

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
- 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

25th June 2015