Lift-off, which impacts upon Cardiff specifically. However, Roll-on/Roll-off traffic has grown, with Holyhead in particular seeing a significant growth.

Major Ports	Bulk and General Cargo	Lift-on / Lift-off containers (Lo-Lo)	Roll-on / Roll-off (Ro-Ro)	Total
Cardiff	1,553,000	20,539	0	1,573,539
Fishguard	11,329	0	369,242	380,571
Holyhead	18,690	0	5,218,624	5,237,314
Milford Haven / Pembroke Dock	31,105,665	0	883,974	31,989,639
Newport	3,449,725	0	0	3,449,725
Port Talbot	7,588,775	0	0	7,588,775
Swansea	541,546	0	0	541,546
All Major Ports in Wales	44,268,730	20,539	6,471,840	50,761,109

Table 1. Cargo volumes through Welsh ports 2017, tonnes (source: DfT, 2018)

Current situation: Policy
There continues to be uncertainty surrounding the future relationship between the UK and EU, and this continuing uncertainty makes it difficult for those involved in the movement of goods to plan effectively for trade post-Brexit. As the Committee notes, the UK Government has recently produced a White Paper on the future relationship, based around the Facilitated Customs Area (FCA). However, there is also the prospect of a no-deal Brexit, for which guidance has also been published.

The FCA approach would see a free trade area for goods created which, in effect, leads to a free trade area similar to today. For the Irish Sea traffic flows through Welsh ports, this would likely mean a similar situation to today, with limited checks for the majority of vehicles. The proposed solution would, however, potentially have implications for the general cargo ports in Wales if goods destined for the EU from third countries are handled. The UK Government proposals would see customs and tariffs handled at these points for both UK and EU goods.

The counter position adopted by the EU would see the retention of checks for any products passing between the UK and EU, although there are suggestions that these need not be at the port itself. If a situation can be agreed where the checks happen away from coastal locations, then the impact on Welsh ports may be minimal.

Under a no-deal scenario, additional checks for both imports and exports would be introduced. This situation was discussed during the earlier inquiry and the situation is largely unchanged in that respect. Any checks are likely to have significantly more of an impact at Fishguard and Holyhead, where freight is more time sensitive and accompanied by a driver. For general cargo and unaccompanied goods, there is less of an emphasis on timeliness allowing any inspection delays to be absorbed more easily.

There are also implications in relation to the actual movement of goods. Currently, road haulage operates throughout the EU on the basis of a Community Licence. Neither scenario has a clear position from the UK Government on the situation post-Brexit. In the White Paper, there is talk of seeking to develop a permit system (for which some initial legislation has been agreed by Parliament). However, no permits would be required for north-south movements in Ireland. With no deal, the situation would likely revert to the ECMT permit system with a limited number of licences awarded to UK vehicles. The consequence of these situations could be an increase in unaccompanied or Lo-Lo freight – in fact, this is something the UK Government is recommending in the case of a no-deal Brexit. This traffic could pass through Holyhead but would require the port to reconfigure its operations and need more standing space for trailers. By contrast, Liverpool already has such facilities which may then increase its attractiveness.

Mention should also be made of the agreement in December 2017 between the UK and EU in respect of the Irish Border. The biggest positive from this was that the Common Travel Area (CTA) will carry on, so many of the 2.5 million passengers that cross the Irish Sea from Welsh ports can continue to do so with ease. The agreement also explicitly acknowledges the land bridge role that the UK plays for Ireland-EU trade, and that this will feature in the next phase of negotiations. Although unclear what the outcome here may be, it could be appropriate for transit vehicles from Ireland to the EU to have a special status where, providing they remained sealed from the point of departure in Ireland to the point of arrival in the UK, port transits could be speeded up for these vehicles. To some extent, this would be an extension of the current practice of clearing imports from outside the EU at inland locations within the UK. There would, however, need to be systems in place to avoid abuse and contingency plans to cover situations like breakdowns.

Current Situation: Practice

Turning to practice, since June 2017 several new Ro-Ro services launched between Ireland and the EU. Brittany Ferries has begun a new service from Cork to Santander (twice weekly) and increased frequency from Cork to Roscoff, using a chartered vessel, while Cobelfret has invested in a new Ro-Ro ferry to begin a route between Dublin and Zeebrugge, operating three times a week. While the launch of these new services has been framed as being a way to avoid the UK after Brexit, it should be noted that the journey times are such that they will be particularly attractive to non-time sensitive customers. Further, being short sea sailings, the cost of using them for hauliers will not be significantly different to existing options. On the Irish Sea market, Irish Ferries are investing in a new

Ro-Ro ferry for their Dublin to Holyhead route, which reflects their ongoing confidence in the route. The vessel will cater for both passengers and freight, the former benefiting from the continuation of the Common Travel Area.

Ports in Wales continue to examine ways in which they can develop and diversify their business. While this takes place anyway, irrespective of Brexit, the imminence of Brexit has perhaps given greater focus, as the operators look to mitigate risks and develop new markets. Both Milford Haven Port Authority and ABP are exploring options that build on the 'Free Port' concept to enable goods to be handled and processed without undergoing customs procedures. These customs-free areas may extend beyond the boundary of the port to include nearby warehousing and other facilities, reflecting potential land constraints within the existing port boundaries. For Holyhead, work is being undertaken to look at developing the cruise ferry market, to encourage more calls by larger vessels.

Mention should also be made of the recent cancellation of a £5m investment at Fishguard to replace the loading bridge, and whether or not this is linked to risks arising from Brexit remains a relevant question. While this may be a factor, it is likely that there are many other factors that also have an influence, including changing future requirements, quoted replacement costs and availability of capital.

Selected sources

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