



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Menter a Busnes **The Enterprise and Business Committee**

Dydd Iau, 22 Mawrth 2012
Thursday, 22 March 2012

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru (yn dirprwyo ar ran Leanne Wood) The Party of Wales (substituting for Leanne Wood)
Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Gwyn R. Price	Llafur (yn dirprwyo ar ran Joyce Watson) Labour (substituting for Joyce Watson)
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Jeff Collins	Cyfarwyddwr Cyflawni, Yr Adran Busnes, Menter, Technoleg a Gwyddoniaeth Director of Delivery, Department of Business, Enterprise, Technology and Science
Peter Cullum	Pennaeth Materion Rhyngwladol, Road Haulage Association Head of International Affairs, Road Haulage Association
Edwina Hart	Y Gweinidog Busnes, Menter, Technoleg a Gwyddoniaeth Minister for Business, Enterprise, Technology and Science
Brian King	Is-gadeirydd, Cruise Cymru Vice Chair, Cruise Wales
Carl Sargeant	Y Gweinidog Llywodraeth Leol a Chymunedau Minister for Local Government and Communities
Robin Smith	Cynrychiolydd Cymru, Rail Freight Group Wales Representative, Rail Freight Group
Christopher Snelling	Pennaeth y Polisi ar Gludo Nwyddau ar Reilffyrdd a'r Gadwyn Gyflenwi Fyd-eang, Freight Transport Association Head of Rail Freight and Global Supply Chain Policy, Freight Transport Association
Jason Thomas	Pennaeth Dros Dro, Prosiectau Mawr, Yr Adran Busnes, Menter, Technoleg a Gwyddoniaeth Acting Head of Major Projects, Department of Business, Enterprise, Technology and Science
Paddy Walsh	Rheolwr Porthladdoedd y DU, Irish Ferries UK Ports Manager, Irish Ferries

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Kayleigh Driscoll	Dirprwy Glerc Deputy Clerk
Andrew Minnis	Gwasanaeth Ymchwil Research Service
Siân Phipps	Clerc Clerk

Dechreuodd y cyfarfod am 9.29 a.m.
The meeting began at 9.29 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Nick Ramsay:** I welcome Members, witnesses and members of the public to today's meeting of the Enterprise and Business Committee. The meeting is to be held bilingually, and headphones can be used for simultaneous translation from Welsh to English, on channel 1, or for amplification, on channel 0. The meeting is being broadcast and a transcript of proceedings will be published. I remind everyone to turn off their mobile phones and other electronic equipment. There is no need to touch the microphones—they should operate automatically. In the event of a fire alarm, please follow the directions of the ushers. We have two apologies today, from Leanne Wood and Joyce Watson; I welcome Dafydd Elis-Thomas and Gwyn Price to committee as their substitutes.

9.30 a.m.

Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr
Cymru—Sesiwn Dystiolaeth
Inquiry into International Connectivity through Welsh Ports and Airports—
Evidence Session

[2] **Nick Ramsay:** I welcome our witnesses for today—Brian King, vice-chair of Cruise Wales, and Paddy Walsh, UK ports manager for Irish Ferries. Thank you for coming in today to help us with our inquiry. We have a large number of questions to get through, so if at any point I want to move things along, it is not because I am not interested in what you are saying, but because we need to make progress. We will start with a question from Byron Davies.

[3] **Byron Davies:** Good morning. This is a very general question to start with. Can you outline the key trends in the cruise market at the moment?

[4] **Mr King:** The market is growing—there is no doubt about that. Even through the downturn in the economy, it seems to be something that is secure and growing all the time. There are a number of reasons for that. There are issues with travelling to some of the world's hot spots, and people are more comfortable doing cruises. People have issues with fuel economy, as everybody has, so are making as many savings as they can. They are looking for destinations where they can sail to several ports in close proximity, offering different experiences, to keep their costs down. Traditionally in Welsh ports, cruise ships have had to tender the passengers ashore from the ships, because there has been no alongside facility. That is the really big change in the cruise market. I run the company that owns the berth at Holyhead, which we opened up for cruises three years ago, and it has been a huge success. Ships can now come alongside, and that has become an attraction for the larger ships that we are trying to encourage. The other benefit is that, previously, when people were tendered, it

was only people going on excursions who would come ashore—they would come into Holyhead, for example, get on coaches, leave the island, and go to the castles and gardens, so the locality did not benefit. There was a lot of scepticism around that. Now, because we are bringing them alongside, just about everybody goes ashore. We had a big ship in last year, and 2,500 people visited Holyhead in one day, which was a huge boost to the town. It is a growing trend.

[5] **Byron Davies:** We are told, in the evidence that has been submitted to us, that cruise companies do not sign contracts committing to calls. How do you cope with that?

[6] **Mr King:** It is difficult. As I say, we have been doing cruise ships in earnest for three years now. In the first season, we had six ships in; in the second, which was last year, we had 12 ships; and this year we had 18 ships on the books, so it is increasing all the time. We have also lost four because of fierce competition; it looks like we have been undercut on pricing by some of the Irish ports—that is the indication that we are getting. It is a hard thing to keep going. You do these things in good faith. As the owner and operator of the berth, we do not make any money from cruise. We have invested quite substantially in putting basic amenities into what was an industrial berth in order to accommodate cruise liners, and you do it in good faith. We do it as a community relations project; we are not in it for the money. My company is just a small part of what it used to be. We used to employ 550 people and have a big turnover, but it is now a small operation, and we do not have the finances to keep this going ourselves. I guess that that is the issue going forward. Without guaranteed cruise ships, or without contracts so that you know how many are coming in, you are limited in terms of investment and expansion opportunities.

[7] **Byron Davies:** What would be an ideal world for you? How could that be resolved?

[8] **Mr King:** I guess that Holyhead is a bit different from the other Welsh ports, in that we are doing it as a community relations project. We were approached by the then Welsh Development Agency and asked whether we would bring cruise ships alongside, because it would generate revenue, and the people who owned the business were happy to let that happen. We have promoted that. However, because it is not our core business, we cannot put huge amounts of money into it, and we have not. Marketing is very important for cruise, as it is for anything, and it is limited in what we can do. I have paid for some people to undertake specific marketing activities, but I am on a tight budget.

[9] For me, what is needed is somebody within the Welsh Government, as there used to be in the WDA, to have the responsibility for that—someone who keeps links with the cruise ship people, builds a network and knows who they all are, and who can actually open the doors for people from the ports who have technical information to go there to talk about local excursions. However, because it is such a disparate issue, somebody central is needed to tackle it. At the moment, several groups are associated with cruise, and they are all doing their own thing; they are not really linked. Our experience is that we are suffering because of one of those projects—

[10] **Byron Davies:** So, in summary, there is a missing link and you think that it is the responsibility of Welsh Government.

[11] **Mr King:** That is my view, because the ones who benefit, if you look at Anglesey, for example, are the communities in north Wales, and not us as the berth operator. The money for bringing in the cruise ships is just not there. If you get 25 or 30 ships, that generates some revenue, making it worthwhile, but that is not the case with the numbers that we are talking about. We are just trying to build it to a level at which, hopefully, someone can take it forward and make it profitable. There are huge advantages to doing it. For example, we have a ship coming in twice this year with 3,600 passengers on it and 1,200 crew members. So,

potentially in one day, you have nearly 5,000 people hitting Anglesey. You can expand that, because the trend is for bigger ships and those sorts of numbers. You need to capture that, but unfortunately, as a private company, it is not our core business and we cannot invest in doing that.

[12] **Gwyn R. Price:** The committee has been told that a one-day visit by a large cruise liner could generate £250,000 for the local economy. Is this a reasonable assessment?

[13] **Mr King:** Yes. Some studies have been done on that and I can only say that I have been quoted those numbers. There is quite a disparity—the paper states figures ranging from £30 to £85. That depends on where the ship comes from and its rating: ships are like hotels—you get two-star ships, three-star ships, four-star ships and five-star ships. Generally, money will not be an issue for people coming ashore from five-star ships, and they will do what they want and spend their money.

[14] **Gwyn R. Price:** My other two questions have been answered, Chair.

[15] **Keith Davies:** Rydych wedi sôn am Gaerdybi a'r potensial yno, ond beth yw potensial porthladdoedd eraill yng Nghymru? Rydych wedi rhoi enghreifftiau da o nifer y teithwyr a fyddai'n ymweld â Chaerdybi, ond beth am weddill Cymru?

Keith Davies: You have mentioned Holyhead and its potential, but what is the potential of other Welsh ports? You have given good examples about the number of visitors to Holyhead, but what about the rest of Wales?

[16] **Mr King:** Milford Haven has a lot of potential, because it has a deep-water facility, but the problem there is that ships cannot come alongside, so you still have the issue of people having to be tendered ashore. That is okay when the weather is reasonable, but when the weather gets rough, that can be quite an experience, particularly when you consider that cruise passengers tend to be aged 50 and over. They have more disposable income, but many of them are not fit enough to negotiate getting into tenders to go ashore, so that is the restriction. For smaller ships—and by smaller ships, I mean 150 to 200 passengers—some ports around south Wales are ideally suited. Cardiff can take larger ships, but the issue there is that they have to go through locks, and cruise liners do not like doing that in case they damage their ships. That is the constraint.

[17] **Keith Davies:** Beth all y porthladdoedd eu hunain ei wneud? Rydych wedi sôn am Aberdaugleddau. A ddylai'r porthladd hwnnw wneud y buddsoddiadau angenrheidiol?

Keith Davies: What can the ports themselves do? You mentioned Milford Haven. Should that port make the necessary investments?

[18] **Mr King:** There have been many discussions and studies on putting in an alongside berth in Milford Haven. I am not sure what stage they are at, but it is all about funding at the end of the day—where will the money come from to make that happen? It is a chicken and egg situation: if you do not have contracts for cruise ships, do you make a leap of faith and put that money in, hoping that the business will come? If it does not, the investment is lost, is it not?

[19] **Alun Ffred Jones:** Yn dilyn ymlaen o gwestiwn Keith Davies, dywedodd yr adran drafnidiaeth wrthom mai partneriaeth rhwng porthladdoedd a chwmnïau mordeithiau a ddylai ddatblygu'r seilwaith yn y porthladdoedd. A yw hynny'n realistig yng nghyd-destun Cymru?

Alun Ffred Jones: Following on from Keith Davies's question, the transport department told us that port infrastructure should be developed by a partnership of ports and cruise companies. Is that realistic in the Welsh context?

[20] **Mr King:** It has to be. It is all linked. If you look at the different facets of operating cruise ships, you have the ports that get the people ashore, and then it is up to the rest of the infrastructure to absorb those people and take them to where they need to go and to lay on the facilities for them to make the visit worth while.

[21] **Alun Ffred Jones:** Efallai eich bod wedi ateb y cwestiwn hwn o'r blaen ond fe'i gofynnaf eto: pa seilwaith sydd ei angen i ddatblygu'r farchnad mordeithiau yng Nghymru? Beth yn union sydd ei angen er mwyn inni gael rhagor o longau a llongau mwy?

Alun Ffred Jones: You may have already answered this question, but I will ask it again: what infrastructure is required to develop the Welsh cruise market? What exactly is required so that we can attract more cruise ships and larger cruise ships?

[22] **Mr King:** It is about having dedicated facilities. If you are looking at the larger end of the market, where the volume and the real money is, it is about having dedicated site facilities. A differentiation needs to be made. At the moment, the business in Wales is what is called day visits. The cruise ship will come in in the morning, people will come off the ship and visit attractions, then they will come back on the ship and it will sail away at about 7 p.m. or 8 p.m. The real potential for the economy and the jobs aspect is getting turnaround visits where people join and leave ships in the ports, because then the hotels, airports and train stations and so on will benefit but, unfortunately, there are no dedicated facilities to be able to do that. We did a turnaround trial in Holyhead the year before last. We have the ferry facilities there, but because they are so busy we just could not free up the infrastructure to make it happen. The lesson was that you need dedicated infrastructure to do turnaround visits.

[23] **Alun Ffred Jones:** Gan gyfeirio at Gaergybi, a derbyn bod llongau yn gallu dod mewn i'r porthladd bellach, beth yn union sydd angen ei ddatblygu yng Nghaergybi er mwyn cynyddu presenoldeb y llongau hyn? Ai'r ateb yw'r hyn rydych newydd sôn amdano neu a oes angen gwella hyd yn oed y jeti hefyd?

Alun Ffred Jones: With reference to Holyhead, accepting that cruise liners are now able to come into the port, what exactly needs to be developed in Holyhead to increase the presence of these cruise liners? Is it what you have just mentioned or is there a need to improve the jetty as well?

[24] **Mr King:** The big issue that I have with the jetty now is that we are in the process of selling our business to another entity and it will need the jetty to support its business. That means that the utilisation rate of the jetty will eventually get to a level where the cruise ship berth will not be guaranteed. The problem with the cruise ship berth is that, as an operator, you have to be able to guarantee the berth's availability 18 months to two years before they come in. If you are operating it on a commercial basis, it is almost impossible, because you have the vagaries of the weather and so on.

[25] One thing that we are trying to do is create another berth alongside the existing one so that we double up. I have been involved in numerous discussions about how we can create a dedicated cruise berth on the other side of our operational berth, which will open up all opportunities. It is what the cruise liners are asking for. On the back of that, you would have to improve the roadways to get people in and out, and security is always an issue because coaches have to be stopped and searched. So, it is about having the free flow to allow that to happen.

[26] **Kenneth Skates:** Good morning. This is a question primarily for Brian King. In its evidence, Stena Line Ports said that Cruise Wales needs to be strengthened and better funded. What is your response to this?

[27] **Mr King:** I could not agree more. When I first became involved in cruises, the Welsh

Development Agency financed trade events for people to go to and to promote cruises and all associated trade for Welsh companies. That has gone. I will tell you the size of the budget that we have this year: we have £30,000 left, which is not a lot of money to do anything. We are barely fluid with regard to our solvency and being a going concern. You need a lot more money than that to get out there. The way to catch a business is to go to visit these people in their head offices. Unfortunately, you are talking west-coast America and up and down America and so on, which needs substantial money. The problem that I have, from my perspective of operating, is that because we do not get the return from it and we are running tight margins, I cannot justify putting money into that. That goes back to my point that there needs to be someone in the Welsh Government, centrally, whose role it is to open those doors and create those links, to provide finance and target the cruise executives to bring the business in.

9.45 a.m.

[28] **Kenneth Skates:** Can you demonstrate the success of your activities? Given that you would like to see greater resources put in place for tapping into those lucrative markets, can you justify that on the grounds of your activities thus far? Are there any achievements that you are able to point to?

[29] **Mr King:** Yes, I think we can. Although I said that we cannot justify the expense, I actually did that three years ago. I went to America and visited three different large cruise operators. We are seeing the success of that now. We have gone from six ships, to 12 ships, to 14 ships this year, and we have 14 ships on the books for next year. Most of that comes down to the benefit of having been to visit these people in their own backyards. The trouble when you go to trade events is that, although it is important that they see you there because they know that you are still around, they do not have much time to spend with you. However, when you go to visit them in their backyard you can spend a couple of hours with them and get to understand their needs, they understand the facilities available and you can build the whole experience between you.

[30] **Kenneth Skates:** Are you confident that you will be able to meet your targets in your constitution?

[31] **Mr King:** The business is growing very well, going from six ships to 12 to 14 to 18, which is what we are looking at. Unfortunately, I think that we are suffering a bit at the moment because one of the projects that was put together is, in my view, hurting Wales with regard to the cruise industry. That was never the intention; it is just a by-product of the way it has happened. However, as I said, we have lost four ships to Ireland this year. The trouble is that that captures people's attention in the same way that, when we get bigger and better ships coming to Holyhead, the market sees that and thinks that there must be something good in Holyhead and then thinks, 'We'll do that and keep moving on it'. When ships start moving away, the opposite questions are being asked. People wonder why ships are moving away from Holyhead, and the only reason we have been able to identify so far is that Irish ports are undercutting us.

[32] **Byron Davies:** In your dealings with the cruise companies, do they give you the impression that Wales is a good venue to visit?

[33] **Mr King:** They really like coming to Wales. The closest competitor we have is Liverpool. If you are going on a package holiday, the companies make a lot of money from selling you excursions. They have a big drive to do that. Cruise ships are exactly the same. The beauty of coming to north Wales—well, anywhere in Wales really, but I will talk about north Wales because I know it better—is that there are lots of attractions there. I do not need to tell you what they are. They sell lots of excursions to people for those. They do not sell

many excursions to people on the ships coming into Liverpool, because Liverpool is on the doorstep—people just get off the ship and walk ashore. So the cruise ships are desperate for places such as Holyhead and similar places in Wales to bring the ships in so that they can use the wonderful history and sites of Wales to move on, because that is where they make the money.

[34] **David Rees:** On that point, clearly, in discussions with the cruise liners, I am assuming that there is a huge discussion about the tourism availability in the region of the ports. Does the issue of the road infrastructure have an impact on that?

[35] **Mr King:** It does. Obviously, with regard to Holyhead, it is not an issue because we have excellent road links. I do not think that there are any excursions that take more than an hour and a half to get to on a bad day. There might be bigger issues with regard to places such as Milford, which are a bit more remote.

[36] **Alun Ffred Jones:** Os cafi ofyn **Alun Ffred Jones:** If I may ask a question of cwestiwn i Cruise Cymru eto, beth ddylai Cruise Wales once again, what should a cynllun strategol cenedlaethol ar gyfer y national strategic plan for the cruise market farchnad mordeithiau yn ei gynnwys? involve?

[37] **Mr King:** It needs a central marketing function, with a dedicated person who gets to know the cruise executives. It is like any other business—a lot of it comes down to who you know and opening doors. That is central to any future success. You cannot leave it to the individual ports because they do not have the time, the infrastructure or the resources to do it. It is not core business for any of the ports—they are doing it as well as their day-to-day stuff. It is only when you start doing that and getting a central view from all the executives from the cruise lines that you start to understand the bigger needs.

[38] As I said, with regard to turnarounds, there is a knock-on from roads into hotels, restaurants and all those sorts of activities. That is where the real benefits are, and if there was a one-off recommendation, I would say that, as well as the routine cruise stop that we need to build, there needs to be a strong focus on putting in turnaround facilities. I am sure that you are aware that Liverpool is putting a lot of money into doing that and will potentially steal business from us in Wales, if we are not careful.

[39] **Byron Davies:** Why do you think that the Irish cruise market has grown more quickly than the Welsh one?

[40] **Mr King:** The Irish cruise market has always been strong. It is probably worth saying that the Scottish cruise market is bigger than the Welsh and Irish cruise markets put together, so there are opportunities to piggyback each other. I can only talk about how I view the situation, because we all have different views in Cruise Wales about the merits of some of the activities that are going on. A project has been run over the last few years called the Celtic Wave, which is a fantastic, innovative project to help keep ships within the Irish sea area. Unfortunately, because of some of the ways in which it was marketed, I feel that it is certainly hurting Holyhead, because it is attracting the bigger ships away. It is called the Celtic Wave. Wales struggles with an identity on the wider stage, because Americans and other people think that 'Celtic' means Ireland. I am sorry, but that is the reality. They are cruising on the Irish sea and all the talk is about Ireland; that is the problem. For the first couple of years of trade events that we went to, the promotions were done on the Irish cruise stand. I honestly believe that that has pulled cruise ships away from Wales, because that is what they see and understand. They do not understand the links with Wales, and in terms of the marketing—

[41] **Byron Davies:** It is a branding issue, then.

[42] **Mr King:** It is branding issue, yes, and a big issue. You will get different views on this but, personally, my concern is that I know that there is an application going in for INTERREG funding to extend Celtic Wave for another year, and if my suspicions that it is the Celtic Wave marketing that has caused us the loss of ships are correct, another year of it will seriously damage the Welsh cruise business and set it back years.

[43] **Nick Ramsay:** We have a question from Ken Skates before I bring in Dafydd Elis-Thomas.

[44] **Kenneth Skates:** I have a brief supplementary question on this. Are Visit Wales, particularly in north Wales, and the north Wales tourism partnership part of Cruise Wales?

[45] **Mr King:** They are. In fairness, we get match funding from Visit Wales for the money that the individual ports and entities put into Cruise Wales. If we did not have that, we would not be able to exist.

[46] **Kenneth Skates:** So, the branding is still insufficient or not strong enough in spite of their involvement.

[47] **Mr King:** Yes, in spite of their involvement. As I said, we have £30,000 at this moment in time and that is nothing, is it? To put on a sea trade event similar to the one held in Miami last week, which is the biggest one in the world and the one that you need to be at, you are talking about £70,000 or £80,000. That is just one event.

[48] **Byron Davies:** Were you there?

[49] **Mr King:** No, I was not. I sent one of my employees to that. I have been to it in the past.

[50] **Yr Arglwydd Elis-Thomas:** Mae'r **Lord Elis-Thomas:** This question is for Irish cwestiwn hwn i Irish Ferries. Ferries.

[51] Mr Walsh, I think that it is about time that we heard from you.

[52] Rwyf eisiau holi, os caf fi, ynglŷn â datblygiad cludo nwyddau a symud nwyddau ar drenau yn benodol, oherwydd mae'n ymddangos i mi, o edrych ar gynllun trafnidiaeth cenedlaethol Llywodraeth Cymru yn ei ffurf ddiweddaraf, fod diffyg blaenoriaeth, os oes blaenoriaeth o gwbl bellach, i ddatblygu adnoddau ar gyfer symud nwyddau ar reilffyrdd. Rwy'n derbyn bod anawsterau ynglŷn â Doc Penfro gan nad yw'r orsaf yn agos at y porthladd, ond pe baem yn mynd ati i ddatblygu cludiant nwyddau ar drenau yn fwy sylweddol, a oes marchnad a phosibiliadau yn y fan honno? I want to ask, if I may, about the development of freight and rail freight specifically, because it appears to me, from looking at the Welsh Government's national transport plan in its latest form, that there is a lack of priority, if it is now a priority at all, to developing resources for rail freight. I accept that there are difficulties in the case of Pembroke Dock because the station is not close to the port, but if we were to go ahead and develop rail freight facilities more substantially, is there a market and are there possibilities there?

[53] **Mr Walsh:** We need to go back a little to the mid 1990s, when there was something that was referred to as the Piggyback Consortium, in which Baron Cledwyn and Lord Berkeley were involved. That has changed its identity and is now known as the Rail Freight Group. A helpful website, if you wanted to research that further, would be www.rfg.org.uk.

[54] **Lord Elis-Thomas:** It will not surprise you that I know Lord Berkeley, who is an

ardent campaigner on this matter.

[55] **Mr Walsh:** Excellent. You will know quite a bit of this background, but please bear with me for the benefit of your colleagues. There was a piggyback consortium that looked seriously at moving roll-on, roll-off freight, which is what Irish Ferries is responsible for in Holyhead and Pembroke Dock, on to rail. It is conceivable to alter a road trailer, at a cost in today's market of about £1,200 per trailer, so that it can be carried on the railway. People were quite keen on that from the point of view of the concept. The issues that surrounded that, and which still exist today, are that to connect Holyhead, for example, to the West Coast main line, say at Crewe or Warrington, you are talking about a project that would cost tens of millions of pounds, primarily because of the height clearance required for railway bridges. In England and Wales, we have fairly unique platforms that would intrude into the space required for those trains to pass through the station, so you are talking about a project of tens of millions of pounds, and the money was not available to invest in that.

[56] The other issue is that the Irish freight market is rather parochial in its approach, and it would have seen rail freight as a threat to the road haulage industry—the trucks would arrive at Holyhead, go on the train, and that would be the end of their involvement. So there was, to say the very least, a lukewarm reception in the Irish road haulage industry for the concept. A company called DB Schenker, which you will probably be familiar with through your involvement with Lord Berkeley, did a study in 2009 to try to resurrect this. That was not specifically for Holyhead, but on the concept of piggybacking in general. The view was that, again, there was insufficient support in the road haulage industry, and that the costs were excessive.

[57] There is one other issue that I have not mentioned—a third strand to this—which is the infrastructure in the UK depots. At the moment, a lot of roll-on, roll-off freight is moved on what we would call the just-in-time mode. Going back 15 or 20 years, before the current economic crisis, there would be warehouses full of product; nowadays, they have moved away from that, and product tends to be ordered and then goes straight out to the consumer. That has meant that you are competing with a very fast transit time. If you accept the concept that they were going to go from the port of Holyhead, for example, onto the train, and then go to some depot somewhere, and then be shunted and connected up with another train, by the time they had done that, the truck would perhaps be in France or Belgium. That was the final issue.

[58] So at the moment, I am sad to say—because I would like to see it happen—I do not think that it is likely to happen in the foreseeable future in Holyhead. In Pembroke, as I say in my written evidence, the railway was disconnected about 20 years ago—which was a bit short-sighted—and it is now a two-mile walk from the ferry port to the nearest railway.

[59] **Eluned Parrott:** Just to follow up on the point about piggybacking, do you think that the volatility in oil prices over the next few years will make piggybacking more attractive to road hauliers in the medium to long term?

[60] **Mr Walsh:** It would make it more attractive, but somebody needs to come up with the money to invest. As I say, you are talking of tens of millions of pounds, or you were at the time, and that was in 1996, I think, when we last did that study. There may be more information available through DB Schenker on the investment that is required. Oil price will certainly have an effect, because as you have seen from my evidence, it is having a significant effect on the ferry industry. So, yes, that will encourage it, but it is the development of the infrastructure in terms of rail and the back-up facilities to be able to compete with the transit times that you have on RORO.

[61] **David Rees:** Following on from that point, if there is no investment available at the

moment, is there nevertheless a need for a major restructuring of depots around the UK in order to handle that, in addition to the rail restructuring?

[62] **Mr Walsh:** That is exactly it, yes. The rail connections from Scotland down to the south-coast ports through that main arterial network are quite good, but it is a little like the motorway network, in that, going east to west, they are not particularly good—certainly not into Wales—and it would require substantial development to connect into that main artery.

10.00 a.m.

[63] **David Rees:** Is that in north and south Wales?

[64] **Mr Walsh:** Yes, in both locations. I am speaking specifically from a roll-on, roll-off perspective; obviously, there are train connections that provide freight services into Cardiff and Swansea. Those facilities exist, but I am sure that you have already heard from my colleagues who represent those ports.

[65] **David Rees:** Most traffic goes on the roads, so what are the barriers in relation to road issues, and the road network and its further development? In your paper, you note that a lot of freight traffic is going through Belfast, for whatever reason. Is that a consequence of road facilities in Wales or is it simply because the markets are in the north, rather than the south?

[66] **Mr Walsh:** There are two elements to it. One is certainly the road networks. My colleague Mr King has already commented on the suitability of the road. The A55, the dual express way, is an excellent connection, apart from the odd set of roadworks every now and again. There is huge disappointment in south-west Wales that the road connection west of Swansea is very poor. It has not been recognised as part of the trans-European transport network, and it needs to be, because it serves what has been referred to as the energy capital of Wales in Milford Haven, as well as a substantial amount of ferry traffic. That would be an important step forward and it needs to be done. The road network into north Wales serves us quite well, and there are no issues with that.

[67] **Eluned Parrott:** To return to the issue of port infrastructure, I would like to ask Mr Walsh a question. The development of Welsh ports has been primarily market-driven, with very little in the way of public subsidy. How effective do you think this approach to port development has been?

[68] **Mr Walsh:** Leading on from that is the question of whether further Government investment would benefit ports. There are two matters that arise: the first is consistency of the application of any funding that is available to ports and the second is the displacement of traffic. I will deal with the funding issue first. Everything that we have done in the port, as I said in my evidence, has been largely private enterprise and private investment. When we look at any project, we carry out a cost-benefit analysis, and we want to be sure that we will get a reasonable rate of return. As you said, it is market driven. If the market is there, we will put the money in. Funding can distort trade. For example, if funding was available in Scottish ports and not in Welsh ports, from the evidence that has been submitted you will see that there is plenty of choice, and, therefore it could lead to a shift of traffic from Welsh ports to Scottish ports. If funding is available in general, it should be consistent and across the board. That is the issue of consistency, so that there is no geographical advantage up and down the west coast. As regards the other issue of traffic being transferred from one location to another, if a Scottish port was developed with funding, including state funding, and did not develop new business—which would be the concept behind it—but took traffic away from the Welsh ports, that would be of concern to us.

[69] **Eluned Parrott:** We have heard from port operators and from Mr King this morning that the market is unlikely to provide cruise berthing facilities without support because, frankly, there is nothing in it for them. Are there any other aspects of port development that you believe would require public funding to take forward?

[70] **Mr Walsh:** Apart from the road network to the south-west locations, which I have mentioned, there is no issue that we are driving with regard to funding.

[71] **Eluned Parrott:** Therefore, is it a question of indirect support and infrastructure rather than direct funding?

[72] **Mr Walsh:** Absolutely. I have also raised issues, which I appreciate are not devolved matters, relating to border checks and controls. They are important, but they must be done in a balanced way. There is also the question of fuel, which was raised in the context of road fuel, but it is a serious issue for Irish Ferries in going forward. Sulphur emissions is a key issue for us. The International Maritime Organization has set a standard and the UK as a whole is working to that standard. However, the European Union has become involved and is looking at possibly extending the emission control areas, which would have a devastating effect on Irish sea trade with the Welsh ports.

[73] **David Rees:** On the issue of the berthing of cruise ships, as a ferry operator, do you know of any evidence to show that if a port takes on cruise ships as well, the port, as a ferry port, will develop even stronger, with more action as a consequence of that?

[74] **Mr Walsh:** There is no direct evidence of it. In fact, a ferry port is a very transient point. In particular, as the ports that we are talking about, namely Holyhead and Pembroke Dock, are in semi-rural areas, they tend to be just the starting off point onto a journey or the finishing point on your journey to Ireland. Apart from the passing-trade aspect of revenue into shops and petrol stations, I am sorry to say that ferry ports, apart from the employment, do not generate a huge amount of income for the local economy. Cruise ships work nicely alongside ferry ports; there are no issues for us. Currently, in Pembroke Dock, and in Milford Haven, as my colleague mentioned earlier, it is true to say that there is no alongside facility. Our ship is 182m long and it is the biggest ship that you will get at the berth from which we operate. There are not many cruise ships, apart from the small coastal ones, that are under that length, so there is not really a facility for them. I know that you have heard evidence already from Milford Haven Port Authority, but I do know that, when the cruise ships come in, as my colleague said, they are held in what we would describe as one of the shelf areas out of the main flow of traffic for the oil tankers and they usually need tugs to hold them alongside in any sort of weather conditions. So, it is quite a costly exercise if you do not have an alongside facility. However, cruise ships and ferries work alongside one another nicely, so we have no issues there.

[75] **David Rees:** We talked earlier about the movement of traffic in Ireland to Belfast and the links across from there. How do you see that panning out in the future? How has the UK Government's border policy hindered or helped the Welsh ports in that sense?

[76] **Mr Walsh:** To take the first part of your question on the movement of trade, I know that the steel industry in south Wales has suffered quite a lot recently, but it is still an exporting industry and there are currently exports of steel that used to be routed through Pembroke to Rosslare that are now going via Heysham to Dublin. That is a rates issue, and it is what I alluded to in my evidence. At the moment, because there is overcapacity on the Irish sea and people are fighting for the business, you have hauliers who are competing and undercutting one another. If a haulier has traffic coming into the Birmingham area from, say, the central corridor—Liverpool or somewhere like that—and he can extend down to collect a backload from south Wales, he is doing that. Instead of it coming through Pembroke Dock, he

is running it all the way up to Heysham and it is going out to Dublin. We are aware that hauliers are doing that now. Traffic moves freely and it is very price-sensitive. So, if a ferry operator on the Heysham route or the Cairnryan route puts out a special offer and reduces its prices—it might be related to volume, so if someone offers a 1,000 loads, it will reduce the price—traffic will go via that route and still be delivering in the Irish Republic. So, the market is extremely price-sensitive and there is a bit of a price war in the haulage industry at the moment.

[77] On the second part of your question with regard to border controls, at the moment, the common travel area concessions that Wales, Ireland, Scotland and England currently enjoy—if I can use that word—allow, within reason, a free flow of traffic. Obviously, there are concerns about illegal activities, whether that is illegal immigrants or any other illegal activities. As I have said in my evidence, we co-operate closely with Dyfed-Powys Police, North Wales Police and the UK Border Agency to provide information and they carry out exercises that they describe as risk-assessed and intelligence-led. So, they do those checks and they work fine in terms of the free flow of traffic through the ferry ports. My concern is that, given what has happened in the UK with changes at the top in the UK Border Agency, if it decided to close what it may see as a door, and it decided to do that at the Welsh ports, all it would be doing, effectively, would be squeezing the traffic out for it to go via the Irish land boundary. Given what I have said in my evidence about the plethora of choice, it would not be an issue in terms of capacity. So, I am all for having proper and adequate controls in place to control or restrict the movement of any illegal activities, but it has to be consistent. All we are asking for is a level playing field, if I can use that cliché.

[78] **Nick Ramsay:** On the basis of what you have just said with regard to the border changes, what representations do you think that the Welsh Government should, or could, make to the UK Government that would warn of the risks?

[79] **Mr Walsh:** I would like to see consistency with applications. This is the level playing field argument that I was just moving on to. It is about their deciding that they want to increase the level of checks. I am not talking about threat levels changing; I am sure that you are all aware that threat levels are set by the Department for Transport and Transec, and if the threat levels go up because there is a terrorist incident somewhere in the UK or Europe, checks go up and things slow down, and we all accept that. However, in the normal course of business, we would expect the level of checks to allow the relatively free flow of traffic and not to impede us.

[80] I mentioned an example of that in my evidence with regard to turnarounds, which is a term that some of your colleagues may not be familiar with. Take the Pembroke-Rosslare service as an example. It runs 24 hours a day, 363 days a year, only stopping on Christmas Day and Boxing Day. The schedule is effectively four hours at sea and two hours in port, four hours at sea and so on; it just keeps going backwards and forwards. If you do anything that offsets or interrupts that by half an hour or 45 minutes, the whole schedule is thrown out. If the UK Border Agency, or whatever form it ends up in after the latest round of changes, decides to do 100% checks, it could have catastrophic effects on the turnaround times of the ship. It would divert illegitimate traffic, shall we call it, via the border, but it would also divert legitimate traffic. I mentioned earlier in my evidence the need for ‘just-in-time’ traffic. The road haulage industry would not stand for huge delays in the port. It would find an alternative.

[81] **Byron Davies:** Why do you think the checks should change because of the change at the top of the UK Border Agency?

[82] **Mr Walsh:** I was referring to the fact that Mr Brodie Clark was dismissed over matters arising from an investigation. He was alleged to have been responsible for relaxing

checks at some of the airports and south-coast ports. The view is that those checks should not have been relaxed and that, in fact, they should be stiffened, because undesirables were getting into the UK. If that stiffening of checks happened at all ports, including the common travel area ports and there was an increase in the number of checks, that could have a significant effect on us. I am raising a concern—I am not—

[83] **Byron Davies:** Your original schedule must have been based on the original UK Border Agency plan. So, what is the difference?

[84] **Mr Walsh:** There will be no difference unless the number of checks or percentage of people being checked increases significantly. At the moment, as the ferry discharges, the regulatory authorities, which have received information in advance on the vehicles and passengers coming off the ship, will target specific vehicles or passengers if they wish to do so. If they do not, they carry out checks on a certain percentage of the vehicles. That work is risk-based and intelligence-led. As we know, they profile vehicles, cars and passengers, and they will carry out those checks. We work very closely and co-operate very well with them on that. However, if they decided that they were going to do 100% checks, stop every car and ask every passenger to produce identification, it would have catastrophic effects on the ferry industry.

[85] **David Rees:** The concern is that that would happen in the Welsh ports where ships sail directly to Ireland, but not to the ports where ships sail to Northern Ireland, because that is internal.

[86] **Mr Walsh:** That is exactly right. If you were to stop me at the port of Cairnryan, where I had just arrived from Northern Ireland, and ask me for identification, it would be the same as stopping me on the road between Newport and Cardiff asking me for identification. It is part of the UK. The checks would need to be done at the Irish land boundary. We realise that that is impractical in the present scenario.

[87] **Nick Ramsay:** Given the overcapacity issues in the Irish sea ferry market and the risks that you have spoken about relating to border controls, does the UK policy of non-intervention adequately serve Welsh ports?

[88] **Mr Walsh:** Basically, it is an open market at the moment, and the ferry industry has to compete equally on price and service. With our current capacity and pricing structure, we do not see any immediate risks to traffic through Welsh ports. However, obviously, I have the concerns that I have just raised. We do not have any issue with the current situation.

[89] **David Rees:** On this point, out of curiosity, in your paper, you mentioned that you have invested in Welsh ports. Did you make the same investment in Irish ports?

[90] **Mr Walsh:** Yes.

[91] **David Rees:** Did you have any support from the Irish Government with regard to those ports?

10.15 a.m.

[92] **Mr Walsh:** We received very little support in funding terms; we received marginal funding in the Welsh ports and it was similar with the Irish ports—there was very little in the way of funding. As I said earlier, we will, essentially, cost benefit any project that we will do and consider what it will deliver for us. If it is a reasonably sound investment, we will move forward and do so through private enterprise and private funding. We do not generally look for Government support.

[93] **David Rees:** Is the policy that the UK Government has opted for in terms of UK ports the same as the one that has been adopted by the Irish Government?

[94] **Mr Walsh:** Basically, we are left alone to get on with it.

[95] **Nick Ramsay:** You are telepathic, David, because those were to be my final questions. I have one more question, on freight policy. The Welsh Government is currently reconsidering freight policy across the board, so what key priorities would you identify?

[96] **Mr Walsh:** We have already discussed those. Essentially, we are pleased with the road that serves the port of Holyhead, but into Milford Haven and Pembroke Dock, aside from the changes taking place to reduce accidents in blackspots, we would be in favour of the roads being improved to the level of, or considered to be part of, the trans-European transport network connection.

[97] **David Rees:** I have one simple question for Irish Ferries. One issue that you mentioned was the time of the crossings. Does the fast boat operating from Fishguard, which also operates from Holyhead, if I remember rightly, have an impact on the number of passengers who use your service?

[98] **Mr Walsh:** Yes. We entered into the fast ferry market in 2001-02 with the introduction of the Jonathan Swift. We did that, as I said earlier on the cost-benefit analysis, having conducted surveys, which gave us clear indications that up to 25% of the travelling public would prefer a fast ferry operation, because a fast ferry will make the journey in half the time of a conventional ferry, which takes approximately four hours. Fast ferries do around 35 knots in open sea, so they are very fast. That is the closest that you can get to the speed of air travel, and you do not have the same restrictions in terms of weight, taking your dog or cat and all of your family with you and so on. We assessed the market and there was a requirement for it. Fuel costs have an impact on that now, but it is a niche market and is one that we see continuing for the future, particularly during the holiday season.

[99] **Nick Ramsay:** Aside from port infrastructure, what practical steps could be taken to improve the attractiveness of Wales overall as a cruise destination?

[100] **Mr Walsh:** I would refer to the practical steps that my colleague has already mentioned with regard to Milford Haven, for example. There needs to be an alongside berth if you are to attract cruise ships to Milford Haven. That would require significant investment.

[101] **Kenneth Skates:** Do you have any data on cruise passengers, looking at why they would choose to come to Wales? I am particularly thinking about branding. Is that information readily available? Have you carried out any sort of surveys or analysis?

[102] **Mr King:** We monitor traffic issues on the internet site in terms of places that people want to visit. It is the traditional stuff.

[103] **Kenneth Skates:** Do they want to visit the heritage sites?

[104] **Mr King:** Yes.

[105] **David Rees:** Is there a growth in cruising around the UK? We are talking about these ports, but if there is no growth in the UK picture, we need to think about where we go beyond that. Is there a growth in UK cruising?

[106] **Mr King:** Confidence is growing. For example, Liverpool is investing money in its

berth. There is a new berth going in in Ireland and substantial funds are going into that. So, people see that there is growth out there, and we are in danger of being left on the sidelines. We have a fantastic offering with the historical background and beautiful countryside of Wales, but we do not have the facilities to service that industry.

[107] **Nick Ramsay:** Thank you, Brian King and Paddy Walsh. You have been exceptionally helpful and succinct, which always helps my job. Do you have any final closing remarks? I see that you do not. Thank you again for coming to see us and for your written evidence, which was helpful. We will feed your comments into our inquiry.

[108] I will now suspend this meeting until the Ministers arrive, which should be in nine minutes' time.

*Gohiriwyd y cyfarfod rhwng 10.20 a.m. a 10.27 a.m.
The meeting adjourned between 10.20 a.m. and 10.27 a.m.*

**Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr
Cymru—Sesiwn Dystiolaeth Gweinidogion
Inquiry into International Connectivity through Welsh Ports and Airports—
Ministerial Scrutiny Session**

[109] **Nick Ramsay:** Welcome back to the meeting. I also welcome Carl Sargeant, the Minister for Local Government and Communities, and Edwina Hart, the Minister for Business, Enterprise, Technology and Science. I also welcome Jeff Collins and Jason Thomas, the Ministers' officials. Thank you for coming today to give evidence for our inquiry on international connectivity through Welsh ports and airports. We have a number of questions for you, so I propose to go straight into those. The first question is from Alun Ffred Jones.

[110] **Alun Ffred Jones:** Bore da. Nid yw polisi porthladdoedd a meysydd awyr ar gyfer Cymru wedi'i ddatganoli, felly sut bydd Llywodraeth Cymru yn ymgysylltu â Llywodraeth y Deyrnas Unedig i sicrhau bod y polisiau yn cefnogi anghenion Cymru? **Alun Ffred Jones:** Good morning. Ports and airports policy for Wales is not devolved, so how does the Welsh Government engage with the UK Government to ensure that the policies support the needs of Wales?

[111] **The Minister for Business, Enterprise, Technology and Science (Edwina Hart):** I will kick off. It is difficult, because ports and airports are not devolved, particularly in the case of ports. As you recognise, the Crown ports are the responsibility of the UK Government. Crown ports are devolved in Scotland and Northern Ireland, and we have asked for them to be devolved in Wales. The issue concerns very large ports such as Milford Haven, which is run by a board. We have no input into who sits on that board. They asked for a revision order on the management of that board, and we objected to it, because we would like to have direct representation on that board. Unfortunately, we have not been able to get that. It has been suggested that everything could be discussed, with regard to devolution, by the Silk commission, but that is not something that I am comfortable with. I will have to see how arrangements pan out with regard to our relationships. We have excellent relationships with private sector companies that run ports, such as ABP and Stena; we have very close communications with them. They are quite clear about their business plans. However, with regard to contacts, we have good working relationships with the UK Government across the piece in these areas.

10.30 a.m.

[112] I am in regular contact with UK Government Ministers, and I took the opportunity recently to have a discussion with Mike Penning, as I indicated to the Chamber that I would, about possible governance arrangements with regard to the enterprise zone as it involves a Crown port. However, there are wider issues. In my portfolio, ports are extremely important because there are opportunities in the energy and environment sector for more work to be done in the port areas, and we must also look at the tourism sector, given that we have ferries coming into the ports and Crown ports. We need to know what type of investment we are prepared to put into these ports to generate what the energy and environment sector might need in terms of jetties, for example. We need to know whether they require any help or assistance. We also need to do that in relation to ferries. Freight is also a wider issue for consideration and my colleague Carl Sargeant has been active in dealing with the trans-European transport core network in relation to Milford Haven. So, there are ongoing discussions on that.

[113] **The Minister for Local Government and Communities (Carl Sargeant):** Notwithstanding the complications in relation to the non-devolved elements, as Edwina Hart said, it is about trying to build relationships in relation to the issues that affect Wales. I have regular discussions—verbally and through correspondence—with Ministers internally, for example with Alun Davies in relation to Europe and the trans-European network, and externally with Westminster, for example, with Secretary of State for Transport. The links to ports and airports are incredibly important; they would be pretty pointless in isolation. So, the connectivity element must be considered. I continue to have discussions with Westminster colleagues in terms of benefits for Wales.

[114] **Alun Ffred Jones:** Hoffwn gael rhyw ddealltwriaeth o ba mor aml rydych yn cysylltu neu'n cyfarfod â swyddogion neu Weinidogion. Ni allwch roi ffigwr, fe dybiaf, ond a allwch roi syniad o ba mor aml rydych yn ymgysylltu â'ch cyd-Weinidogion neu swyddogion? A allwch roi enghraifft benodol o drafodaeth neu gysylltiad diweddar ar lefel weinidogol gyda Gweinidogion y Llywodraeth yn Llundain?

Alun Ffred Jones: I would like to glean some sort of understanding of how often you engage with or meet officials or Ministers. I assume that you cannot give a figure on that, but could you give an idea of how often you engage with your fellow Ministers or officials? Could you give a specific example of a recent discussion or communication that you have had at ministerial level with Government Ministers in London?

[115] **Edwina Hart:** As I indicated in my response, I had a discussion with Mike Penning last week on the issues regarding the Haven. My officials regularly engage in discussions on ports and airports, and I engage when it is deemed necessary. I think that that applies to the UK Government as well.

[116] **Carl Sargeant:** I recently met Justine Greening in relation to the electrification of the main line and the Valleys lines. So, again, the issue of connectivity is key. We have also had correspondence in terms of the trans-European network, and I know that Minister Hart has had correspondence in terms of ports. I cannot give you a figure as to how many times my officials and I have met with our counterparts in London, but we do meet them regularly.

[117] **Alun Ffred Jones:** Hoffwn ofyn un cwestiwn arall, er credaf ichi gyfeirio at y mater yn eich sylwadau agoriadol. A ydych o blaid datganoli'r cyfrifoldeb am borthladdoedd a meysydd awyr o Lundain i Lywodraeth Cymru?

Alun Ffred Jones: I want to ask one further question, although I believe that you may have already referred to this issue in your opening remarks. Are you in favour of the devolution of responsibility for ports and airports from London to the Welsh Government?

[118] **Edwina Hart:** We have written specifically on the issue of the devolution of ports.

That is the policy of the Welsh Government.

[119] **Eluned Parrott:** How will the St Athan enterprise zone and, should it proceed, the Haven waterway enterprise zone support Welsh ports and airports?

[120] **Edwina Hart:** On the Haven waterway, Members are aware that I am particularly interested in having an idea of the governance arrangements that would be in place for dealing with it, hence my conversation with Mike Penning. That conversation proved exceptionally useful in terms of his view on the involvement of the port and he understood the issues around how it should be led and what we need to undertake. So, I am fairly confident that we will have news in terms of the Haven waterway shortly.

[121] On St Athan, we have had further correspondence from the Ministry of Defence this week. I do not wish to criticise MOD Ministers at all, but it is a difficult process. My officials are constantly engaged with the MOD about the site in St Athan, for example, about what is happening in terms of the hangar and in terms of how the site needs to be divided to attract appropriate business investment. However, we have been guaranteed a definitive answer about the space, the allocations and the land by June. So, we very much hope that we will then be able to proceed much further in terms of what we are doing on the St Athan site. I appreciate the MOD's difficulties in this regard—we are, after all, talking about special forces and military needs. So, I can understand that it must take its time to look at its requirements, but, on the other hand, we cannot afford the time if it means losing any job opportunities that may arise, because it is an excellent site in terms of the range of hangars and so on that are available there.

[122] I have also included Cardiff Airport in that enterprise zone, which I hope will be beneficial in terms of the discussion there, because Members have concerns about the airport and its role. I hope and understand that the airport will be invited to have a seat on the board of the enterprise zone and that it will be a key player, but in order to be a key player, you have to be interested in making your business work. There is always a lot of discussion about what cash and inducements the Government can give, but a company has to be willing to think for itself what routes it needs to go for and what it needs to do, not necessarily with our assistance, but perhaps with our assistance. I very much take on board the point that was made by the leader of the opposition, Andrew R.T. Davies, about North American routes, because there is an issue about their viability. There is also an issue about the viability of routes to the middle east; the First Minister is keen on China, but you must have a partner that is ready to take that on. There is a tremendous amount of interest in the airport; however, we only have to look at the passenger figures and the appearance of the airport when you go in to see that there are a lot of issues around that. However, I hope that now that it will be part of the enterprise zone discussions, we can get a greater focus on that.

[123] **Eluned Parrott:** As you say, the enterprise zone in that area is not merely the MOD site at St Athan. Are you able, at this point in time, to tell us what specific interventions will be available to businesses at that enterprise zone?

[124] **Edwina Hart:** I can obviously give out our training and education agenda as it will be as normal. My colleague Carl Sargeant is already looking at the infrastructure issues around that site. In terms of the rest, we will have to have a clearer picture of how that site will be managed. I do not know whether you want to comment on the transport infrastructure, Carl.

[125] **Carl Sargeant:** Certainly, we have worked closely on the announcements about the enterprise zones, as Ministers with relevant responsibilities. My responsibilities are predominantly access issues. For the site in St Athan that you referred to, we have done some work, as you will be aware, on electrification, which is key for the Vale line and links to the

airport. We have made some enhancements to Five Mile Lane in terms of safety issues, but I actually think that Cardiff Airport's accessibility is much better than Bristol's. The fact of the matter is that there is something wrong with what is happening at Cardiff Airport, not with the infrastructure to get there, but we are supporting enhancements to get there. It is a bit of a chicken-and-egg situation: why would you want to get there if there is nothing to get there for? If we can get the airport to optimise the business, there will be a clear economic benefit to making better provisions for getting there and providing access for people to use a successful airport.

[126] **Eluned Parrott:** Cardiff Airport is certainly extremely accessible from where I start. [*Laughter.*] The Vale of Glamorgan line skirts the enterprise zone and the MOD site at St Athan. Are you minded to consider a stop on that line at St Athan?

[127] **Carl Sargeant:** I am aware of some private interest in rail infrastructure into the airport. I would not want to prejudge a possible planning determination by the Welsh Government on this, subject to the local authorities being involved in that. However, there is interest in terms of how a spur into the airport could be used. That would be a modern way of accessing a good-quality airport. You need to have good rail infrastructure to support that. Of course, the decision on funding for that would not be mine to make. There is private interest in that development as we speak, I believe.

[128] **Eluned Parrott:** Finally, Milford Haven Port Authority has suggested to us that a reduction in the regulation affecting port-related industries, such as refineries, would be beneficial to the Haven waterway, particularly with the enterprise zone development there. Is this option being considered and what do you think that you will be able to do to address this?

[129] **Edwina Hart:** I will read with interest the evidence that it has given to the committee and give it due consideration.

[130] **Byron Davies:** This question is to both of you. We heard this week from the First Minister a criticism of the condition of Cardiff Airport, and the general impression is that its owners and operators are difficult people to engage with. What is the Welsh Government's relationship with Cardiff Airport?

[131] **Edwina Hart:** Our main relationship is with Abertis, the parent company, and the First Minister has met the chief executive on a number of occasions. I have met the chief executive. Our policy is quite clear: we want Cardiff Airport to be a thriving airport. It is an important economic driver in the area. However, we are not convinced that the current owners will provide the necessary investment to deliver this, and that is the key issue. They are required to deliver investment as well. We know that there is interest in the airport, and we also know that there is sufficient demand and opportunity for passenger numbers to grow in this area. We have not seen any rise in passenger numbers, as committee members will be aware, or any improvement in the overall passenger experience since these owners have taken control, and this must change. Various aspects of the condition of the airport are a major concern to us. The business lounge is not particularly attractive, and the general façade of the main building is unwelcoming. There are issues around car parking—my constituents are always complaining to me about the cost of dropping people off and the cost of car parking. It is in need of investment to improve the customer experience, so that there is better potential there.

[132] As a Government, we are obviously looking at some of the discussions that we have had about establishing air routes to North America, Europe, the markets in the middle east and, of course, China—we think that there is great potential there. There is also potential with regard to freight. I have spoken to several companies, particularly in south Wales, where we believe that there is the opportunity for freight, but there seems to be no movement on that,

either, with the airport. I think that it is a question of keeping up the pressure on the owners. It is interesting that they currently have arrangements in Luton, do they not, Jason? I understand that the local authority in Luton is trying to change the operational arrangements. Perhaps Jason wants to add something on that.

[133] **Mr Thomas:** In Luton, there is a different structure: there is a break clause in the contract that the local council has with Abertis. The council could invoke it if it wished to do so and, therefore, a deal would have to be done between the council and Abertis, but we do not have that provision in Wales: Abertis owns the land and it is a private sector company.

[134] **Edwina Hart:** I have to say that we have had a lot of meetings and discussions on this, and the First Minister is quite right about the correspondence that we are having regarding our concerns about the airport's appearance and so on. We are ready, willing and able to assist, if there is a partnership and they want to take it forward and make it a profitable entity as well. At the end of the day, there are significant state aid rules in relation to some of these issues that restrict our ability to help, but we are currently actively exploring a number of potential measures to attract and help new routes into Wales that would still comply with those state aid rules. We are looking at some independent research currently on air passenger duty. We are having very confidential discussions, so I cannot name the carriers that have expressed an interest in routes. Of course, we are looking at the business case and acting in accordance with the market economy investment principle where a Government can intervene on a commercial basis. All those issues are being looked at strategically from our side, but we need people to come to the table in terms of a genuine partnership and wanting this airport to succeed. It is a very difficult position because it is a private company.

[135] **Byron Davies:** You have talked about the middle east and China, and, in Plenary, I think that you mentioned North American negotiations. Without being specific, for obvious reasons, can you tell us a bit more about that?

[136] **Edwina Hart:** We are having quite a lot of discussions across the piece and I would not like to go into detail because some of them are at an early and sensitive stage, but there is a lot of interest in that airport. It is important to recognise that it has to be welcoming. There have to be two to tango, and we have to remember that. In an ideal world, it would be nice if it had never been sold off in 1996. That would have been ideal in terms of what we could then have done.

[137] **Byron Davies:** Has the Welsh Government given any consideration to purchasing or becoming a shareholder in Cardiff Airport?

[138] **Edwina Hart:** Obviously, all options are open to us, but there is the small matter of how much it would all cost. Or the very large matter.

[139] **Nick Ramsay:** That does come into it, usually, does it not?

[140] **Edwina Hart:** Yes, but at the end of the day, some people might come to us and offer us a partnership. That would be something. However, we have to work with the current owner of that airport, which of course is a Catalan firm that runs toll roads in Spain.

[141] **Eluned Parrott:** On the question of your relationship with the airport, I believe that the First Minister said in Plenary that he has met with the chief executive of Abertis on two occasions. Do you meet on a regular basis with the local management of Cardiff Airport?

[142] **Edwina Hart:** Yes, my officials regularly meet them on a local basis.

[143] **Eluned Parrot:** What discussions have you had in terms of ways in which you can

work together to improve issues such as the practical ones that you have mentioned?

10.45 a.m.

[144] **Edwina Hart:** My officials have had considerable discussions on these issues.

[145] **Eluned Parrott:** Are you aware, for example, of the investment that the airport has made into its core infrastructure, such as renewing the runways and the radar, which is critical to the success of the British Airways maintenance centre at Cardiff Airport?

[146] **Edwina Hart:** Jason, do you want to comment, because you have regular discussions on this?

[147] **Mr Thomas:** We are aware from our meetings with it that it has invested in those facilities, but those are not the facilities that customers are aware of when they enter the airport. While they are fundamental to the airlines using the airport, it is not the sort of investment that is necessary to attract airlines to provide new routes to and from Wales.

[148] **Eluned Parrott:** Do you not agree that they are the sort of investments that would attract additional air maintenance facilities to the airport and its locality, which is critical to the success of the enterprise zone?

[149] **Edwina Hart:** Yes. Well, obviously, we have an excellent relationship with British Airways in this regard. We have regular contact with the company. We are always very hopeful that, in future, we will have expansion with regard to that industry—hence the opportunity through an enterprise zone. That is why one has been located there.

[150] **Nick Ramsay:** There is clearly a lot of interest in this issue. Julie James and Byron, please keep your questions very succinct, because there are other areas that we want to cover.

[151] **Julie James:** That is okay; Byron has asked the question that I wanted to ask.

[152] **Byron Davies:** Cardiff Airport covers a large area, but the south side of it seems to be quite redundant. We think of airports in terms of airlines, but do you not think that some development could be encouraged there in terms of business, general aviation and executive aircraft?

[153] **Edwina Hart:** The point about executive aircraft is quite interesting. Cardiff is our main airport, but we have other airports that we might want to encourage to develop, such as those in Pembrey or north Wales. I do not know whether you want to talk about any specific discussions we have had about land use, Jason.

[154] **Mr Thomas:** There is a lot of interest in the land that you talked about, on the south side of the airport, and I understand that proposals have been submitted to the Vale of Glamorgan to develop that as a master plan for the area. I think that it would be inappropriate to talk about those specifically, because they are going through the planning process. However, there are exciting proposals to take forward some developments on that specific site.

[155] **David Rees:** Good morning, Ministers. You have already answered quite a lot of the questions that I wanted to raise. The committee has heard evidence about the Welsh Government's policy on air services being more reactive than proactive. You have already mentioned a little about possible strategies. Can you expand upon those strategies and highlight a couple of points, please? You have mentioned the routes, but have you looked at which of the markets are probably the best for economic development in Wales? How can

aviation be developed sustainably to address those markets?

[156] **Edwina Hart:** We have certainly looked at the markets that we believe to be sustainable, because there has to be a mixture of what you require for the tourism market and, importantly, what you require for the business market—that is, who can access Wales for business and what routes are required. We are very fortunate to have the service to a hub airport in Amsterdam; the argument is that we require services to hubs elsewhere, particularly in the middle east, in order to attract that trade. We also need to consider whether we should establish links to western China, as the First Minister is keen to do. There are no links between Europe and those regions of China. So, I would defend our position on this. We have been quite proactive on this, because we are very limited in the support that we can give because of state aid rules. We have had discussions, and some of the discussions fall not because of a lack of commitment from the Government but because of the concerns of the people with whom we are holding discussions about the running of the airport.

[157] **David Rees:** You mentioned freight traffic earlier, which is an important aspect. Clearly, it has been included in your evaluations and, therefore, in your strategy. I would like to ask Carl a question on transport to the airport. We have talked about passenger transportation being poor, but what about cargo transportation?

[158] **Carl Sargeant:** Once again, part of the Wales freight strategy, which was published in 2008, identifies huge freight opportunities. Cardiff had a good rate of freight exchange through the airport, which has dropped off significantly now. I cannot see any reason other than activity from the airport that is prohibiting the use of freight transport. We know that there are companies in Wales seeking to use the airport for freight opportunities that are not having much success in developing a case—not with us, but with the airport in terms of opportunities there.

[159] As the Minister has said, my portfolio does not include the economics of the airport. However, this is about partnership and all partners have to pull along the same route. The First Minister has said how disappointed he is by some of the activity of the airport; it is for the owners to get a handle on that. If we want a successful Welsh airport in Cardiff, the private sector has to step up to the mark in terms of the ownership of the airport to work with Government and the other operators seeking to use that.

[160] **Alun Ffred Jones:** Gan nodi'r gostyngiad yn lefel y cargo masnachol sydd yn mynd trwy faes awyr Caerdydd a ydym yn gwybod pa fath o gargo oedd yn arfer mynd drwy Gaerdydd nad sydd yn mynd trwy Gaerdydd bellach? A yw hynny yn ymwneud ag un cwmni neu fath arbennig o gargo a arferai gael ei allforio o'r maes awyr? **Alun Ffred Jones:** Noting the reduction in the level of commercial cargo going through Cardiff airport, do we know what type of cargo used to go through Cardiff that no longer does so? Is that to do with a single company or a particular kind of cargo that used to be exported from the airport?

[161] **Mr Thomas:** When I was involved with the freight strategy a few years ago, we looked at the fact that quite a lot of high-end goods were travelling through the airport. For whatever reason, that market seems to have dropped off. We have clear interest from companies that want to use the airport for air freight and we have facilities that could accommodate that, but the facts speak for themselves—the market has dropped off, so something is not happening to bring those together. I do not think that it is any one particular sector dropping off that has caused the numbers to reduce, but there used to be a focus on the high-end goods market, as far as I am aware.

[162] **Edwina Hart:** The companies that I have spoken to are from the high-end goods market. Those are the ones that have raised the issue of freight with us. If we look at the

contribution that the airport makes to economic development, it is enormous—it is eking out economic gains by transporting freight and passengers. There is also access to Wales and the image of Wales to consider as well as the related business activity around the airport. We have to be seen as a well connected nation if we are to get investment into Wales and if we are to be accessible. That is a key issue for us.

[163] **Nick Ramsay:** Before I bring David Rees in, in your answer to the question on sustainability, you referred mainly to the market side of things. We received evidence from Friends of the Earth on developing Cardiff airport in a sustainable way. Are you considering that aspect as we move forward, because this is not only down to market issues, but also to sustainability, which is a key part of what we are trying to do here?

[164] **Edwina Hart:** Sustainability is key to all of our portfolios—it is part of the Government's work programme and is in everything that we do. We take a lot of advice on it from the Commissioner for Sustainable Futures and he is integral to discussions in my department.

[165] **Carl Sargeant:** It is a key strand that we apply to all of our policy decisions. On moving forward, new and modern facilities at the airport would deal with the environmental impacts of this. Investment in the runway, as Eluned Parrott mentioned earlier, enhances opportunities for new aircraft—such as those produced by Airbus in my constituency, and by Boeing—that would help to reduce carbon emissions, which I am sure that Friends of the Earth would welcome.

[166] **Mr Thomas:** I have seen the Friends of the Earth submission and it recognises that there is an economic demand there. As far as I am aware, the organisation said in its evidence that it was more than content to see an increase in passenger numbers, so long as they were not more than 60% of the 2005 figures. If passenger numbers were to increase to 60% of the 2005 figures, everyone around this table would probably be quite happy. We are a long way from that at the moment.

[167] **Nick Ramsay:** Thank you for that clarification.

[168] **David Rees:** I am pleased to hear about the strategies coming forward. You mentioned discussions with airlines, which, I appreciate, are confidential, but could you confirm that those airlines include freight operators as well as passenger transportation airlines?

[169] **Carl Sargeant:** They do.

[170] **Byron Davies:** My question is about opportunities to further develop regional aviation in Wales. How do you see that developing between north, south and south-west Wales and Withybush and so on?

[171] **Edwina Hart:** We see the opportunity there, and the local authority is very interested in what more work can be undertaken in the Pembrey area to make the western end accessible. Obviously, we now have the link to north Wales and the enhanced opportunities around that. We have to look very carefully at the regional input. Whether you need to have the facilities for executive jets, helicopters and various other things to encourage business into an area is a key consideration. Our focus remains on exploiting the opportunities at Cardiff, but also exploiting the opportunities elsewhere.

[172] **Byron Davies:** I am quite keen on the executive jet idea, not because they are fancy machines, but because, particularly with regard to enterprise zones, if we are getting the right people coming in, that is the method of transport.

[173] **Edwina Hart:** Yes. When we talk about airports, people tend to think about flights to resorts and holiday destinations. For us as a Government, it is quite important that this is seen as a business airport, because we need to encourage businesses into Wales. If they are coming in by one means, they can always go on to something smaller out of Cardiff, perhaps to a smaller regional airport, to see the sights. Therefore, I totally concur with your remarks.

[174] **Mr Collins:** By way of example, we are working on something like this with colleagues in Pembrokeshire, so that the new owners of the refinery can travel by plane to as close to the refinery as possible. We discussed with colleagues in Pembrokeshire a potential extension to Haverfordwest airport and have offered a solution whereby you could fly into Rhosee, and there is an executive jet service that could land at a smaller regional airport. So, we are looking at those links and providing that service to the major companies.

[175] **Carl Sargeant:** If I may add to this, Chair, with regard to the opportunities the Minister has elaborated on relating to enterprise zones, Anglesey is a great example of that, with opportunities there, subject to a new nuclear power station in the north. Many people can transfer their skills, and the airport transfer offers great new opportunities for us all.

[176] **Nick Ramsay:** Julie James, do you have a question on executive jets? [*Laughter.*]

[177] **Julie James:** I am not sure my question is specifically on executive jets, but I welcome very much what both Ministers have said. On the issue about connectivity further into Wales, this committee has had quite a lot of evidence from ports and businesses around Wales on the difficulty of transporting individual business people rapidly between different bits of their companies. Tata Steel has said to me in many meetings—I know that it has said the same to my colleague David Rees—that there is a difficulty in getting executives in and out quickly for meetings. You create a certain perception about a country if you can facilitate that, so I welcome those comments.

[178] The other thing that we have discussed is seaplanes—something I have had a long-standing interest in, having grown up in Vancouver. We have a large number of ports and lakes and so on around Wales that would take those. The committee received some evidence that we have weather problems, but, having grown up in Vancouver, I can tell you that we do not have weather problems anything like Vancouver does and it manages that very successfully. I know that there was a small trial in Cardiff a little while ago. It seems to me that that would be a tourist thing and a rapid business transit system that would not require huge infrastructure and that could use some of our ports. It hits a lot of buttons from my point of view.

[179] **Carl Sargeant:** The Member is right to raise the issue. I believe that there was a trial in Cardiff last year. It was a commercial venture. I cannot give you any detail on the success of that pilot scheme. Certainly, I do not think that we are opposed to this in principle. You are quite right that the infrastructure required is minimal. There are opportunities to explore that further. I am sure that the Minister for Business, Enterprise, Technology and Science and I would be keen to look at those opportunities should they be presented to us in future.

[180] **Edwina Hart:** When you go across Europe, it is interesting to note how many airports are right next to the ports and the way that they utilise those. It is a good way to deal with those issues. I am always jealous of the Visit Scotland advertisement, when I see the seaplane from Glasgow landing on the loch. There are lots of issues around that, which we will be happy to explore. Perhaps we can discuss with the company that did the pilot scheme how useful it thinks it would be in a Welsh context. The point that you make is that the image is very important when you come in. What the airport looks like is a key issue. For people flying in on business, we really need to have a decent business lounge and to provide all those

facilities. We cannot compete with terminal 5, but we could have something that looks much slicker.

[181] People's onward transportation is also a key issue. These people have very limited time when they are popping in. We have had some successful investment recently from American companies. They have chosen us because they like Wales, but, at the end of the day, they could have gone anywhere else in Europe. We got them because we fought to get them. However, we also need to add to what we can offer in terms of the perception that you can get into Cardiff and you can reach anywhere after that. That is key to this discussion.

11.00 a.m.

[182] **Nick Ramsay:** I saw the seaplane trial land last year; there was not a first-class lounge nearby, but it certainly made a spectacle for tourists in the bay.

[183] **Keith Davies:** Roeddwn yn falch i glywed y Gweinidog yn sôn am Faes Awyr Pen-bre wrth iddi sôn am yr hyn mae'n ei ystyried. Yr wythnos diwethaf, wrth gwrs, roedd gŵyl fawr yn Cheltenham ac rwy'n falch i weld y bydd cynhadledd Plaid Cymru yn mynd i Ffos Las dros y penwythnos. Rwy'n credu bod pethau fel hynny yn bwysig oherwydd pan rwyf fi wedi bod yn Ffos Las mae nifer fawr o Iwerddon wedi bod yno. Felly, byddwn yn falch i weld datblygiad ym Maes Awyr Pen-bre.

Keith Davies: I was pleased to hear the Minister mention Pembrey Airport as one of the things she is looking at. Last week, of course, there was a major festival at Cheltenham and I am pleased to see that the Plaid Cymru conference will be held in Ffos Las over the weekend. I think that things like this are important because, when I have been to Ffos Las, there have been a huge number of visitors from Ireland at the course. Therefore, I would be pleased to see developments at Pembrey Airport.

[184] **Edwina Hart:** We have to recognise that we have Ffos Las. The nature of some of the racing owners and their community means that they will fly in, where it is appropriate, to see the runners and the riders on the day, enjoy the event and then go. However, we also need to realise the importance of Ffos Las in terms of the links with the Irish ferries when people come on trips, because there is a lot of transportation between us and Ireland in terms of the races. It is a good point about how we use the resources we currently have in Wales in terms of airfields to enhance what we can do to encourage businesses and tourism opportunities.

[185] **Eluned Parrott:** I will address my questions primarily to Carl Sargeant. Minister I have to say that it was wonderful to see Cardiff Airport very busy last weekend, particularly with French aeroplanes. However, if the number of people in rugby shirts scratching their heads and wandering around Rhoose looking at bus stops is anything to go by, clarity and ease of access to surface transportation into Cardiff is a big issue, for inbound transport in particular. Can you explain to us why the express bus service to Cardiff Airport has been postponed until after 2015?

[186] **Nick Ramsay:** This is specifically for Carl Sargeant.

[187] **Carl Sargeant:** Do you mean the express bus service from Rhoose to the airport?

[188] **Eluned Parrott:** No, from the airport to Cardiff.

[189] **Carl Sargeant:** I believe there is an express bus service that still runs; it is the X91. Are you referring to the shuttle service?

[190] **Eluned Parrott:** No, I am not. The X91 is a mixture of a commuter and bus service to the airport, which is not an express service. It stops to pick up passengers. There was an

express service planned, but it has been delayed in the transport plan until after 2015.

[191] **Carl Sargeant:** On the issue of transport, which we have been talking about all morning, there has to be a purpose behind these things. It is all right travelling to an airport, but if there are no flights from an airport, there is not much point in going. The issue here is about accessibility. We believe that there is appropriate service provision. As I said, the X91 service does run. The Member says that it is not an express service because it picks up passengers. That is what I would like buses to do.

[192] **Eluned Parrott:** It is a mixture of a commuter service and an airport service. The problem that you have, Minister, as someone who used this bus service to commute for a number of years, is that by the time it has left the village of Rhoose, it is already full and there is no room for any passengers, let alone their baggage, from the airport.

[193] **Carl Sargeant:** The issue that the Member raises is an important one. We have to understand whether the service is for tourists and airport users or commuters and whether, like the Member said, this is preventing people using it with their baggage.

[194] **Eluned Parrott:** Very well, Minister. As you have just alluded to the issue, there have been media reports discussing the future of the shuttle bus service that operates between Rhoose station and Cardiff Airport. Will that be continuing?

[195] **Carl Sargeant:** I am looking at that. Again, working with Minister Hart with regard to the announcement around enterprise zones, we are doing a survey about what this shuttle service is actually used for. The shuttle is a subsidised service and we believe that there are around 4,000 passenger journeys per month. I do not believe that that figure relates to tourism or business travel for the airport. I think that it is actually a shuttle service for people who work in the vicinity. That is not bad, but we have to look at what the service is for. If it is a service for the airport, for tourists and businesspeople wishing to use the airport, then that is what the service is for. That is the original subsidised service. If this is about accessibility for people to gain employment, I am working on that with the Minister for business in relation to the enterprise zone. We need to understand the reason for the usage in moving this forward.

[196] **Eluned Parrott:** Have you conducted a survey to work out how many of those people are in—

[197] **Carl Sargeant:** It is ongoing.

[198] **Nick Ramsay:** Before I bring in David Rees, I apologise to the witnesses for the heat in here; it is not part of some interrogation procedure.

[199] **Carl Sargeant:** Is it not? *[Laughter.]*

[200] **Nick Ramsay:** There is a malfunction; I am not entirely sure of the details, but we are trying to get it sorted out before we all melt.

[201] **David Rees:** As a follow-up to the Minister for local government, I think that express bus services are an issue. If you take Barcelona as an example, there is a specifically dedicated bus service from each terminal at the airport straight into the city. What I want to know more than anything else is whether the Government is looking at working in partnership with anyone, if the need arises, to start developing those services. That is the crucial aspect.

[202] **Carl Sargeant:** This is about need arising and a demand-led situation. As I said, it is a chicken-and-egg situation; we could put as many buses as you want on that route, but if no-one is going to the airport to fly out of there because there are no planes, there is not much

point doing it.

[203] With regard to how we can best use a facility, it is in Wales's economic interest to have a viable airport. If we need to enhance connectivity, subject to electrification of the Valleys lines, by using bus services and integrated transport into Cardiff city centre, that is what we need to do. However, you must have a viable airport to support that.

[204] **Eluned Parrott:** Inbound flights by Vueling are a very positive development for the airport in terms of bringing inward passengers to Wales, but was that not an opportunity to give them a really good impression of the transport infrastructure that we have by starting an express bus service to meet those flights?

[205] **Carl Sargeant:** As I said, a shuttle service is currently available, which we are assessing to see what the needs are for the future. We need to understand whether this is a service for the airport or for the businesses around the airport.

[206] **Edwina Hart:** I have had the opportunity to discuss this with the company in question, and it has never raised an issue with us about passenger services at the other end. I will send an invitation for people to meet with the company when we have the launch here, and I am sure that these issues will be picked up. I very much support the Minister for transport on this. There are specific issues related to businesses coming to an enterprise zone and transportation to work. Some of these businesses will be 24-hour operations, so we have to look at that in the context of what business will come to the enterprise zone, the business that is currently there and how we ensure that we get the population in. It is much better that people travel to work by public transport than bring their cars to the area.

[207] The opportunity means that we have more airport passengers coming in, and where we see more demand coming through and more flights going out, that is when we will assess jointly what the requirements are in order to help. However, if there is a massive influx all of a sudden of flights into the airport, that is something that we will obviously discuss. It is a chicken-and-egg scenario. You can put investment in, but what is the point if there is just a bus rattling back and forth with no-one on it, because you have dictated that there will be a shuttle service? That would be, dare I say it, a waste of public money.

[208] **Kenneth Skates:** Good morning, Ministers. It is nice that the Minister for local government has brought along his private jet, the A380, today. [*Laughter.*] Can you update the committee on the work being undertaken by the Welsh Government to consider the implications of the devolution of powers in relation to air passenger duty?

[209] **Edwina Hart:** In terms of air passenger duty, we would hope that a reduction in the rate results in cheaper flights and increased demand. A reduction in the rate could significantly reduce the costs of airline carriers and make new routes available, hence why we are undertaking independent research about how varying the rate of APD would work out. A key priority for the policy framework on sustainable aviation is to seek greater flexibility to intervene. In particular, the policy framework should look at securing more flexibility in terms of EU state guidelines, particularly with regard to regional airports. We have had the opportunity to engage with the UK Government's consultation on sustainable aviation, and I have underlined as part of that consultation the value of aviation and aerospace industries in Wales. We have an awful lot of industries in Wales in terms of aviation—we only have to look at north Wales in terms of what is going on there, but there is also the supply chain in south Wales and GE Aviation engines. There is a lot of interesting business there, so it is important that we contribute to the discussion that the UK Government is having on these issues.

[210] **Kenneth Skates:** I am happy with that.

[211] **Nick Ramsay:** This is a question for both of you: do you think that the UK Government's policy of non-intervention in relation to ports adequately serves the needs of Wales?

[212] **Carl Sargeant:** That is not my policy area, Chair. It is an issue for Minister Hart.

[213] **Edwina Hart:** I am broadly supportive of the policy for ports and airports to be private sector-led. We have good engagement with Associated British Ports and Stena Line, who run the ports in Wales. We find them to be open in their discussions with us. They share with us some of their commercial expansion issues and they have a good link with us, in that we are able to have quite an open discussion. That openness enables us to inform Carl's portfolio as to what more we can do to assist private ports, as regards access. However, the current devolution settlement restricts our ability to influence and develop ports in accordance with economic and transport policy, and the wider policy agenda. I worry about that. We are going to continue to push for devolution. At the same time, we have to have constructive progress in discussions with the UK Government, because powers over ports may or may not be devolved, and you have to work in the meantime. The devolution of additional powers over ports could help to shape and influence the future strategic direction of ports in Wales within those particular areas. I want to emphasise that we, and officials, try to have good relationships. You must not let what you want to do in relation to devolution get in the way of your business and working arrangements.

[214] **Carl Sargeant:** I agree with the Minister on that. The issue is that, although it is not in my policy area, we do not work in isolation. We work closely on the business environment, to develop opportunities in devolved and non-devolved functions, and on the ability to achieve connectivity. As I said earlier, ports and airports are a vital part of Wales's economic growth, but if you cannot access them, it makes it more difficult. That is why cross-portfolio discussions are really important.

[215] **Nick Ramsay:** We have received evidence, as a committee, from some quarters that the UK Government's policy of non-intervention means that it is difficult for the Welsh Government to address issues of capacity if there is a market failure. That was the basis of it.

[216] **Carl Sargeant:** There is risk involved in not having some of the levers that Westminster may have. Therefore, the isolation of that, working with devolved and non-devolved functions in Wales, is always complicated, but it does not ever stem the progress that we would like to see taking place. There are always routes around that, if there are willing partners on both sides of M4 to ensure that these things happen.

[217] **Yr Arglwydd Elis-Thomas:** Mae hwn yn gwestiwn i'r Gweinidog trafndiaeth ynglŷn â strategaeth drafndiaeth Cymru 2008, gan gymryd ei bod yn parhau i fod yn bolisi'r Llywodraeth: beth sy'n digwydd i'r blaenoriaethau yn y cynllun trafndiaeth cenedlaethol sy'n gysylltiol â symud nwyddau ar reilffordd yn arbennig?

Lord Elis-Thomas: This is a question for the Minister for transport regarding the 2008 transport strategy for Wales, assuming that it remains a Government policy: what is happening with the priorities in the national transport strategy relating to rail freight in particular?

[218] **Carl Sargeant:** Thank you to the Member for his question. I have told the committee about the importance that the Welsh Government attaches to freight opportunities. I recently met with the chair of the National Freight Group, Lord Berkeley, who is a colleague of the Member. It was a constructive meeting to discuss how we can strengthen the Wales freight strategy committee. I have asked him to consider how the industry can lead on that, because I believe that it is really important that businesses take the lead on the opportunities that they

require to operate in Wales. The Member will be aware of the freight fund we have in place to enhance capacity on the network. We feature this among the opportunities resulting from the electrification of the main line, presenting enhanced opportunities for businesses in Wales along the trans-European network in south and north Wales. It is very important.

11.15 a.m.

[219] **Yr Arglwydd Elis-Thomas:** Mae gennyf gwestiwn pellach ar drydaneiddio, o ran nwyddau a'r rheilffordd. A yw'r Gweinidog yn cytuno ei bod yn allweddol bwysig bod cynllun trydaneiddio llinell y Great Western yn cynnwys darpariaeth ar gyfer cario nwyddau sylweddol, oherwydd natur a chanran uchel symudiadau nwyddau ar y rheilffyrdd yn barod? Mae hynny, yn amlwg, yn cysylltu â galluogi cludo nwyddau o Abertawe yn ogystal.

Lord Elis-Thomas: I have a further question on electrification with regard to goods transported by rail. Does the Minister agree that it is of critical importance that the scheme to electrify the Great Western line includes provision for the carrying of substantial goods, because of the nature and high proportion of goods movements by rail already? That, clearly, is connected to enabling the transport of goods from Swansea, too.

[220] **Carl Sargeant:** Of course. I am pleased that Members across this committee are very supportive of the principle of the business plan that has been submitted to Westminster for electrification of the main line to Swansea. I believe that not having electrification beyond Cardiff would be a disadvantage, particularly for freight. We have huge opportunities for Tata Steel, and for the deep-water port near Neath. The opportunities there are huge. We made some investment in freight infrastructure in Newport recently. I welcome the Member's support for electrification all the way to Swansea; it is really important and it sends out the right economic messages to people beyond Wales that we are open to business.

[221] **David Rees:** Briefly, on the issue of electrification, even to Cardiff at this point, there is the importance of the relief lines to ensure that freight can be handled; otherwise there will be problems for Cardiff and Newport, let alone anywhere else. Has an economic impact assessment been undertaken to see whether that has been included in the electrification proposals with regard to what would happen to the freight currently on the railways as a consequence?

[222] **Carl Sargeant:** The consequences of electrification mean that there are positives in the case of Swansea, as there are for the electrification of all lines in the Valleys network. That includes the Vale of Glamorgan line as a relief line, and of course, you cannot have one without the other, which is why a suite of electrification is really important. I do not believe—and I know that Members around the table share this view—that part-electrification would be advantageous to Wales at all; it needs to be the full package. I am grateful for the cross-party support, which includes many of the Members here.

[223] You are absolutely right: it is about freight paths being protected and journey times being safeguarded. It is also about the relief lines in operation to secure movement. If business wants to move freight on to rail, it has to be reliable and consistent, and that is what I believe electrification could produce, but it has to be complete.

[224] **Byron Davies:** Minister Hart, you mentioned the openness of the discussions with ABP a little earlier. Its representatives have been more than open here and, together with the Milford Haven operators, they have talked about the competitive imbalance between ports in England and Wales. Why did the Welsh Government decide not to follow England in cancelling backdated liability for business rates on port premises?

[225] **Edwina Hart:** You are talking about the business rates issue for ports, are you not?

This decision was taken by another administration. I understand that the estimated cost to the UK Government of the suspension, or writing off, of backdated liability was about £175 million. The Treasury had indicated a consequential of £10 million, and the decision was very difficult given the economic climate, because 80% of businesses had already paid backdated business rates when the decision was taken. However, I agree that business rates are a big issue, and that is why Professor Morgan's inquiry is ongoing. He is hoping to complete that, and I shall be writing to Members shortly to apprise them of the fact that he has asked for more time to complete the report. I do not really want to comment any further on business rates until that report is in the public domain for discussion.

[226] **David Rees:** On a point of clarification, the question was about backdated business rates. Can you clarify that business rates applicable now are the same as rates in England, in the sense that English ports currently pay business rates as Welsh ports do?

[227] **Edwina Hart:** Yes, as far as I am aware.

[228] **David Rees:** So, it is only an issue of backdating, then?

[229] **Edwina Hart:** We will have to check on the technicalities, because it was not a decision that I took.

[230] **Nick Ramsay:** Can you just clarify that the business rates group's report is delayed until the end of March?

[231] **Edwina Hart:** No. The business rates group was due to report at the end of March, and in my reply to William Graham, I stated that that report should be available. Professor Morgan has now formally written to me to ask for further time, given the amount of evidence that he has. He is also very concerned about the publication of the report during local government election time. I have agreed with Professor Morgan that it is appropriate to leave his report until the elections are over, when it can then be fully discussed.

[232] **Gwyn R. Price:** We have heard that the Welsh Government's approach to the development of Welsh cruise tourism is ad hoc. How does the Welsh Government support cruise tourism? Have you any plans to strengthen the role of Cruise Wales?

[233] **Edwina Hart:** We are making significant progress in the area of cruise tourism. We sent a delegation out to the Miami conference, which is the main cruise conference. I am saying this specifically to Eluned Parrott: we had an excellent stand at the conference, and you are more than welcome to see the photo of the stand. It was excellent in how it promoted the image of Wales. As a result of sending out members of staff from my department and others who can sell Wales, as part of a team, we now have a lot of contacts to bring cruise ships to Wales. The issue will be the appropriate follow-up arrangement. The department has decided that an official will be appointed to permanently deal with the follow-up arrangements for bringing cruise liners to Wales. They will be having discussions all year and they will not allow us to be undercut by other nations in the UK regarding what they may offer. You can get agreements at a cruise conference, but they may not be followed through properly. Someone could slip the business from underneath you. However, that issue has been dealt with.

[234] We match fund the Celtic Wave, because it is a Welsh-Irish collaborative policy. The Irish have been successful in marketing Ireland in cruise events. We support Cruise Wales and are stepping up our support. Jo Jones, the director of tourism and marketing, will now be chairing that, to show how important the market is to us. You would not believe how much money cruise ships generate when the passengers go on trips. They see much of Wales and they could be attracted to come back. What we have done in some areas has been very good,

but we must up our game. I can assure you that cruise tourism is also a key issue in the tourism panel. I am very hopeful that, because of the different sizes of ships, we can get them into other berths. You will appreciate that some large ships can only really go to the deep ports. Cruise liners do not like to use tenders; they like to come in alongside, so we will have to look at those issues. Small ships in relatively small ports can also have a good experience. We are looking at all these issues on cruise tourism, and it is important that we show the high-level commitment in my department to sort out our engagement with it. I was pleased that it was a key marketing opportunity to send someone with good international experience to market Wales in Miami.

[235] **Byron Davies:** We heard this morning from representatives from Cruise Wales that one big issue for them is branding, which is something that you have already alluded to.

[236] **Edwina Hart:** Absolutely.

[237] **Byron Davies:** They said that, with the Celtic Wave advertisement, everyone in America seems to think of Ireland rather than Wales. How serious are you about getting this branding out quickly?

[238] **Edwina Hart:** Branding is now the key issue in the department. Since the issue has been raised, we have had enormous offers of help from professionals in the field, who say that they really want to engage with us. When we appoint the appropriate official, we are likely to appoint externally, because we need a professional from that field who understands the issues to do with branding. We will then be engaging with everyone who has offered their help and assistance. Getting this right is very much the key priority over the next few months. We must brand Wales and what is in Wales, with sub-brands for clear identification.

[239] With regard to the Celtic Wave, the issue could be that the parties involved, which includes us, as well as local authorities and others, have not taken the maximum advantage of what the Celtic Wave offers, and some authorities have not taken their roles seriously enough with regard to tourism developments with cruise ships.

[240] **David Rees:** The economic benefits that cruise ships bring tend to be beyond the ports. Berthing charges are low. That is what we have been told in the evidence that we have received to date. Does the Government have any strategy for looking to invest in ensuring that the berthing facilities are strengthened, so that they can take bigger ships?

[241] **Edwina Hart:** That is something that we have discussed. If you have a willing partner responsible for the ports, we are keen to help with certain types of investment. Holyhead attracted some quite large ships at one time, and an excellent job was done. We have looked at whether we need to strengthen the berthing facilities there and we have lobbied the UK Government about the Liverpool turnaround issue as well. So, we are considering some issues. We have had recent discussions with Stena Line, given its success in getting smaller ships into Fishguard, about its requirements. So, there is an ongoing discussion. However, whether it is private sector-led or not, it must be about genuine partnerships that are mutually beneficial and a commitment from companies. It is also about how companies manage the rest of their business in these commercial ports, because a master would not want to be out at sea but would want to get into a port, if possible. That is a subject of discussion, and we have an expert on the tourism panel who knows how to deal with all of these issues.

[242] **Carl Sargeant:** Local authorities have a crucial role in this as well. I can give you some examples, particularly from Anglesey, which I am familiar with. There are opportunities for the local authority, particularly now with the enterprise zone—not just about energy, but also about things like tourism, which is a great advantage for it. I do not recognise

what the Member says about the port and the local economy. The economic benefit does spread further afield, but there are also a lot of local employment opportunities for people, which boost the local economy. So, I do not fully support the Member's comment.

[243] **Edwina Hart:** If we deal strategically with the cruise liners that come in, we can then deal with the food supply chain when they come into port. So, given that they need to take a lot of things on board, we can have those types of dedicated arrangements with them. We are discussing whether we should be training people in the Welsh workforce for the cruise market. We would then have people with the opportunity and skills to go on board the ships to do business and to bring those skills back into hospitality in Wales. The hospitality skills on some of the high-end cruise ships are first class, so we must maximise benefit in those areas. That is why I am now more confident than I would have been 12 months ago that we are making genuine progress in terms of cruise tourism.

[244] **Byron Davies:** You said that local authorities had not taken the opportunities that they could have taken in relation to the Celtic Wave. Is that because of a lack of leadership from the Welsh Government?

[245] **Edwina Hart:** I do not think that it has anything to do with a lack of leadership from us. If you get a cruise ship in, which looks good and is very nice, it is important that you have everything that it requires. You must ensure that there is engagement with local suppliers in terms of what trips can be offered and that sort of thing. It is quite a complicated issue. Some very nice people from local authorities have been involved in this engagement, but it must be at a higher level if we are to have the desired impact. They must also be prepared to lay things on. Indeed, some of the civic things that are done in Ireland are important. The Minister with responsibility for transport is quite right that, when cruise liners came to Ynys Môn, everything was linked in—from brass bands to choirs and dancers. A holistic view of the product must be taken.

[246] **Nick Ramsay:** You have answered that question fully, Minister, particularly with your reference to brass bands. *[Laughter.]* We have one minute left and two questions. I ask Julie James to be as succinct as possible and for your answers to be succinct as well.

[247] **Julie James:** I turn to the completely different subject of renewable energy. What funding opportunities or other opportunities are you investigating to support renewable energy opportunities for Welsh ports?

[248] **Edwina Hart:** I am disappointed with the UK Government that the £60 million port development fund to facilitate renewable energy delivery was an England-only fund. We could have really done with some of that cash. However, we are maximising port infrastructure to attract investment into renewable energy, and I have my sector panel taking a lead on these issues. We have been in close touch with ABP, Milford Haven Port Authority and the Port of Mostyn Ltd regarding a variety of opportunities. We have a lot of issues in relation to offshore marine development. We are looking at the Marine Current Turbines tidal project, and our marine infrastructure study is under way. So, we are taking these issues seriously in terms of the renewable agenda.

[249] **David Rees:** I think that the answer to this question might be even more succinct. There is a suggestion that planning and regulatory processes affecting ports are barriers to port development. Is the Welsh Government doing anything to simplify those processes?

[250] **Carl Sargeant:** This issue is not within our portfolios.

[251] **David Rees:** I thought that that would be the case.

[252] **Carl Sargeant:** You might wish to refer that question to the Minister with responsibility for planning.

[253] **Nick Ramsay:** Great. I thank the Ministers, Carl Sargeant and Edwina Hart, for being with us today and for answering our questions. I also thank your officials for coming along. We will feed your comments into our inquiry into the interconnectivity of ports and airports.

11.30 a.m.

**Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr
Cymru—Sesiwn Dystiolaeth
Inquiry into International Connectivity through Welsh Ports and Airports—
Evidence Session**

[254] **Nick Ramsay:** I welcome Robin Smith, the Wales representative on the Rail Freight Group, Peter Cullum, the head of international affairs for the Road Haulage Association, and Christopher Snelling, the head of rail freight and global supply chain policy for the Freight Transport Association. Welcome to our meeting today. Thank you for providing us with written evidence and for agreeing to come in to outline your ideas on our inquiry into international connectivity through Welsh ports and airport.

[255] We have a number of questions for you. The first question is from Keith Davies.

[256] **Keith Davies:** Bore da. Gofynnaf fy **Keith Davies:** Good morning. I will ask my
nghwestiwn yn Gymraeg. question in Welsh.

[257] **Nick Ramsay:** I should have pointed out that translation is available for Welsh questions.

[258] **Keith Davies:** Yn eich papur, rydych **Keith Davies:** In your paper, you say that the
yn dweud bod y farchnad cludo nwyddau air freight market is concentrated on five
wedi'i chanolbwyntio ar bum maes awyr. airports. Why only five airports and why
Pam dim ond pum maes awyr a pham were they chosen?
dewiswyd y rheini?

[259] **Mr Cullum:** I did not mention five. That must be a question for you, Chris.

[260] **Mr Snelling:** We selected five in terms of the scale and volume that you are looking at. There is quite a big gap between the fifth largest and the sixth largest. The five largest are dealing with more than 100,000 tonnes, then there is a sudden jump down to about 30,000. Those figures are off the top of my head and based on what I remember. So, that really just reflects the reality of the scale of freight movements from those airports.

[261] **Mr Cullum:** May I add another point? In the context of air freight—and this is what we are talking about, Chairman—one has to be very careful about using tonnes as a measure. Generally, air freight operates on high value, but relatively low volumes, and two thirds of it fits into the belly hold of passenger aircraft. So, when you are looking at the number of tonnes, you also have to look at value, because air freight, because of the cost involved, tends to be high value. Therefore, a value comparison might be more useful because a relatively small port with an air freight facility can generate quite some wealth.

[262] **Keith Davies:** Mae'r ail gwestiwn yn **Keith Davies:** The second question follows
dilyn y trywydd hwnnw. Rydych yn dweud, on from that. You are saying, therefore, that
felly, nad yw'n anfantais i faes awyr bach i it is not a disadvantage for a small airport to

gludo nwyddau sydd â gwerth ariannol uchel. handle freight that has a high financial value.
 Nid oes rhaid iddynt fod yn agos at un sydd It does not have to be close to one that is
 yn fwy o faint. greater in size.

[263] **Mr Cullum:** It follows the business. If the business is there and they want the outlet, they will demand it. One of the things we always say is that we follow the business. The belief that building infrastructure means that people will come is true to a point, but there comes a point when that is not true because it depends on the businesses cases involved. So, for example, you have a facility in Cardiff and if you get the right types of businesses there, they could make use of whatever air freight facilities were available. It might not be large in volume, but it might be quite good in terms of value.

[264] **Mr Snelling:** To add to that, the freight model works best when it congregates around a major centre. For general freight in the UK, that is Heathrow. Freight-only flights will cluster around airports such as East Midlands Airport or Stansted, where they can get good access, because the airport is geared up for them. In either case, they want to congregate in one location where they are close to major centres of business, but they can also make economies of scale with their own operations in terms of infrastructure and the workforce.

[265] **Nick Ramsay:** I point out to Members that it would help with proceedings if you were say to whom your question is directed, because there are a range of different questions. The witnesses have managed to work it out fine so far, but it could get confusing.

[266] **Eluned Parrott:** To the Freight Transport Association, you just mentioned the fact that these businesses like to cluster. Given that, what is your assessment of the potential air freight market for Cardiff Airport and is there a critical mass for it to be viable?

[267] **Mr Snelling:** There are two things to say about that. A distinction that we are always keen that people should draw is between air freight services for Wales and Cardiff Airport. One of the groups that we represent is the shippers, the owners of goods that need to be moved—importers, exporters, manufacturers and retailers. What matters for them is high-quality air freight connections. Whether that airport is in Wales, England, France or Germany does not matter. What they need is access to that high-quality air freight service. So, when you are talking about what you can attract to Cardiff, you are purely looking at the direct economic impact of having a successful, thriving airport at Cardiff. There is a distinction between the interests of general business in Wales and the interests of Cardiff Airport, which are still valid for you to consider.

[268] To be honest, the market for Cardiff as an airport for freight is limited, in our view. It has dealt with considerably more volume in the recent past than it is dealing with currently. It could, in a better economic climate, return to previous levels, but it will never become a major centre for freight because, geographically and demographically, it is not in the right location. The top priority of the freight operators and the customers is major access to a global hub, and the debate that we have is about whether we will still have a global hub in the UK in the form of Heathrow or whether we will be reliant on Paris, Frankfurt or Amsterdam as our nearest hub.

[269] **Eluned Parrott:** Given that we want to try to encourage air freight to return to similar levels to those achieved at Cardiff Airport in the recent past, how successful are the infrastructure and transport links in catering for freight operations?

[270] **Mr Snelling:** Those links could be improved. For air freight, we are talking about improving the road links, particularly for moving freight into England, which is where some of the larger economic centres are. Improvements around south Wales would also help with that. It would certainly be a factor, and it is one of those that are more in the control of

governmental bodies. The main thing that will drive it is the general economic climate, which is where air freight has particularly suffered around the world over the last few years. As the economic climate improves generally and economies recover, we should see some increase again at Cardiff, producing opportunities to get back towards previous levels. However, better surface access would improve the attractiveness of Cardiff Airport as a destination, within limits.

[271] **Gwyn R. Price:** Good morning. Which sectors have the greatest potential to develop freight business through the Welsh ports?

[272] **Mr Snelling:** Again, there is a distinction between business in the ports and business for Wales, which is the same distinction that we made with air freight. A good and exciting area for ports concerns things like offshore windfarms. You can generate an enormous amount of traffic, potentially, for things like biomass and power stations, which have very attractive features and can generate a lot of business for ports. That is quite exciting. Generally speaking, in terms of serving the wider economy as well, the greatest potential growth market is in containers. The changing pattern that we are seeing in the global supply chain is an increasing use of very large ships to bring goods in from the far east, using probably a smaller number of very large hub ports in Europe. The follow-on from that is an increasing number of feeder services going to smaller ports around northern Europe. In the long run, that presents opportunities for a greater number of ports to make use of container services.

[273] **Gwyn R. Price:** Can such opportunities be developed in Wales without Government support?

[274] **Mr Snelling:** It is difficult. At the very least you need good planning support. Wherever we go we find that the planning system is too slow and too expensive, and that hinders development in itself—even the consideration of development. Then there is the question of getting positive approval for planning. It is also difficult because you are competing against continental ports where, generally speaking, they get massive amounts of state aid. Not only will they have Governments providing the entirety of their land-side links far away—as an example, the Dutch Government has paid to upgrade railways in Germany, because they serve the port of Rotterdam—but those Governments paying for the upgrading of the ports themselves.

[275] In the UK, we have a market-led port system, and that is great, but it means that the ports themselves are entirely responsible for funding those upgrades, and where we tend to get let down is on the surface infrastructure, which is not fully provided, even though it is for public use, public access and public ownership. It is not fully provided by the Governments and infrastructure levies often have to be placed on developers because it is consequential to their developments. The other side of that, which we may see with the roads, is tolling where new roads are developed, which, again, is a disincentive to users. So, you do need Government support, and it is primarily in the area of planning and funding for surface access improvements.

[276] **Mr Smith:** Historically, Wales has concentrated its port activity on bulk products, and its contribution to the growing container market, for the reasons that Chris has just laid out, has been very small. However, it will not happen, even with Government intervention, unless it fits in with the shipping lines and the shippers and their logistic patterns. Somebody made the point earlier that you can build a facility and people might come, but they will not necessarily, if it does not fit in with their other flows. There is a risk that you could develop something that is not used, unless you have a very well thought through business plan first.

[277] **Kenneth Skates:** This is a question regarding port-centric logistics; it is a general

question, but it may be most relevant to the Rail Freight Group. How can opportunities offered by port-centric logistics be developed in Wales?

[278] **Mr Smith:** That is down to the port industry offering the right opportunities and also to the companies that could make use of them. Again, you have to look at the flows: if you want Tesco to develop a national or regional business around one of the south Wales ports, for example, it has to fit in with all its other flows. It is proving to be a source of significant development at some ports around the country and it has potential in Wales, but, again, the business case has to be thought through, and a lot of parties have to come together with a commonality of purpose.

[279] **Mr Cullum:** We are monitoring the DP World project quite closely because port-centric logistics seem to us to put a question mark against the idea of goods coming to a port and going by rail or road into a distribution network somewhere in the midlands, and then being unpacked and repacked and sent out to a destination. One of the key issues that we observe is the number of trans-shipment points: if, for example, you have DP World coming in there, if that means that you can move the goods, unpack and repack them, put them on a truck and send them directly to their destination, the need for rail is that it goes from one rail centre to another where it is unpacked and repacked. So, again, the shipper will do those calculations; it is not static, but dynamic, because it is working on the numbers every day. We had one member only last week who was looking at taking unaccompanied freight to Dover. That trade is very small, but the economics of the week were such that he was considering it. It really is a dynamic situation at the moment and we believe that it will continue to be.

11.45 a.m.

[280] **Kenneth Skates:** Am I right in assuming that you would agree with what the Department for Transport told us, namely that if obstacles to freight movement are removed, port-centric logistics would follow?

[281] **Mr Snelling:** There is a note of caution to be sounded about port-centric logistics in that sometimes, if you give something a term, it becomes and sounds like more than it is. It is essentially a question of where you locate your distribution centre. One model is to locate those in the centre of the UK and then redistribute from there, and another is to locate them at a port. There will be models in between. It is really a simple question of where you locate your distribution centre; it is not a magic cure for anything. I do not know how much of a role there would be for that in Wales on a major scale, because, again, it is a question of how large an economic market you can access. Obviously, from deep-sea ports such as Felixstowe or London Gateway, which is being developed, you can access a large market and it is a perfectly sensible base; it is where the containers first arrive, so it is a sensible starting place. It may be a different situation in Wales, which is not to say that there will not be some opportunities for the ports here.

[282] **Nick Ramsay:** I am glad that we are not alone in having issues with the term 'port-centric logistics' and drilling down to what it actually means.

[283] **Byron Davies:** The British Ports Association has stated that:

[284] 'Collectively the industry strongly supports the policy of no subsidy whereby each port has to respond to users and market demand.'

[285] Given that, how effectively do facilities in Welsh ports meet the needs of freight and logistic businesses in Wales?

[286] **Mr Snelling:** I think that they meet them well. We do not have any complaints from

users about the quality or level of ports for Wales. However, the majority of freight movements for Wales are not using Welsh ports, but are going through English ports or other facilities and then coming through. The vast majority of freight in Wales is moved by road. So, that is the dominant user experience. However, from our members who use the roll on/off services and bulk services, from time to time, you will hear of complaints and problems with regard to some ports around the UK, but those have never been Welsh ports.

[287] **Mr Cullum:** We have a local membership that looks forward to improvement on the access to Fishguard. We submitted evidence to the Transport Select Committee in 2006 and it was before the Eddington report, which said that we needed to develop the UK as an international gateway, and to do that you have to clear the bottlenecks. We had already identified 14 bottlenecks, of which access to Fishguard was one. The argument is not so much the fact that the volumes are getting too much for Fishguard; it is that, at certain times of year, there is a conflict between freight and passengers—tourists really. If you want to develop tourism in an area, you will have to look at that issue. We would not say that you should make the roads all dual carriageway or motorway, although, of course, that would be delightful. However, there should certainly be three lanes, double lines and so on to make it possible for frustrated motorists to overtake trucks. I do not think that anyone would object to that, but it will take a while and there is a long distance to go.

[288] **Mr Snelling:** With regard to how our members operate, if they could not find the services that they needed at a Welsh port, they would probably not complain about it, but just use somewhere else. The real issue is: if you improve the quality of Welsh ports, how much traffic could you attract from other, principally English, ports?

[289] **Mr Cullum:** Going back to the original question, we already have Holyhead, which is part of the TEN-T network and so on, but the question is whether there is a business case for developing something similar in the south. That is a decision for the Government here.

[290] **Mr Smith:** Building on what I said earlier, and what these gentlemen have said, Welsh ports handle bulk traffic, they do so well and their facilities are designed to handle them—steel and coal and so on. The question is whether there is the potential for Welsh ports to develop into dealing with alternative modes of shipment, particularly containers. There is no history in Wales of handling container shipments. Newport and Cardiff have done some, but there is no established history as there is in some of the larger ports around the country.

[291] **Byron Davies:** To come back to the last point that you made, Mr Cullum, do you think that there is a role here for the Welsh Government in developing facilities in port premises?

[292] **Mr Cullum:** That is a political decision. All I can say is that our members who go to Ireland a lot during the summer months always have to watch out for tourists. If you want to develop tourism, you will have to increase your support in terms of logistics to the hotels and so on. That will put more freight traffic on the roads, and it could put some on the railway line. However, the point is that it is about this segregation between people who are not familiar with the local area and people who are. That is a decision for the local authorities and the police and so on. As I say, a number of members in the south-west are quite keen for that to happen, but Holyhead got the focus, and that is where we are at the moment.

[293] **Mr Snelling:** We are not looking for Government of any sort to fund developments within ports. That is a commercial market, and we are very happy for it to remain that way. What we want for them is freedom for development, where appropriate, which is about making sure that the planning system works properly. Where we are looking for Government support is in funding quality road and rail infrastructure connections.

[294] **Yr Arglwydd Elis-Thomas:** Mae hwn yn gwestiwn i Robin Smith o RFG. Rydych wedi amcangyfrif yn eich tystiolaeth y bydd dyblu mewn cludo nwyddau ar reilffyrdd erbyn 2030. Eto, fel y gŵyr pawb ohonom sy'n defnyddio'r rheilffyrdd hynny'n gyson, mae cyfyngiadau ar brif reilffyrdd y de a'r gogledd o ran maint y nwyddau y gellir eu cario, a'r un modd ar linell y Mers o Gasnewydd drwodd i Crewe. Felly, sut y gallwch obeithio y bydd trosglwyddiad a datblygiad mewn nwyddau ar reilffyrdd yng Nghymru tra bod y cyfyngiadau hyn ar y rhwydwaith presennol?

Lord Elis-Thomas: This is a question for Robin Smith of RFG. You estimate in your evidence that there will be a doubling of rail freight by 2030. Even so, as those of us who use those railways regularly will know, there are constraints on the main lines between the north and south in terms of the size of goods that can be carried, and it is the same story on the Marches line from Newport through to Crewe. Therefore, how can you hope that there will be such a change and development in rail freight in Wales while those constraints exist on the current network?

[295] **Mr Smith:** The figures that were produced by our consultants indicate the potential for a doubling in rail freight over the next 20 years. That is without any other significant developments that might take place, which could grow that figure further. It is possible that all that growth could be on the existing main lines, such as the west coast mainline, particularly when HS2 is built and there is extra capacity provided on that axis. However, there is no reason for the growth not to extend throughout the network. Wherever re-signalling takes place, as in Cardiff, it is necessary to protect the infrastructure to provide for existing freight and freight growth.

[296] You mentioned the Marches line. Some very simple re-signalling on the line—it is due to be fully re-signalled within that 20-year timescale—which has been talked about for some time, could put in quite a few extra freight paths throughout the day. I am confident that the rail freight industry could handle that tonnage on the existing infrastructure with some small tweaks, provided that the capability for freight is maintained and it is not squeezed out by a large increase in passenger trains—welcome though they are, there is a balance to be struck.

[297] **Lord Elis-Thomas:** Do you have some figures on the cost of simplified signalling on the Marches line that would increase capacity?

[298] **Mr Smith:** I have not. I was thinking there about putting in an extra pair of signals between Abergavenny and Pontrilas, which was being talked about a year ago, but which still has not been done.

[299] **Lord Elis-Thomas:** I will check that out when I am passing through tomorrow morning. *[Laughter.]*

[300] **Nick Ramsay:** You also have the next set of questions, Dafydd, unless you are happy to move on. I see that you are. Julie James is next.

[301] **Julie James:** To develop that point on the freight network, we have just had the Ministers in to the committee talking about the need for electrification along the south Wales main line and the Valleys lines, which we all support very much. There have been considerable discussions with a number of people around the issues for freight with electrification: the move to the bigger gauge, the relief lines, the possible bottlenecks over the Severn and so on. Do you have a view on that?

[302] **Mr Smith:** We have a clear view that it is important that, as part of electrification, gauge enhancement takes place. Many structures have to be changed in order to accommodate electrification. If they are going to be changed, then Network Rail will change them to the

larger gauge. However, there are some structures that you can fit electrification wires through, but you do not necessarily have to change them. If they are not changed, that means that the whole line cannot be used at the greater gauge. So, we are pushing hard, and we look for support from the committee, for gauge enhancement to what is called W10 gauge—do not go there; we do not understand what W10 actually means either. However, unless you get gauge enhancement to W10, you will not have the potential to move containers by rail, which is the growing traffic, not just through from the ports in Wales, but in order to bring traffic into Wales from other ports. So, that is one issue.

[303] The second issue is the fact that, although electric haulage of freight generally is not great at the moment in the UK—many freight trains pass under the wires elsewhere in the country, diesel hauled—as the electrified network increases and grows, the potential for being able to connect both terminals electrically will grow. Therefore, the use of electric haulage will grow. At the moment, the plan is to electrify only the main lines between the Severn tunnel and Cardiff, which means that the ports of Newport and Cardiff, which are serviced off the relief lines, will not have the potential to be served by electric trains. The container terminal at Wentlooge will not be served by electric trains either, which, potentially, could come through from the continent, through the channel tunnel and the Severn tunnel to reach there. So, it is important that the facilities are provided now. Moving west of Cardiff, I heard the Minister talking about looking to electrify both the main line from Cardiff and the Vale of Glamorgan avoiding line through to Swansea. Again, without that, you will not unlock the potential for electric haulage to the ports of Port Talbot and Swansea. So, from a rail freight perspective, we are keen to support, and are lobbying hard for, the full package of electrification in south Wales. Again, we look for any support that this committee could give in its report.

[304] **Mr Snelling:** From the perspective of the logistics industry as a whole, we would certainly support all of that. There is definitely a case for enhancing the rail freight capability in south Wales. We think that that would get a good uptake in terms of freight business and would be very useful in helping some traffic shift off the road and onto rail. I would certainly echo that the priority for rail freight is the gauge enhancement. That is the short and medium-term opportunity. If that comes through electrification, then great, but electrification as a direct benefit for freight is probably more of a long-term aspiration. So, the key aspect is that, when we electrify, we enhance the gauge.

[305] **Julie James:** I will ask you that question the other way round. I think that everyone in the committee is fully behind the electrification project; there is no doubt of that. However, in terms of the business case, there have been numerous arguments. Do you think that, if we have electrification in England on HS2 and so on, with gauge enhancements, and we do not have it in Wales, we will lose ground, or are we talking only about enhancement?

[306] **Mr Snelling:** For me, we are talking about enhancement here, because, on the gauge enhancement issue, rail freight flows will be very much point to point. So, it is about where that flow is going. If you can enhance the gauge through south Wales as far as possible, then you open up the market for more and more traffic from ports in south-east England, which is the major centre. So, I think that that is hugely attractive. That is the question; it is about the extent to which Wales does that for its own business. For me, it is less of an issue about what is done elsewhere in the country.

12.00 p.m.

[307] **Julie James:** If you have enhancement between Southampton and Liverpool, will you have diversion of freight through there, rather than coming down through Milford, or are the businesses located there so that they bring the freight anyway? It is a chicken-and-egg argument.

[308] **Mr Snelling:** The major growth market is in deep-sea container traffic, which will call primarily at Southampton, London Gateway and Felixstowe. The issue for Wales is improving connectivity to that region for rail freight. It is not really a question of other areas.

[309] **Nick Ramsay:** I must be one of the few committee members who has not used the expression ‘chicken and egg’ today. [*Laughter.*] It has been rolled around the table.

[310] **Mr Smith:** You made a point regarding growth, which can come and will come, if the necessary infrastructure is provided. Without it, the danger of peripherality remains.

[311] **Nick Ramsay:** Electrification is a non-devolved, UK decision. How effective has the Welsh Government been in promoting freight issues in relation to electrification?

[312] **Mr Smith:** My boss Tony Berkeley and I had a meeting with Carl Sargeant two months ago. Unfortunately, the prioritised national transport plan does not contain a single reference to freight—by road or rail. The original 2010 version had only five. That is a major concern. Although the Minister gave commitments regarding freight, that needs to be turned not only into words that can be read and seen, but into actions. We have a concern that, although there appears to be commitment, it is not written down anywhere.

[313] **Mr Cullum:** Looking from outside the family, one of the things we expect over time, and one of the things we have noticed over the past few years, is that the amount of goods we carry is reducing in weight. It is increasing in bulk and, therefore, the growth that we will see will be in value, not necessarily in weight. Robin just made a point about bulk, and the bulk market is something that one does not know. What we have anticipated is that, if the Government’s energy policy replaces coal, that will reduce a large number of tonnes from whoever carries it—whether that is us, rail or sea. That will have to be replaced. The press would have you believe that rail and road compete with each other. We do to a degree, but we complement each other. If there is no railway, you have to have a road as an alternative, because business decisions are made on the basis that you will deliver on time, as required. If you do not, your carrier needs to find alternative routes. As Chris said, the carrier could go by sea or it could change its mind—it could do anything. We found that the further away you get from the main, core areas, the more the road is needed, if only to complement to whatever else is going to be put there as the primary method of travel. That is something you have to look at when you are looking at growth overall.

[314] **David Rees:** I have a quick question on the electrification of the rail freight route. Out of curiosity, do you know what the plans are for changing the rolling stock? The rolling stock of transport operators is critical to how they deliver. Are they planning to continue with diesel stock, or are they looking to change to electric?

[315] **Mr Smith:** A large fleet of diesel locomotives is currently available, most of which are less than 15 years old. Therefore, no immediate change is likely. However, without the infrastructure, there is no driver for change either.

[316] **David Rees:** Therefore, it is not imminent.

[317] **Mr Smith:** No.

[318] **Mr Snelling:** I would echo that view. One of the primary factors that inhibits the use of rail freight is its level of flexibility. The road haulage industry is inherently incredibly flexible, and users are looking for a similar level of flexibility from rail, which is difficult to achieve. So, rail operators are rightly loath to limit themselves even more by only going on the parts of the network that are electrified, whereas, with diesel, they can use the entire rail

network. So, I would not expect to see a great shift towards electric traction until substantially greater portions of the network are electrified.

[319] **Nick Ramsay:** On that point, you have raised the question of the relief lines in relation to electrification, which are obviously important. Has there been a specific business case on the electrification of relief lines, or is that just part of the whole electrification package?

[320] **Mr Smith:** It is Network Rail's job to develop the GRIP 3 and 4 studies, and I understand that it is looking at various options, although the initial announcement referred solely to the electrification of the main lines between the Severn tunnel and Cardiff being a passenger option.

[321] **Julie James:** I think that the Minister said in committee—he has certainly told me—that that part of the business case the Welsh Government has put forward is to do with the freight possibilities and the retention of the current level of freight travel.

[322] **David Rees:** You mention the national transport plan as an issue, and clearly it focuses now on east-west travel. I accept the points you make that the five points previously included do not seem to be prioritised any more. However, what is your view on the east-west plan, and will that help the Welsh ports? What more could be done?

[323] **Mr Smith:** It is a reality of life that most freight, road or rail, in Wales will travel east-west into or from England. That is the reality, because that is where the national distribution centres are. We talked earlier about the current ports in the south-east, from Felixstowe to Southampton. Therefore, we welcome the change of emphasis towards east-west flows. That highlights the fact that, if you can bring traffic into Wales, it provides a potential for traffic coming through the ports, waterside, into south Wales, moving onto the network by rail and road for distribution in the UK.

[324] We have talked a lot about south Wales but not about north Wales electrification, which needs to be considered at some stage in future. Taith, the north Wales transport consortium, produced and published a report about a year ago, which included a viable proposal for a regular container service through the port of Holyhead, which has not been there for several years, because the traffic either travels by road or goes through Liverpool. That still could become a goer with diesel haulage. Electrification of the north Wales main line, and improving the gauge, would have a double benefit, because it would provide potential for electrification and allow for the biggest containers to be moved on normal wagons without having to provide special wagons. So, we have talked a lot about electrification in south Wales, but we must not forget that, in terms of Holyhead as a major Welsh port, electrification of the north Wales main line could also provide considerable benefits.

[325] **David Rees:** What about road haulage in relation to the transport plan?

[326] **Mr Cullum:** I suppose from our perspective—not being experts like these two—it is about the cost of fuel, because one of the things about the shipping industry is that it will now have to use low-sulphur fuel, and that will put its costs up considerably. So, having thought that we understood the numbers, they will change again, and that will go on. All we would say is, whatever you do, be flexible and be prepared to be flexible, because you may have no choice. So, it is not a case of 'either/or'. The big difficulty with all infrastructure programmes is that you make a decision, and it may be good for a generation or two or three, but the world moves quickly. The businesses will say that they would like to come and that they like the facility, but if they cannot make it pay they will just go somewhere else, as Chris said. That is what you need to be aware of.

[327] Your chambers of commerce will no doubt have their antenna out now. We have always said that we go where the businesses are. Having a transport policy is more or less like having a cat food policy. Is the cat alive? You are dealing with the second order of investigation. What do the businesses want? Where will they make money? If you want growth, it must be through new businesses. So, it is about what would attract new businesses and putting in the incentives, which include energy, communications, broadband and transport. As I said, the fuel issue is really worrying for the shipping industry. It will just have to charge for it; it is as simple as that.

[328] **Nick Ramsay:** We must finish by 12.15 p.m., so—

[329] **David Rees:** Chair, may I just ask a quick supplementary question on that?

[330] **Nick Ramsay:** Yes, quickly.

[331] **David Rees:** We were told earlier this morning that transportation by road tends to go north through the Scottish ports or through other ports to Northern Ireland and therefore the pathways through Wales seem to be less attractive. Is that the case?

[332] **Mr Smith:** I have no evidence to support that claim.

[333] **Mr Snelling:** That is not something I am particularly aware of.

[334] **Nick Ramsay:** May I briefly ask you about the planning process and port development? Can you provide any specific examples of circumstances where investments have been discouraged by the planning process?

[335] **Mr Snelling:** I do not have specific examples from Wales. The major example that we have always cited from England is the redevelopment of the port of Southampton, where it took seven years and £45 million to get a rejection. The point about the planning system is not that rejection is wrong—rejection is fine if the application is wrong—but the way that the planning system should work is that people should be told that their application is wrong quickly and a lot more cheaply, so that they can go away and work up alternative plans, whether that is in that location or another. So, that is what we would be looking for in the planning system. Ports are largely run on an international basis. They are large companies working around the globe, and they make the decision about where in the world to invest their money. It is a significant disincentive to look at investing in developing facilities in the UK generally, given that the planning system is seen to be, at best, difficult and cumbersome and very difficult to predict as well.

[336] **Nick Ramsay:** The Welsh Government is currently consulting on a presumption in favour of sustainable development. Does this consultation address any concerns you have about planning and port development?

[337] **Mr Snelling:** It is encouraging. The problem we have seen before with planning is that encouraging frameworks are put in place, but, when they are applied on the ground, narrower political considerations get in the way and applications that should have made sense end up either being held up and taking forever or being rejected, given the specific local concerns that override the framework that was originally put in place. So, there is a lot of cynicism in the industry that the right words will be put in place in a plan, but that it will never be properly implemented.

[338] **Mr Cullum:** On the question of Southampton, one of the great problems we had was access for transport, because until the rail link was enhanced, that was how you got there.

While the planning application was going through, no development really took place. So, the businesses that were planning to stay at Southampton, come what may, did not know what they would be left with if there was a rejection. So, that discouraged people. It is, again, a chicken-and-egg situation. That brings us to the word 'sustainable', because if you get a rejection, what is sustainable afterwards?

[339] **Nick Ramsay:** Thank you. That is an appropriate time to bring this session to a close. We had another question, but, unfortunately, time has beaten us. I thank Christopher Snelling, Peter Cullum and Robin Smith for being with us today. It has been an immensely helpful session. We will factor your comments into our ongoing inquiry into the international connectivity of Welsh ports and airports. Thank you.

[340] I bring this session to a close and remind Members that we will be meeting again at 1 p.m..

Daeth y cyfarfod i ben am 12.14 p.m.
The meeting ended at 12.14 p.m.