



Llywodraeth Cymru
Welsh Government

PUBLICATION

Supporting Welsh ferry ports (5 point plan)

How we will work with partners to support trade using Welsh ferry ports.

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Purpose

Traders, hauliers and ports in Wales are continuing to face difficulties related to post-EU Transition processes. There remains a considerable downturn in throughput at Welsh ferry ports despite volumes across the UK returning to 'near

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normal' and a number of issues have been identified which are having a compounding impact.

This report has been prepared to guide our thinking and articulate the priority issues facing the logistics surrounding Welsh ports. The report also explores potential solutions and seeks to develop a comprehensive understanding of the longer term implications for both Welsh and UK trade and businesses.

Crucially, the output of this report will allow us to have better informed discussions with the UK and Irish Governments who ultimately control the systems related to border processes, and enhance our lobbying for further change in support of Welsh trade and industry.

The urgency of this work has become self-evident. Data for Welsh ferry ports volumes in February shows a relative decline of in 'year-to-date volumes' of 50% in Holyhead, and 40% in the south West.

Much of this traffic is considered to divert away from Welsh ports to direct routes between Ire-EU and NI-GB. Volumes using direct services between Ireland and the EU have increased by 242%. Volumes on the GB-NI direct routes have also increased 5% compared to last year, which is particularly stark in the context that all other routes in the UK have seen volumes decline.

Figures from Ireland's Central Statistics Office are particularly striking in respect of GB-Ireland trade in January 2021, where imports from GB were €497 million, a fall of €906 million (-65%) compared with a year ago. Exports to GB fell by 14%.

We therefore have significant concerns around the disproportionate impact on goods moving through Welsh ports and the short, medium and long-term implications of this down-turn in traffic, including the wider economic implications this could have for Wales, the UK as a whole, and for Ireland.

Background

The 'Welsh ferry ports' include the ports of Holyhead in North Wales, and

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Fishguard and Pembroke Dock in south-west Wales. Holyhead and Fishguard are owned / operated by Stena Line, and Pembroke Dock is part of the Milford Haven Port Authority. The Ferry services are operated out of Welsh ferry ports as follows;

- Holyhead: Dublin; Stena Line and Irish Ferries
- Fishguard: Rosslare; Stena Line
- Pembroke Dock: Rosslare; Irish Ferries

Department for Transport data for February 2021 on Welsh ferry ports shows that freight volumes started 70-80% below normal in January, and as of the end of February the Year-to-date volumes were 50% lower than normal in Holyhead, and 40% lower in the south West. It is considered that traffic that normally would have travelled through Welsh ports is either:

- Utilising direct routes between Ire-EU, bypassing the land bridge
- Moving through direct NI-GB routes rather than indirectly via Welsh Ports > Ireland > NI
- Being held at depots due until relevant and correct paperwork can be completed, leading to a 'drip feed'.

Additionally, the combined effects of pre-transition stockpiling and the closure of non-essential retail and large parts of the construction industry are considered to be having a negative impact on freight volumes and it is widely accepted that traders on both sides of the Irish sea made preparations for a very difficult January. For the Welsh ports and ferry operators, this downturn is compounded by the significant Covid-19-related downturn in passenger volumes, which fluctuates between 85-100% reductions in volumes, and represents a substantial revenue loss.

Whilst there remains some confidence that volumes will continue to climb, albeit slowly, feedback from all actors involved in the logistics chain is that it is more costly and time-consuming to navigate the processes required to cross the border between Wales and Ireland, and that these are not simply teething problems but core issues with both rules (which are unlikely to change) and the processes established to adhere to these rules (which can be adjusted).

In many cases the decision to bypass Welsh ports means that hauliers need to take a longer, less direct journey to their destination, resulting in more miles on the road, greater fuel usage and more emissions. It is also clear that bypassing the Welsh ports via either GB-NI or EU-Ire direct routes is more costly for exporters and hauliers. However, it is becoming increasingly apparent that when it comes to a choice between a complex process or a higher cost, the sector is choosing cost.

It is therefore suggested that activity should be focused on areas where processes can be streamlined or articulated more clearly in order for positive change to be meaningfully achieved.

Priority actions

In reflection of the intelligence shared by stakeholders and operators, and with a focus on meaningful and impactful change, it is suggested that activity is focused on the following five priority actions:

1. Maximise efficiency for GB-Ireland Trade
2. Improving the viability of NI-GB Transit via Ireland
3. Supporting Groupage and Procedural Evolution
4. Rebuilding confidence in the UK land-bridge
5. Further targeting of training, guidance and support resources

Priority 1: maximise efficiency of GB-Ireland trade

Wales and Ireland are close neighbours with a historically strong and positive relationship built on deep cultural understanding. Our close proximity and common maritime story binds us together through economic and trading ties, with significant levels of export, investment and tourism between us.

In recognition of this bond, Wales and Ireland have made a joint commitment to bring both countries closer together '[Ireland-Wales shared statement and joint action plan 2021 to 2025](#)', investing renewed energy in deepening cooperation and strengthening connections towards mutual benefit.

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The UK's departure from the EU has will continue to alter and reshape the Ireland-Wales relationship in the coming years. However, Wales and Ireland remain natural partners and it is jointly recognised that the ports in Wales should continue to be a vital gateway to Great Britain and the wider EU,

This partnership is economically important. In 2019, Ireland was the UK's fifth largest export market and seventh largest source of imports. See: '[UK trade with Ireland](#)'. Overall, UK trade with Ireland represents 5.8% of all UK exports and 4.2% of all UK imports.

For Wales, Ireland is also our fifth largest export market, though the proportion of trade is significantly higher at [roughly 11% of goods exports](#). Imports are substantially lower at roughly 1.3%.

In UK terms, Wales represents the sixth highest region for trade in export goods with Ireland, at around 7.8% of total UK/Ire Trade, valued at £1.7bn

It is in this context that we must recognise the significance of the Welsh ports and the wider logistics flows to Ireland, UK and Wales, and as responsible Governments commit to make the best endeavours to protect and preserve the strong economic links which we mutually depend upon.

The fact that traders and hauliers need to use two systems to move their goods between Welsh ports and Ireland is inherently complex. It is therefore imperative that these systems are as integrated and complementary as possible in order to reduce duplication, associated costs and complexity.

In the run up to the end of the transition period, concerns were raised that the UK Government was not working sufficiently closely with their Irish counterparts. This has improved and we are aware that a more constructive dialogue appears to be taking place. The priority now must be to do whatever we can to translate this positive progress into material action and facilitation.

This dialogue should include users and their representatives – the ports, ferry operators, hauliers and businesses who are swiftly gaining familiarity with both systems and are able to propose practical solutions. Whilst it is accepted and respected that there are rules which cannot be changed, easements which are

still in accordance with these rules have already started to manifest and further constructive and challenging dialogue would lead to even further efficiencies.

Call to action

Figures from Ireland's Central Statistics Office reveal a striking picture in respect of GB-Ireland trade in January 2021, where imports from GB were €497 million, a fall of €906 million (-65%) compared with a year ago. **Exports to GB fell by 14%**. It is therefore clear that the complexity of the checks and bureaucracy are having an economic impact on trade both sides of the Irish sea.

Without close engagement between the owners of both systems, duplication and complexity will be inevitable. Whilst the Welsh Government does not own or operate these systems and cannot make changes to reduce this complexity, it is committed towards acting as a catalyst to facilitate the stronger engagement and relationships that can lead to meaningful and collaborative improvement.

There is strong joint working and cooperation developing between ourselves, the Irish Government and the UK Government through a number of channels and our regular bilateral meetings with Irish Government. We need to now build on this spirit of co-operation towards enhancing the efficiency and user-friendliness of border processes.

A working-level group should be established to share common concerns and complaints from users and explore joint solutions which promotes efficiency whilst also preserving the integrity of the border arrangements. This group should take a user-centric approach to engagement and communicate regularly with users and representatives to get the best sense of issues and potential solutions.

Furthermore, the 'Pre-Boarding Notification' customs model that has been in operation from 1st January 2021 at Dublin and Rosslare ports requires that all necessary declarations must be completed prior to check in at the port of departure, with the only exception being if the haulier is entering the port to utilise the office of departure, though they must remain in the port whilst this procedure is completed.

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This requirement means that hauliers are frequently proceeding 'at risk', by moving goods towards the ports in the hope that documentation will be finalised prior to arrival. For hauliers who facilitate unaccompanied freight movements, the lack of flexibility in allowing trailers to be dropped within the port environs means that they are unable to move their goods from staging depots to the port without all documentation being ready, as drivers and assets will be tied down until paperwork is completed. This is having a disruptive impact on their business model.

Hauliers have suggested further flexibility from the Irish Government in the requirements under the pre-boarding notification model that would enable trailers to be held at the port temporarily without the full range of documentation being required at check-in would support their business model and reduce re-routing through Northern Irish ports.

Welsh Government has established effective multi-agency stakeholder boards in north and south Wales to facilitate regular information sharing, communications planning and to ultimately address the causes of reduced freight flows through Welsh ports. We will continue to utilise this architecture to gather intelligence and guide our communications, but will also shift our focus from mitigating short term traffic disruption to addressing the longer term economic threat posed by reduced freight volumes. We are also into the process of developing economic studies to enhance our evidence and analysis.

Priority 2: improving the viability of NI-GB Transit via RoI

Historically it is estimated that around 30% of goods moving through Holyhead port have been destined to or originated from Northern Ireland. Additionally, a considerable amount of trade between Wales and south west England to Northern Ireland passes through Fishguard and Pembroke Dock.

However, since January 01, it is considered that a large proportion of this traffic has diverted away from Welsh ports to direct routes between NI-GB, including those which originate from Liverpool, Heysham and Cainryan. DfT data

indicates demand for these routes in February had increased by 5% compared to last year, which is particularly stark in the context that all other routes in the UK have seen volumes decline.

There are a number of both technical and policy factors which are being reported which ultimately make Welsh ports more difficult to use to move goods to/from Northern Ireland than direct counterparts.

Technical factors include;

- Not being able to use templates on the transit system and having to re-enter all their information for each individual movement or, in respect of groupage, consignment. Resource costs of completing transit documentation
- The fact that the TSS system doesn't account for items being returned under warranty or as a result of damages.

Policy constraints include:

- Irish Government requirement for 24 hours notice to transit SPS goods through Dublin / Rosslare, compared to a minimum 4-hour notice available in exceptional circumstances for SPS goods arriving at ports from Northern Ireland. This constraint is present for both NI transit and direct GB-EU trade.
- The UK's Trader Support Service (TSS) is only able to support journeys going from Great Britain to Northern Ireland via Ireland, but not the reciprocal journey.
- In the longer term, import controls in Wales should be 'green-lighted' through Welsh ports once they are phased in later in the year. This is an important step in ensuring unfettered access - making sure that we are not applying checks on goods using the quickest route between Northern Ireland and their marketplace elsewhere in the UK.

These pressures are also disrupting many of the movements which are related to just-in-time logistics, especially in circumstances where movements to supermarkets – which include animal and plant products – are required to give 24 hours' notice to Dublin port.

In addition, direct movements between NI-GB under the protocol are able to

utilise 'Customs Freight Simplified Procedures (CFSP)', an HMRC authorised procedure that allows a Simplified Frontier declaration to be submitted to HMRC at the time of import and allows the goods to flow through port without the full declaration being required. This enables a Supplementary declaration to be undertaken up to 4 weeks after movement. The requirement for a PBN from the Irish Revenue means that this process cannot be utilised for goods under transit to the NI via Wales-Ireland ferry crossings. Hauliers have informed us that CFSP is an attractive process and is a contributing factor to the rerouting of traffic away from Welsh ports.

Case study: south Wales - NI transit via Rosslare

A haulier based in south Wales regularly moves goods between GB and NI via the Pembroke Dock - Rosslare route. However, since 01 January 2021 they have found the transit process for shipping goods difficult, onerous and ultimately more costly.

Normal procedure versus Simplified Procedure

Under the current procedure, the haulier has to physically engage with the customs office (office of departure) within the port for the transit to be opened, this then produces the MRN – to be fed into a PBN – allowing the haulier to 'check-in' at the port. The haulier must be physically present throughout this

Upon arrival in NI, the haulier has to physically attend an office of destination to terminate the transit before they are able to move towards the customer with the delivery. This could represent a significant detour and is an added layer of time and bureaucracy.

These complexities are in addition to issues around TSS only being able to be used in one direction (GB > NI via Ireland and not NI > GB via Ireland), and the fact that more than 24 hours notice is required ahead of moving any SPS-related goods. As a result of these factors, hauliers have told us that they consider the route between South Wales and NI via Ireland to be "closed" as procedures are simply too onerous

The HMRCs simplified customs procedure to enables hauliers moving goods directly between GB-NI to submit an electronic simplified frontier declaration to HMRC as the time of import.

Under CFSP, the Simplified Frontier declaration submitted to HMRC at the time of import and allows the goods to flow through port without the full declaration being required. This enables a Supplementary declaration to be undertaken up to 4 weeks after movement. The requirement for a PBN from the Irish Revenue means that this process cannot be utilised for goods under transit to the NI via Wales-Ireland ferry crossings. Hauliers have informed us that CFSP is an attractive process and is a contributing factor to the rerouting of traffic away from Welsh ports.

Calls to action

The issues identified are considered fixable problems within either the UK or Irish Government's control. Therefore, to improve the viability of NI transit, and to reduce the costs and burdens associated with the process more generally, the UK Government should work to swiftly develop a revised version of the TSS. In doing so, the UK Government should ensure:

- TSS is able to access the necessary systems needed for both directions of NI-GB transit (e.g. CDS and CHIEF)
- Should become more user friendly and allow businesses to utilise templates to reduce duplications and onerous nature of completing repetitive forms.
- Expand the scope of the TSS system in order for it to include items being returned under warranty or as a result of damages.
- Consider the feasibility of Truck-level declarations for retail and express parcel delivery, including simplified SPS and customs checks, for vehicles carrying up to 5,000 different parcels. The requirement for declarations for every single parcel is a major barrier to both the retail and express sector.
- Develop this revision in close consultation with users, learning from their experience to day and taking all possible steps to make efficiencies and reduce complexity.

For their part, the Irish Government should consider relaxing the requirement for

24 hours' notice to transit SPS goods destined for NI via Dublin / Rosslare to facilitate more efficient trade between through the quickest routes to market. Looking further afield, the UK Government should consider similar facilitation when import controls are brought online to facilitate land-bridge movement.

Furthermore, the UK and Irish Government should work together to establish whether the Customs Freight Simplified Procedures can be brought in for goods under transit via Ireland.

Welsh Government will continue to engage directly with affected traders, hauliers and their representatives to ensure any resources or facilitations established to support NI-GB transit are effective in reversing the re-routing away from Welsh ports in favour of more direct routes.

Priority 3: supporting groupage and procedural evolution

Groupage – the act of putting many smaller consignments into a larger consignment to fill a container - is a substantial part of modern logistics. The nature of the Irish Market there is a significant amount of traffic shipping mixed commodity loads (groupage) which can be extremely complex, and it is estimated that between 20-25% of outbound traffic moving through Welsh ports is related to groupage. It is particularly important for smaller businesses or those who produce high value items, as it enables them to purchase smaller amounts of capacity from a HGVs rather than have to meet the costs of a whole vehicle.

The processes and paperwork required for groupage exports to Europe are multiplied by the number of consignments grouped together. Furthermore, consignments grouped together are not necessarily restricted to one depot, and a hauliers could load their trailer from several different depots. This impacts the security seals, which may have to be broken and recertified depending on how often the trailer needs to be opened and loaded.

This complexity means that if there is a problem with just one consignment within its group, the whole trailer could be delayed until the problem is rectified.

Hauliers have built their groupage logistics models on iteratively grouping and loading consignments to trailers as they are received and then processing the relevant paperwork. Under the new systems, a new model is required whereby hauliers will need to ensure consignments are fully compliant with all needed paperwork before they start to become grouped. This adds a consequential layer of complexity, risk and delay to the process.

On February 01 2021 DEFRA and DAERA agreed and published two new models for groupage in respect of **NI-GB movements**, particularly to support those moving SPS goods; the Consolidation hubs model, and the linear model.

In the consolidation hubs model, all mixed products arrive at one specific premises, are consolidated and then certified as a single unit. This enables a certifying officer at the premises to place a seal on the final consolidated load, having knowledge of the goods collected elsewhere through health attestations, compliance declarations and/or EHCs.

The linear model allows hauliers to pick up several consignments from multiple locations. Each individual consignment will be checked and sealed (such as an individual pallet) by a certifying officer before the haulier moves onto the next pick up. This process is repeated several times until all consignments are in the vehicle before the consolidated load is sealed at the final point of dispatch before leaving for the port.

These models do not in isolation 'fix' the issues around groupage, but the clear guidance and support associated does provide further confidence to hauliers and traders that groupage is feasible. However, more should be done to streamline the process, and to extend these facilitations beyond NI-GB movements.

Case Study: Groupage movements between Ireland - Wales taking 1400 mile detour.

Reported by [Daily Post 07 March 2021](#)

Plants destined for Caernarfon nursery sent on 1,400-mile three-nation detour to

avoid Holyhead Port

Products for Neil Alcock's Seiont Nurseries in Caernarfon have a four-day marathon via France, Holland and England

The detour Neil Alcock's firm now has to take to ship from Ireland to Wales

Plants are being shipped from Ireland to Wales on a 1,400-mile, three-nation detour instead of through Holyhead because of Brexit.

The 170-mile journey between Neil Alcock's Seiont Nurseries in Caernarfon and his supplier in Kilkenny used to take just 12 hours via Holyhead.

Now red tape means a four-day marathon via France, Holland and England – at £280 a trolley instead of £100.

Neil, 51, told The Mirror :

“ “It's ridiculous and not sustainable.

“ "Holyhead is the best solution but we can't find hauliers because they worry about paperwork errors holding them up.

“ "The only way is via Europe on existing trade routes.

“ "It makes no sense but it's our only option." ”

Plants are now driven to Rosslare and shipped to Dunkirk, in northern France.

They go by road to Aalsmeer, in the Netherlands, to join other plants being imported by Seiont.

The larger consignment is driven to Rotterdam, shipped to Harwich, Essex - then driven 330 miles across England, into Wales.

Neil previously used groupage - where shipments from different firms go on one lorry.

But he says hauliers stopped offering groupage on the Irish route because if one order has a mistake on the paperwork

“ “the whole cargo is held up”. ”

He says plants don't suffer during the cold weather – but fears the worst if they are hauled for four days in the heat.

Calls to action

The UK Government and Irish Government should work together explore whether the models which have been developed for NI-GB movements could be applied to GB-Ireland movements, and potentially GB-EU movements more broadly.

The UK Government should also work with industry partners directly on further facilitations that could reduce the compounding burdens and risks that hauliers and traders face in moving grouped consignments, recognising that such movements are an important part in enabling businesses to remain viable by keeping transportation costs in line with need.

Priority 4: rebuilding confidence in the UK land-bridge

The UK land bridge represents the faster, cheapest and most efficient route for trade between Ireland and the EU. It is of economic importance to Ireland and the EU, and helps build strategic and diplomatic links between nations.

The land bridge also provides a substantial amount of activity and revenue for UK ferry operators and Welsh ports. Whilst it is difficult to estimate the precise volumes which are related to land-bridge usage, DfT data shows that volumes travelling directly between Ireland and Europe have increased by over 240% compared to last year.

In context, since 1st January the volumes for unaccompanied and accompanied

freight on direct Ire-EU routes has increased by 13,000 compared to last year. Conversely, volumes from Holyhead have decreased by circa 39,000 and in the SW Wales Ports, by around 6,000.

As well as helping to secure local employment at the ports, this activity also helps provide a richer capacity on the routes, with more options for sailings and a greater degree of flexibility in the logistics chain.

Ireland has a trade surplus with the EU by exporting more than it imports, but a trade deficit with the UK, where it imports more than it exports. As a result, a frequent scenario is that goods coming from Ireland are exported to Europe, but then return loads picked up in Europe are brought to the UK, and finally another load is picked up in the UK and dropped in Ireland, completing the chain.

The land bridge is therefore important for Ireland, Europe and the UK. However, since the end of the transition period, a significant amount of land bridge traffic has switched to direct routes between Ireland and the EU, despite the potential cost being considerably higher.

The majority of operators consider this to be a risk-based decision as the direct routes are more reliable, and that they are willing to burden the additional costs in the short-term. Intelligence suggests opinion is slowly shifting and Irish importers and exporters are increasingly reverting back to using the land bridge, but this is happening at a very slow rate.

Case Study: Irish trader shipping to Germany

Numerous hauliers who previously utilised the GB land-bridge have reported switching over to the direct services to ship goods to the European market.

Before the end of the transition period, a trader might previously have utilised the land bridge to move goods from Dublin to Holyhead port, and then from Dover to Calais, and onwards to Munich. The estimated costs of this journey is around €3500 per load and could take around 58 hours.

However, the additional uncertainty and risk following the introduction of additional procedures at ports for goods under transit, alongside wider concerns

around requirements to present a negative covid-19 when entering European countries from GB, has led operators to consider direct Ireland - EU services, such as the route between Rosslare and Dunkirk.

Using the direct service would cost the operator around €3900 in total, an increase for circa €400, though the trip will take roughly the same amount of time. However, despite this significant increase in costs, operators have consistently told us that the higher cost of using the direct routes are offset by the perception of added risk in using the land bridge.

This view is reinforced by other anecdotal reports that have been received, which suggest that even when there is a substantial time saving association with the land-bridge (e.g. 6 hours) and similar additional costs of using the direct routes, operators are still favouring direct routes as the path of least risk.

Call to action

On balance of the cost and convenience of the land bridge, many operators believe that this traffic will return over time. However, in the meantime this hesitancy continues to place revenue pressure on ports and ferry operators who rely on this market to run the current levels of capacity at a sustainable level. As such, more should be done to promote and instruct traders on the viability of the land bridge.

The UK and Irish Governments should therefore work together to develop a bespoke resource or guidance pack that instructs traders specifically what will be required in order to use the land bridge, including how they will need to interact with each nations systems. As part of this, the opportunity should be taken to promote the consistent and reliable capacity on Celtic sea and short strait routes, and the very low turnback rates currently being experienced.

Looking further ahead, the UK Government should take particular care to ensure that when import controls begin the approach does not discourage usage of the land-bridge. Whilst recent announcements have seen the requirements for April 1st and July 1st pushed back, we will need to avoid complacency and ensure this time is used to assess the potential impacts in the round, including on the

attractiveness of the land-bridge. Harmful additional barriers could include disproportionate cost recovery models for the usage of inland border facilities, or onerous transit controls.

Welsh Government will take account of the potential implications on the land-bridge when developing their own infrastructure and associated charging models for the introduction of checks on imports. We will also enhance our engagement with European and Irish trading partners to better understand specific interventions which could support the return in traffic to the land-bridge.

Priority 5: further targeting of training, guidance and support resources

Priority five ties together the previous priorities by recognising that a broad-brush approach to guidance and support has been demonstrated as insufficient in overcoming the difficulties experienced by users of the new border systems since their inception. Hauliers and traders have had to digest a considerable amount of new and complex information, incur additional costs and in essence test the new systems in a live environment.

The Irish Government and the UK Government have both launched additional services to assist those who need help, and we welcome these initiatives. However, feedback from users suggests that these services could be improved, both in terms of the quality and consistency of advice provided and the quantity of advisors on hand to provide this support.

Expert Webinars and instructional videos are a helpful way of reaching a large audience with relatively fewer resources. However, these will be of most value if the information presented is specific enough to be helpful to those engaged with the systems, and targeted in such a way as to limit information overload. The experience of webinars to date is that, whilst they contain useful information, too much is being covered and there is insufficient time for dialogue and troubleshooting.

Case study: north Wales based manufacturer

A Manufacturer in Holyhead exports all over the world and 35% of their current sales are from Europe.

Before January 2021, for European sales they used a courier who was located in the Midlands. Since 1st January this has not been possible. The courier, being a small operator, is required to cover upfront costs. To offset these costs they were seeking customers to pay up front. This would create pressure on the manufacturers cash flow.

Consequently they are faced with two options – seek another courier or transport the goods themselves. Both options have created major obstacles for the business.

Option 1: new courier.

Appointing a new courier is not as straightforward for the business, and they have been advised that couriers would only be able to ship door to door when carrying large orders. The manufacturer would rarely export these quantities as one shipment. In the main their shipments would fall into around 30% of the quantities required by the couriers.

This level of shipment would be required to be shipped on pallets and be handled by multiple carriers. In reality this is not a viable option due to the design and delicateness of their product, which are shipped in purpose built containers which make the option of delivery on pallets almost impossible.

It is estimated that the additional costs could be in the region of £100 per paper transaction. Adding the transportation costs overall the costs escalate further, with the only option to offset these costs through passing them on customers, making them less competitive in the European market that accounts for a third of SKUK's sales.

Option 2: own transport

The preferred option would be to establish their own transportation. They would have greater control of items and the concern of loading/reloading would be alleviated.

However, being new to this they have been left frustrated, with reports of conflicting advice, the time consumed being referred from one department/helpline to another and/or from one website to another.

For example obtaining the necessary software is quoted at a cost of approximately £9k or if one subscribed to the service £200 per month. Use of the software requires the user to be approved, adding another layer to the process. They have also been told their premises also must be approved.

They could appoint an agent. However a shipping agent who only completes paper work on behalf of the business would require a bond from the manufacturer, which would require more substantive insurance cover in order for their bank to provide the bond.

Overall the business has spent weeks trawling through websites, seeking advice and researching requirements. Added to this time they have been advised by the helpline the process to become a carrier and obtain the necessary licenses would take 120 days to complete. They were advised to download the necessary forms to make a more informed decision. However they found the forms brought more questions than answers so returned to the helpdesk.

This time they were advised they could seek a guarantee waiver form. Following the process manufacturer were concerned that they would not be able to answer some of the questions or the questions were not applicable, and that unsatisfactory answers would further delay matters. Added to this, their confidence is low on the credibility of the advice received to date, and the guidance and wording used has been far from user friendly.

As a result of these complexities the manufacturer is unable to confirm actual costs to establish their own haulage department. Setting up their own distribution arm of the business will see the obvious costs of purchasing suitable vehicles/

insurance/tax and employing driver(s). There would also be the costs associated with researching and setting up the process. Something they have found time consuming and difficult thus far.

Time is moving onwards and the European markets will open in earnest in the coming months, though preparation has already begun over the winter months by manufacturing the products for orders already received. Failure to find a solution to the European market problem will see the manufacturer losing access to a primary market and carrying too much stock, placing the business in a precarious situation.

Call to action

The UK government and Irish Government should continue to bolster their training, resource and guidance provision. Special consideration should be given towards common barriers, with bespoke 'how to' resources prepared, such as 'how to transit goods via NI-GB via Ire', 'how to use the UK land bridge', to name a few examples. These should be prepared using language that businesses can easily understand and interpret. A recent video prepared by Irish Revenue on '**How to Create a Pre-Boarding notification (PBN)**' is considered a very effective example to consider imitating.

As part of an enhanced and collaborative approach to training and guidance, thought should be given towards the timing and nature of the support. Feedback from users suggests that clear messages, backed up by a sustained programme of activity and engagement would be more effective. It will be essential for this programme to actively capture and act upon lessons learnt. This will be particularly crucial as the UK gears up to introduce requirements on imports towards the end of the year.

Additionally, UK Government should outline a plan to enhance the recruitment of customs agents, who are particularly required for smaller hauliers who do not have the resources to develop this level of expertise in-house. UKG should also support existing customs agents by providing further direct training and knowledge resources to them to minimise issues around conflicting advice.

Welsh Government will continue to supply resource to support these efforts. We will utilise our direct relationships with stakeholders to facilitate and co-ordinate feedback, and tailor our own communications and engagement to achieve best alignment and impact with the training programmes of the Irish and UK Governments.

Long term implications

The short and medium term implications of the logistical pressures at Welsh ports can already be seen. Substantial volumes have re-routed and will continue to do so until there is a compelling reason for them to come back. In the meantime, operators will absorb the losses and the commercial consequences of reduced demand. Ferries are mobile assets, which could lead operators to make decisions to reduce capacity or alter timetables in line with demand. We have already seen these decision being taken in response to COVID19.

The services operating from Welsh ferry ports need a balance of passengers and freight to remain viable. In that context, the considerable loss in passenger demand since the outbreak of the pandemic and the introduction of travel restrictions had already put operators in a challenging position prior to the end of the transition period. A relaxation in restrictions as the public health picture improve could help, but the situation surrounding the pandemic remains uncertain, highly dynamic and influenced by external factors, such as COVID-19 variants.

As a result, ferry operators are likely to be increasingly reliant on freight movements to remain commercially viable. With freight volumes currently at between 50-60% of what should normally be expected and stagnating, this presents a worrying future outlook for these services, the ports and the traders who rely upon them. Whilst these challenges will be weathered in the short term, the longer term consequences could be much more significant.

In the extreme, if there is insufficient and imbalanced demand for passenger and freight volumes along the routes, then decisions may be taken to redeploy mobile assets towards more commercially viable areas of the ferry business. This could in turn lead to routes no longer operating from certain ports, and

ultimately threatening the continued existing of those ports, the local employment associated with them, and future opportunities in and around those areas.

Economic impacts

Direct / indirect employment

Both Milford Haven and Holyhead have high levels of port specific employment which could be negatively impacted if goods continue to be rerouted. Furthermore, many of the local businesses surrounding Welsh ports, including Milford Haven, Holyhead, and Fishguard, are in the manufacturing, construction, tourism and hospitality sectors and therefore supporting by strong and cost-effective connectivity with trading partners and international travellers.

Data suggests that activity directly related to the Welsh ferry ports supports over 200 jobs in Holyhead and 600 jobs in Pembrokeshire. Furthermore, analysis of the economic importance of these ports suggests they support over 22,000 indirect jobs within their region.

Impact of additional costs on wider logistics

Freight & logistics accounts for circa 6% of employment in Wales and the industry contributes approximately £2.5 billion to the Welsh economy. However, commercial margins in the sectors are generally very tight. For example, the reported profit margin percentage from top 100 road hauliers in the United Kingdom (UK) in 2018 **averaged around circa 2%**. It would therefore not be sustainable for operators on such thin margins to be able to absorb the increased costs associated with additional bureaucracy when moving goods, and so these costs will inevitably be passed down to trader, leading to wider economic consequences.

Future opportunities

Both the UK and Welsh Governments have been working closely with local authority partners to develop proposals and unlock substantial economic opportunities across Anglesey and Pembrokeshire. Many of these developments relate directly to the activity of the ports, and as such the continued viability of these ports will be essential to promote confidence in the region and unlock wider investment.

The programme of planned cruise visits cross has been highly disrupted as a result of the pandemic. However, before the outbreak it was estimated that around 55,000 passengers would arrive via the Welsh ferry ports, which would provide an additional estimated passenger/crew day spend within the regions of between £5-7million. There would be wider supply chain benefits too in the form of local coaches, guides, attraction entrance fees and entertainment fees. It is hoped this activity will return to Welsh shores when the public health situation improves, but this activity is contingent on continued ferry operations to keep the ports open and viable.

There are major opportunities to support the wider UK approach towards net-zero carbon emissions and a decarbonised energy system, with many projects either supported by or directly involving the ferry ports in Wales. For example, in North Wales alone the loss of the activity at Holyhead port could negatively reflect in the estimated 24,000 and potential increase of over £2bn associated with the delivery of an accelerated deployment of renewable electricity.

More directly, the port of Holyhead has a key role in supporting the wider ambition of the North Wales Growth Deal, which aims to create up to 4,000 new jobs, support 5% GVA uplift and secure £500million in private sector investment over the 15 year period. The economic benefits associated with the Holyhead Hydrogen Hub project could be significant including 20FTEs created directly at the initial Hub plus a further 10 additional jobs in vehicle maintenance, indirect support to over 500 jobs at local businesses and a platform for scaled-up hydrogen production for transport and diversification to the heat, power, industry and agriculture markets.

It is therefore clear that there are significant future opportunities connected with our ferry ports which could be disrupted if the viability and confidence in the ports is not restored to the same standard as before the end of the transition period.

Next steps

The conclusions and actions set out through this plan have been informed by close engagement with associations, operators and ports. The evidence and feedback gathered demonstrates that the end of the transition period has led to an unsustainable and disproportionate impact on Welsh ferry ports, operators and the businesses which rely on these routes.

We will continue to make the case for further facilitation and support resources to be targeted towards Wales-Ireland logistics, in recognition of the critical role flows associated with Welsh ferry ports have in supporting the economies of Wales, Ireland and the UK. In the immediate term Welsh Government will use this plan and the actions identified as the basis of further activity and direct engagement with the UK and Irish Governments.

However, we recognise that this is a dynamic situation which is influenced by a number of factors, including the ongoing impacts of the COVID19 pandemic. We will therefore keep this plan under constant review and continue to work closely with stakeholders. We will also consider further formal consultation with industry and operators should problems persist further into the year.

Acknowledgement

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