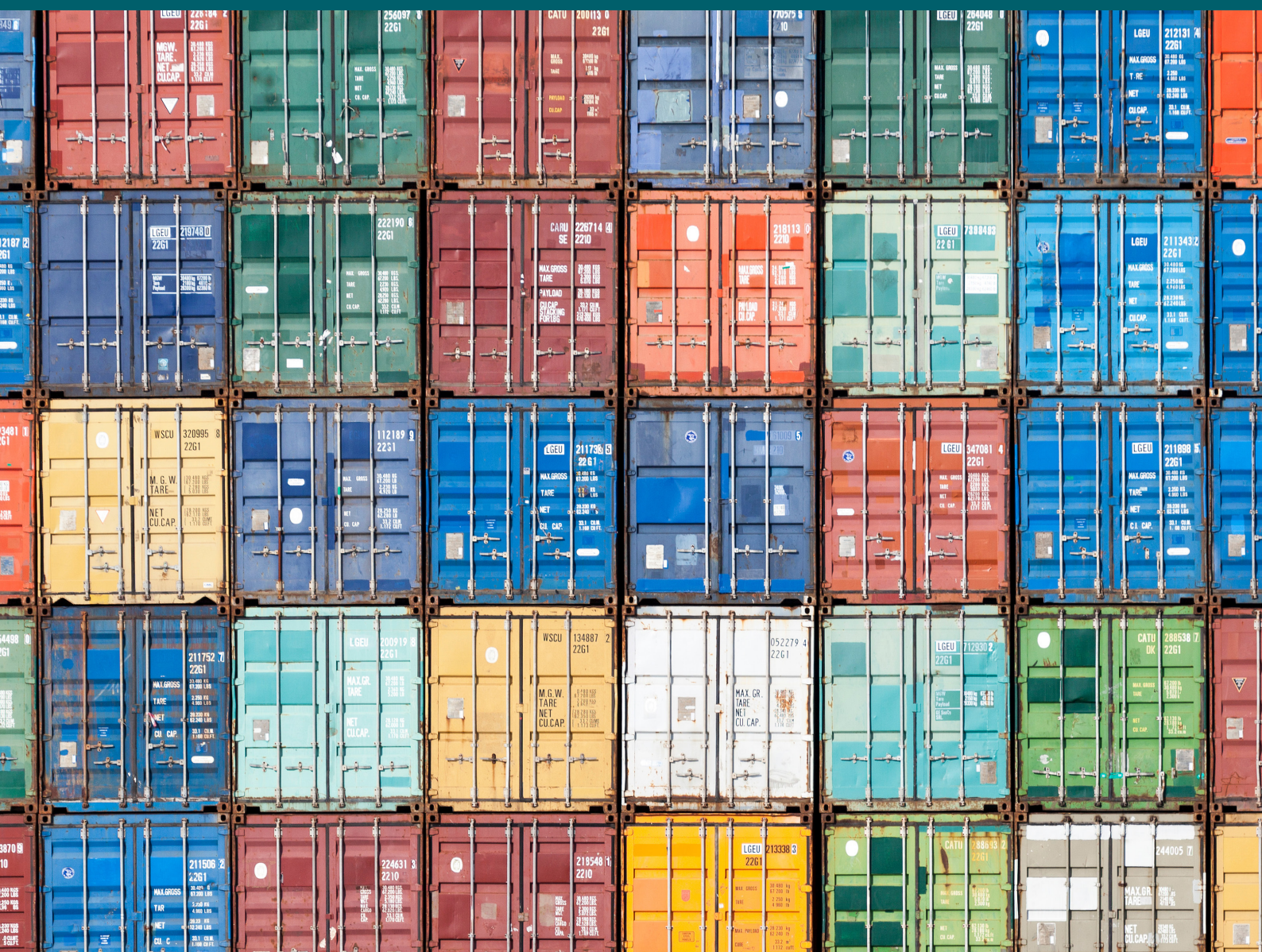


# Border Target Operating Model: A view from Wales

October 2024



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# **Border Target Operating Model:** A view from Wales

October 2024





# About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:  
[www.senedd.wales/SeneddEconomy](http://www.senedd.wales/SeneddEconomy)

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Current Committee membership:



**Committee Chair:**  
**Paul Davies MS**  
Welsh Conservatives



**Hannah Blythyn MS**  
Welsh Labour



**Hefin David MS**  
Welsh Labour



**Luke Fletcher MS**  
Plaid Cymru



**Samuel Kurtz MS**  
Welsh Conservatives



**Jenny Rathbone MS**  
Welsh Labour

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The following Members attended as substitutes during this inquiry:



**Alun Davies MS**  
Welsh Labour



**Jack Sargeant MS**  
Welsh Labour



**Carolyn Thomas MS**  
Welsh Labour

The following Members were also members of the Committee during this inquiry:



**Vikki Howells MS**  
Welsh Labour



**Buffy Williams MS**  
Welsh Labour

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## Chair's foreword

How our everyday items arrive into our country should be of interest to all of us.

After the UK's withdrawal from the EU, the four governments designed a new import regime, the Border Target Operating Model (BTOM). Published in August 2023, it set out a timetable for the introduction of new trade controls on all of our imports, including imports from the EU.

The Welsh Government is responsible for some of these controls. Wales' biosecurity, food safety and sanitary and phytosanitary (SPS) controls (which protect animal, plant and public health) are all devolved. New border control posts (BCPs) are needed at Holyhead, Fishguard and Pembroke Dock to perform these checks.

Our country is in a unique position. Unlike England and Scotland, our ports link to Irish ports, meaning that Wales is the only nation without direct routes to Northern Ireland. And while most of our imports arrive over the UK's short straits, this means that the rules for goods arriving from the island of Ireland to Wales are particularly significant to us.

As a Committee, we have followed the BTOM's development through to its implementation which began earlier this year. We have closely monitored each postponement of checks and have sought expert evidence on the implications of the BTOM on Wales and its trade flows.

We regularly raise these matters with Welsh Ministers, we have held an evidence session with a UK Minister, and in July 2023, we visited the site of Holyhead BCP to gain a better understanding of what would be required. We also have an important role in examining Welsh Government spend in this area through our annual budget scrutiny.

This report presents our work to date as we approach the next phase of the BTOM's implementation. We are determined to follow developments closely so that we all have a clearer picture of the implications for Welsh trade.

A handwritten signature in black ink, appearing to read 'Paul Davies'.

**Paul Davies MS**

Chair



## 1. Background

1. Import controls on goods entering Great Britain should have begun on 1 January 2021 following the end of the Brexit transition period. However, these were repeatedly postponed until a phased introduction began on 31 January 2024. Controls continue to be postponed, most recently in September 2024.<sup>1</sup>
2. Welsh Government has followed the former and current UK Government's decisions to postpone checks in devolved areas by consenting to UK regulations postponing them and by making its own regulations.<sup>2</sup>
3. The EU began checking exports from Great Britain on 1 January 2021. Until controls are introduced, the UK has taken it on trust that EU imports meet GB requirements. The National Audit Office noted in May 2024 that it's not clear when full controls will be in place (GB-wide).<sup>3</sup>
4. Evidence received by the Committee from the UK Government, the Welsh Government and experts on these matters is detailed throughout this report. The Committee also visited the site of Holyhead BCP in July 2023.<sup>4</sup>

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<sup>1</sup> Politico, [UK to again delay Brexit border checks on food](#), September 2024

<sup>2</sup> [Letter from the Deputy First Minister and Cabinet Secretary for Rural Affairs to the Economy, Trade and Rural Affairs Committee, 9 October 2024](#); Welsh Parliament, [The Official Controls \(Extension of Transitional Periods\) \(Amendment\) \(Wales\) Regulations 2022](#);

<sup>3</sup> National Audit Office, [Delays and uncertainty hamper post EU exit border ambitions](#), May 2024

<sup>4</sup> Economy, Trade and Rural Affairs Committee, [visit to explore the development of the Border Control Post \(BCP\) in Holyhead](#), 23 July 2023

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## 2. Border Target Operating Model

- 5.** The Border Target Operating Model (BTOM) sets out how imports entering Great Britain will be handled.<sup>5</sup>
- 6.** While it was published by the former UK Government in August 2023, it was co-produced with the Welsh and Scottish governments and officials from Northern Ireland. It applies to all imports, including to EU imports for the first time since Brexit.
- 7.** New trade and customs controls will be carried out at Welsh ports. Welsh Ministers are responsible for biosecurity, food safety and sanitary and phytosanitary (SPS) controls which protect animal, plant and public health.
- 8.** The regime is being phased in, with the first phase having been introduced from January 2024 and a second phase in April 2024. A third phase will be introduced from 31 October 2024.
- 9.** New Border Control Posts (BCPs) to process imports are planned for Holyhead, Pembroke Dock and Fishguard ports. More information can be found in section 2 of this report.

### Goods arriving from the island of Ireland

- 10.** A different timetable applies to goods arriving from the island of Ireland – this is particularly important to Wales, whose BCPs form part of the UK Landbridge with Ireland’s Dublin and Rosslare ports.
- 11.** Section 2 of the BTOM places west coast ports on this different timetable with two phases: January 2024 and October 2024. This is to account for the complexities of moving goods from the island of Ireland.
- 12.** Geography places Wales in a unique position because its west-facing ports link to Irish ports, in the EU. Goods moving between the two are therefore considered to be UK-EU imports / exports and are subject to international trade rules and the UK-EU Trade and Cooperation Agreement (TCA).<sup>6</sup>
- 13.** However, Northern Irish (NI) goods also travel south on the island of Ireland to use Ireland-Wales sea routes, and to take advantage of the UK Landbridge shown

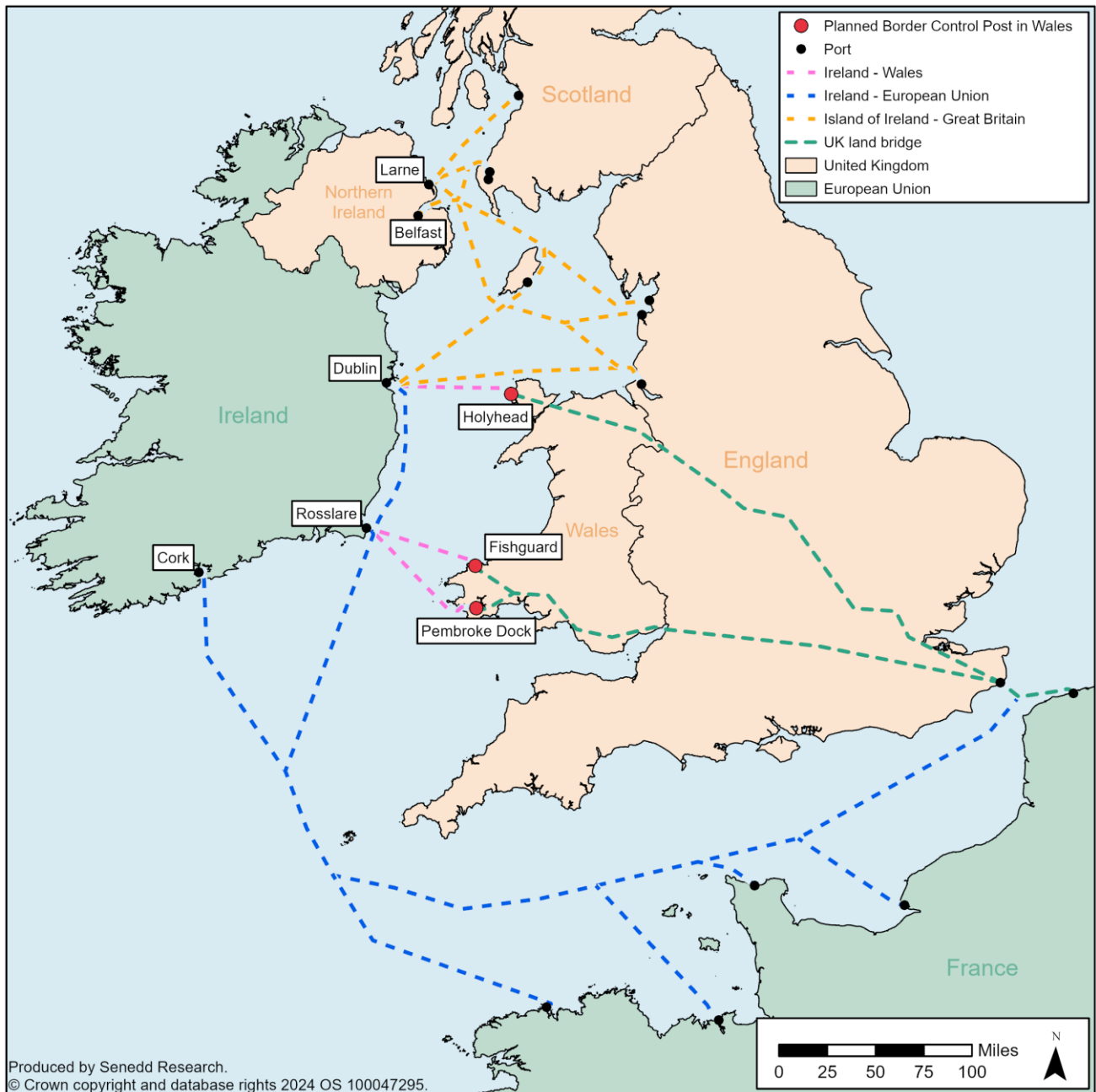
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<sup>5</sup> UK Government, [The Border Target Operating Model: August 2023](#)

<sup>6</sup> Senedd Research, [Wales and the UK-EU Trade Cooperation Agreement](#), May 2022

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on the map below.<sup>7</sup> The BTOM sets the rules that apply to these indirect NI-Wales imports via Ireland and to direct Ireland-Wales imports.



**14.** The BTOM sets out the below timetable for goods arriving from the island of Ireland to Wales, which ones apply depend on the type of good and its movement.

**15.** However, some of these controls have been postponed and the Welsh Government has warned that Wales’s BCPs are not expected to be operational before Spring 2025.<sup>8</sup> Speaking to the Committee in June, the former Cabinet

<sup>7</sup> Institute for Government, *Trade: the UK landbridge*, November 2020

<sup>8</sup> Welsh Government, *Post EU-exit border controls and infrastructure*, August 2022

Secretary for Economy, Energy and Welsh Language, Jeremy Miles MS, described Spring 2025 as “very ambitious indeed” and said it is “unlikely that that date will be met, and that we will be doing well to have got there by the autumn [2025]” (see section 2 for more information).<sup>9</sup>

### **BTOM timeline for goods arriving from the island of Ireland to Wales**

#### **31 January 2024**

- Pre-notify authorities before the arrival of some goods.
- Health and phytosanitary certificates for medium risk SPS products.
- Customs controls.

#### **31 October 2024**

- Document, ID and physical checks on medium risk animal products, plants, plant products and high risk food and feed of non-animal origin.
- Safety and Security declarations for EU imports.

## **Direct NI-GB movements**

**16.** NI goods moving directly to GB face fewer barriers than Irish/EU goods under the terms of Brexit, and the BTOM takes this into account. Trade between NI-GB is mainly governed by UK-EU agreements, including the Northern Ireland Protocol and the Windsor Framework, important domestic legislation like the UK Internal Market Act 2020 and arrangements introduced by the Safeguarding the Union Command Paper.<sup>10</sup>

## **Indirect movements: NI-Wales via Ireland**

**17.** The rules that apply to goods travelling from NI-Wales via Ireland depend on whether they are a ‘qualifying NI good’ (QNIG).

**18.** Generally, QNIGs are goods that are in free circulation in, or that have undergone processing in, Northern Ireland. QNIGs are not subject to SPS controls, except in limited circumstances, such as endangered species. The UK

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<sup>9</sup> Economy, Trade and Rural Affairs Committee, [26 June 2024](#), Record of Proceedings (RoP), paragraph 51

<sup>10</sup> Senedd Research, [Wales and the Windsor Framework](#), May 2023; Senedd Research, [The UK Internal Market Act: How does it impact Welsh law?](#), February 2023; Senedd Research, [Wales and Safeguarding the Union](#), February 2024

Government maintains a list of QNIGs that enjoy unfettered NI-GB access which is regularly updated.<sup>11</sup>

**19.** Goods that do not meet the criteria are considered non-qualifying goods (non-QNIGs) and customs and SPS controls apply. Some categories of non-QNIGs, such as excise goods like alcohol and tobacco, are always subject to customs controls.

## **Simplified rules for qualifying NI goods entering Wales**

**20.** The BTOM says that the preferential terms afforded to direct NI-GB movements will be extended to indirect movements of QNIGs from NI-GB via Ireland (including to Wales). It says that:

*“In the vast majority of cases you will no longer need to complete electronic import customs declarations for your goods movements.”*

**21.** On the BTOM’s publication, the then Minister for Economy, Vaughan Gething MS, stated that:

*“we have secured a model which works for Wales”<sup>12</sup>*

**22.** In a letter to the Committee, the former Minister also explained:

*“I was particularly pleased to secure agreement from the UK Government to modify the definition of Qualifying Northern Ireland Goods (QNIGs), to reduce the incentive for traders to seek to avoid SPS controls by moving goods to Great Britain from the island of Ireland via Northern Ireland. This should significantly improve biosecurity and reduce the risk of trade being diverted away from Welsh ports.”<sup>13</sup>*

**23.** Processes will be simplified so that hauliers need to declare they are carrying QNIGs and carry documentation to prove it, if asked. They will also need to carry travel documents with the QNIGs’ final destination to show that they have only passed through Ireland.

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<sup>11</sup> UK Government, [Moving qualifying goods from Northern Ireland to the rest of the UK](#)

<sup>12</sup> Welsh Government, [Written Statement: Publication of the new Border Target Operating Model](#), August 2023

<sup>13</sup> [Letter from the Minister for Economy to the Chair of the Economy, Trade and Rural Affairs Committee, 29 August 2023](#)

**24.** On 11 October 2023, the Committee took evidence from academic experts, Professor of Political Sociology at Queens University Belfast, Katy Hayward, and Professor of Transport and Logistics at Cardiff University, Andrew Potter. Both submitted written evidence ahead of the evidence session, alongside the Horticultural Trade Association.<sup>14</sup>

**25.** On whether she agreed with the Minister's assessment, Professor Hayward said:

*"a cautious 'yes', but there's an awful lot yet to be seen in practice."<sup>15</sup>*

And that:

*"I think the fact that there is a common approach to western ports is very important, and is certainly to the advantage of Wales. So, recognising the unique nature of the trade from Ireland to Wales and the importance of the ports, that's really key, and also recognising the way that, for example, what happens or doesn't happen in Cairnryan affects Welsh ports too."<sup>16</sup>*

**26.** Professor Potter was of the view that:

*"Anything that keeps Wales and the rest of the UK aligned when it comes to, particularly, obviously, the west coast ports is important. If Wales runs behind, then, potentially, you risk losing more traffic to English and Scottish ports.*

*If Wales runs ahead, the risk is that you're running into systems that perhaps aren't fully developed [...] there is a potential risk you might even lose traffic because people haven't learnt the systems in time. So, I think coming up with a model that is aligned completely with what's happening across the rest of the UK is important. So, yes, I would agree fully."<sup>17</sup>*

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<sup>14</sup> [Economy, Trade and Rural Affairs Committee, 11 October 2023](#)

<sup>15</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, [Record of Proceedings](#), paragraph 33

<sup>16</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, [Record of Proceedings](#), paragraph 32

<sup>17</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, [Record of Proceedings](#), paragraph 35

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**27.** In its Safeguarding the Union Command Paper published in January 2024, the former UK Government confirmed that Cairnryan BCP will not go ahead.<sup>18</sup>

### Future Wales-island of Ireland routes

**28.** On the future of Wales-island of Ireland trade routes, Sam Kurtz MS asked Professor Potter and Professor Hayward:

*"Is that the potential future, to try and re-establish some of the trade on the land bridge, or do you think that's just too complex, given the change to trading patterns?"<sup>19</sup>*

**29.** Professor Potter responded:

*"I think that's what it would be nice to end up with—like you say, having that frictionless movement so that the land bridge becomes more attractive again. Like I say, I suspect politics probably gets in the way a bit of that.*

*There are trading relationships between the UK and the EU and that would be a challenge to do that. There are arrangements in place for things like transit, which you can use to ease the movement across borders already, but they're not—.*

*Again, you still have to have some checks, so it's not a complete hard border. There are ways you can do it already but it is more complicated than it was before, and they would be more complicated than the [Windsor Frameworks'] green lane-type arrangement. I think if you spoke to any logistics operators, if they could have a green route type of approach for products going to the Republic of Ireland, they would probably appreciate that."<sup>20</sup>*

**30.** Professor Hayward concluded that:

*"the extent to which we'll even need green lanes, and the extent to which they'll be used, and the frictions associated with red lanes will,*

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<sup>18</sup> UK Government, [Safeguarding the Union](#), January 2024

<sup>19</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, Record of Proceedings, paragraph 25

<sup>20</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, Record of Proceedings, paragraph 26

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*of course, be dependent upon that UK-EU relationship, and whether that becomes closer in time—for example, a sanitary and phytosanitary agreement between the two of them. So, that's what I would focus on for determining trade from Ireland into Wales and the rest of GB, rather than any other particular dimension.”<sup>21</sup>*

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<sup>21</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, Record of Proceedings, paragraph 28

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### 3. Border Control Posts (BCPs)

Border control posts (BCPs) are located at ports and airports so that imports can be checked, like goods, live animals and plants. Welsh Ministers are responsible for biosecurity, food safety and sanitary and phytosanitary (SPS) controls which protect animal, plant and public health. Wales's new BCPs will play an important role in checking imports, including EU imports for the first time.

**31.** In written evidence to the Welsh Affairs Committee in 2017, the then Counsel General and Minister for European Transition Jeremy Miles MS said that making space at existing ports would be difficult and that establishing BCPs for the first time “breaks new ground for the Welsh Government, local authorities and many port owners”.<sup>22</sup> In a letter to the Committee in 2021, the former Minister, Vaughan Gething MS said that BCP construction is:

*“one of the largest and most complex infrastructure delivery programmes Welsh Government is engaged in.”<sup>23</sup>*

**32.** Three new BCPs are planned for Wales. A government-run BCP at Holyhead, and two port-run facilities in Pembroke Dock and Fishguard.

#### BCP readiness

**33.** Wales's new BCPs were originally scheduled to be fully operational by 31 October 2024. However, in January 2024, the former Minister, Vaughan Gething MS, told the Committee that he was “determined” to give businesses “reasonable notice to prepare”. He confirmed that a start date was still not agreed for physical checks and that:

<sup>22</sup> Written evidence submitted to the Welsh Affairs Committee by Jeremy Miles AS/MS, Counsel General and Minister for European Transition, Welsh Government

<sup>23</sup> Letter from the Minister for Economy to the Chairs of the Economy, Trade and Rural Affairs Committee, the Climate Change, Environment and Infrastructure Committee and the Culture, Communications, Welsh Language, Sport and International Relations Committee, 4 October 2021

*“there remains a substantial amount of work to do with the UK Government and others to implement a coherent model for all the Great Britain West coast.”<sup>24</sup>*

**34.** Since March 2024, the Welsh Government’s website has stated that identity and physical checks on goods arriving from the island of Ireland “are now not expected to begin until Spring 2025”.<sup>25</sup>

**35.** On 26 June 2024, the former Cabinet Secretary, Jeremy Miles MS, gave evidence to the Committee. The evidence paper he provided for this session stated that:

*“We have not yet agreed a date for physical checks on imports from Ireland. I have committed that we will give reasonable notice for businesses to prepare for these checks. [...] The policy issues which were outstanding at the time of the TOM have not progressed and there is no prospect of resolution before the summer, more likely autumn.”<sup>26</sup>*

**36.** In the oral evidence session, he added:

*“I’d probably describe Spring 2025 as very ambitious indeed at this point. My own view is that it’s unlikely that that date will be met, and that we will be doing well to have got there by the autumn, say. But we aren’t in a position to review that at the moment, because, obviously, we’ve got a UK general election and there’ll be a Government being formed in short order, so we’ll have to have discussions with incoming Ministers about that time frame.*

*But I am confident that, in light of the ongoing delays, which are very regrettable in relation to checks and to clarity around the checks, the construction of the border control posts that we expect to have in Holyhead and in Fishguard and in Pembroke Dock will have been completed before they’re needed, if you like. I think the checks will*

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<sup>24</sup> Welsh Government, [Evidence paper on Draft Budget 2024-25 – Economy Main Expenditure Group](#), January 2024

<sup>25</sup> Welsh Government, [Post EU-exit border controls and infrastructure](#)

<sup>26</sup> Welsh Government, [Green Economy and General Scrutiny Evidence Paper](#), June 2024

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*come in after they're completed. So, that's where we are on the sequencing.*"<sup>27</sup>

And that:

*"I think construction of those is still on track, actually, for spring of next year, but the checks themselves, I think, aren't likely to be coming in then, in my view."*<sup>28</sup>

**37.** Holyhead, Pembroke Dock and Fishguard BCPs have progressed at different speeds. An update on each is provided below:

### **Holyhead**

**38.** Holyhead BCP, located at Parc Cybi, has progressed farthest in the planning process. In November 2023, a Welsh Government update said that Holyhead BCP would be smaller than planned as the UK Government planned to revise its border operating model and postpone the introduction of checks.<sup>29</sup> This will allow for HGV parking arrangements to continue on some of the land.

**39.** In August 2024, Kier announced it had been appointed to build the Holyhead BCP through the North Wales Construction Partnership framework.<sup>30</sup> Its announcement says it will support 700 local jobs on Anglesey and confirms that ground works and construction is underway. More plans are detailed, including for staff facilities and other amenities, work with local schools and colleges to identify career opportunities and a social value programme.

### **Pembroke Dock and Fishguard**

**40.** The former Cabinet Secretary, Jeremy Miles MS' evidence paper referenced above stated that the Welsh Government was "finalising the designs with the Pembrokeshire ports" in June 2024.<sup>31</sup>

**41.** Giving evidence in October 2023, Professor Andrew Potter was asked for his view on whether it is viable to have two freight ports operating in south-west Wales in light of the trade dynamics post-Brexit. He said:

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<sup>27</sup> Economy Trade and Rural Affairs Committee, 26 June 2024, RoP, paragraph 51

<sup>28</sup> Economy Trade and Rural Affairs Committee, 26 June 2024, RoP, paragraph 53

<sup>29</sup> Welsh Government, [Parc Cybi, Holyhead Border Control Post](#)

<sup>30</sup> Kier, ["Kier appointed to build a key new Border Control Post and UK entry point at Holyhead in North Wales"](#), August 2024

<sup>31</sup> Welsh Government, [Green Economy and General Scrutiny Evidence Paper](#), June 2024

*"I think it is. I think there's obviously enough traffic to support the frequency of flow. I think if you were to talk to operators, what they would like is a bit more co-ordination of the timetables between the two operators, because at the minute, basically, the ferries almost chase each other across the Irish sea backwards and forwards every day. I think they would appreciate it more if the timetables were more co-ordinated, because that, to some extent, gives them more of an opportunity to switch, if they're running late, as to where they want to operate from.*

*I don't think whether you've got one port or two makes that much difference."<sup>32</sup>*

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<sup>32</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, RoP, paragraphs 37-38



## 4. Trade diversions

**42.** Welsh ports reported a sharp 50-60 per cent reduction in freight volumes immediately after Brexit, which later plateaued at around 30 per cent reduction.<sup>33</sup> By 2022, trade through Holyhead had recovered but remained at around 80 per cent of pre-Brexit levels.<sup>34</sup>

**43.** At the time, the British-Irish Parliamentary Association (BIPA) attributed this to re-routed trade routes away from southern routes (i.e. between Welsh and Irish ports) towards northern routes (i.e. between the Mersey/Scottish and Northern Irish ports) to take advantage of the Northern Ireland Protocol's less complex requirements.<sup>35</sup> This was confirmed by Stena Line, owner of Holyhead and Fishguard ports, which said that it was still seeing "levels of freight that would've come through Wales going via Belfast or direct to France".<sup>36</sup>

**44.** By 2021 the number of direct Ireland-mainland EU shipping routes<sup>37</sup> had increased from 12 to 44 in the period since Brexit, providing more options to avoid the UK Landbridge which historically was faster and cheaper.<sup>38</sup>

**45.** Academics at the London School of Economics warned in 2022 that Wales "has no way to mitigate" the shifts in trade routes.<sup>39</sup>

### Expert evidence received

**46.** On changes to freight movements through Wales, Professor Potter told the Committee in October 2023 that:

*"what we've seen is, obviously, a drop-off in the volume of traffic going through the west Wales ports—Holyhead and, obviously, in south-west Wales—as a result of Brexit.*

<sup>33</sup> BBC News, [Welsh ports had 30% less traffic due to Brexit - shipping chief](#), January 2022

<sup>34</sup> Business Live, [Welsh ports treated with disregard post-Brexit](#), June 2022

<sup>35</sup> British-Irish Parliamentary Assembly report, [The effects of the post-Brexit trading environment on UK-Irish trade](#), October 2022

<sup>36</sup> ITV News, ['We're not there yet' says Stena Line as Welsh ports continue to deal with Brexit aftermath](#), January 2022

<sup>37</sup> The Journal, [Tonnes of new ferry routes have helped to Brexit-proof Irish trade - but choppy waters could yet be ahead](#), March 2021

<sup>38</sup> Trans.info, [Yet more growth in shipping routes between Ireland and European mainland](#), October 2021

<sup>39</sup> London School of Economics, [The disregard for Welsh ports during and since Brexit is part and parcel of Wales' wider marginalisation within the political economy of the UK](#), June 2022

*It went up before Brexit, it then dropped significantly immediately after January 2021. It has recovered—it's about 80 per cent of where it was pre Brexit, and that's where it seems to have stabilised until recently, when there have been a few little shifts in the market.*

*So, I think for, say, Welsh ports operations, it's had a negative impact in terms of the volume of traffic going through, particularly freight, but that hasn't put off the operators continuing to operate the services that they are—we've still got the consistent service that we had before Brexit; it's just the number of trucks on there is lower”<sup>40</sup>*

**47.** Professor Hayward added:

*“Wales has been particularly affected by the post-Brexit conditions. We know to some degree something won't change, and that is that Ireland has of course developed direct ferry routes into the EU continent. So, we can probably anticipate that Wales will always have that negative ramification of that, for the Welsh ports.*

*One thing that may well change, though, in the near future is in relation to the incentives for people to avoid bringing goods directly into GB via Wales from Ireland, and that includes the potential change to the definition of 'qualifying' Northern Ireland goods, which may reduce some of the incentive for going into GB via Northern Ireland.*

*[...] what both of those things reflect, I think, is the very complicated nature of these arrangements and the fact that changing one border or the dynamics of one particular relationship, i.e. UK-EU, has huge ramifications across the board for the various parts of the UK and, indeed, for Ireland. So, it's tracing the knock-on effects of one decision or another that may seem, at one level, say, for example, particularly about Northern Ireland—it does have consequences for Wales as well.”<sup>41</sup>*

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<sup>40</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, RoP, paragraph 8

<sup>41</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, RoP, paragraph 10

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## Port-specific trade flows

48. Professor Potter explained to the Committee there are two changes in data trends for Wales's BCP ports. For Holyhead:

*"the latest three months' data does show a noticeable uptick in the volume of traffic over the quarter from April to June. It's gone from about—sorry, just looking at my notes here—90,000 units per quarter to a 100,000 units. So, that's about an extra 100 trucks a day, on average. If you plot it on a graph, it stands out as being an uptick. So, that's quite interesting to think about: well, what's going on there, and is that a temporary blip or is that a longer term trend? Because of the consistency of the data, I don't think it's a blip. I think it's either firms doing a little bit of a stock build ahead of the end of September deadline, or the end of September implementation of the Windsor framework, so that if there was disruption, they've got buffer stops in Ireland ready for that; or it might show there's a start of some traffic coming back to Holyhead that previously wasn't there, because it might be that, for instance, the ferry companies have got a couple of customers that have shifted back on to that route. So, I think—. The positive in me would like to think it's new customers coming through and it's the start of a growth in that again, but we probably need the next three months or the three months after that to really understand where that data is going."<sup>42</sup>*

49. And for Pembroke Dock and Fishguard:

*"The other trend that's come through in the data is for the south-west Wales ports, where there's been an increase in the amount of tonnage per unit moved. So, that's obviously an average, and I suspect what's happening there is that you've got fewer empty trucks using that crossing.*

*So, for instance, if a vehicle was previously doing a delivery from France to Ireland, it might then, say, come back empty to the UK to pick up a load to go back to France. It would be unlikely that it would go empty all the way back because that wouldn't make economic sense, particularly, I mean, if you could pick up a load. But maybe operators with the multiple border crossings and less access to the UK*

<sup>42</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, RoP, paragraph 19

*market because of Brexit have been looking to put their empty trucks on the ferry routes, the direct ferry routes, back from Ireland instead. You then get the certainty their vehicle would be back on time, and it's empty, so they save on the running costs as well.*

*So, actually, the slightly longer and more expensive ferry crossing is offset by some of the uncertainties coming across the land bridge. So, I think we've seen that. Now, if you put your Wales transport hat on, you could argue that's a good thing because we don't necessarily want empty trucks running across the M4 corridor, which is already congested. If you're a port operator, where you get paid per truck, it's not quite such a good idea."<sup>43</sup>*

## **Welsh Government evidence received**

**50.** The Welsh Government has repeatedly shared its concerns about the risks associated with trade diversions with the Committee. In March 2024, the former Minister for Economy, Vaughan Gething MS told the Committee that the decision not to go ahead with the Cairnryan BCP:

*"was a surprise to us and the Scottish Government.*

*Now, that has implications. What does that actually mean, given the obligations we've agreed with a range of people around the need to check some goods that come in that are not qualifying Northern Irish goods? That's a practical challenge that we need to understand how it's going to be met. Because if it isn't, then the difficulty is that you could see trade diversion, from Belfast in particular, going to Cairnryan.*

*Now, you might say, 'Well, that's great for Scotland, if they're going to get more trade.' The difficulty is that, actually, if that means that it's potentially a weak link in biosecurity, that's a problem for Scotland, not an unalloyed opportunity to generate more trade. So, we need to be able to work through and understand what those are."<sup>44</sup>*

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<sup>43</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, RoP, paragraph 20

<sup>44</sup> Economy, Trade and Rural Affairs Committee, 6 March 2024, RoP, paragraph 338

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**51.** He later said:

*"I don't want to see disruptions in trade. We've seen enough redirection in trade with the realities of the Brexit deal that's been agreed.*

*I don't want to see further disruption that means that people are incentivised to go to a different part of Great Britain.*

*I definitely don't want to see trade diversion to Cairnryan, both on biosecurity grounds as well as loss of trade, and I don't want to see more people simply making a choice to avoid coming through GB at all and rerouting themselves directly into continental Europe".<sup>45</sup>*

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<sup>45</sup> Economy, Trade and Rural Affairs Committee, 6 March 2024, RoP, paragraph 344

## 5. Costs

**52.** The UK Government estimates costs of the BTOM to importers to be £330 million per year across EU imports, plus an increase of 0.2 per cent in the costs of food and drink over three years.<sup>46</sup> This will, it says, “depend greatly on how businesses adapt their business models and supply chains to integrate the new controls regimes”.<sup>47</sup>

**53.** The BTOM explains that the £330 million represents around 0.13 per cent of the overall value of EU imports and that the economic consequences of a major outbreak of plant or animal disease (which trade controls aim to prevent) “could be far more severe”.

**54.** Independent analysis provided to ITV estimates costs to be almost ten times higher than this, at around £2.9 billion (estimated to add £8.57 to an average monthly food shop).<sup>48</sup>

**55.** Neither Welsh nor UK Ministers could confirm to the Committee how much of the estimated costs would fall to Welsh traders. Baroness Neville-Rolfe explained to the Committee on 7 February 2024 that regional estimates have not been carried out<sup>49</sup> and on 26 June, a Welsh Government official confirmed this to the Committee:

*“an awful lot of products on Welsh shelves are not imported through Welsh ports. Most of our products, actually, are coming through England rather than coming from Ireland, so we don't think there's a particularly different cost in Wales than in Great Britain as a whole. So, we haven't done any additional analysis on costs in Wales.”<sup>50</sup>*

### Welsh Government budget

**56.** The former Minister for Economy, Vaughan Gething MS, confirmed in an evidence paper to the Committee in January 2024 that the Welsh Government had spent £9.3m up to 31 March 2023, which included a £3.3m contribution from

<sup>46</sup> [The Border Target Operating Model](#), August 2023

<sup>47</sup> [The Border Target Operating Model](#), August 2023, page 27

<sup>48</sup> [ITV News, New post-Brexit checks on EU imports could add more than £8 a month to the average food shop](#), April 2024

<sup>49</sup> Economy, Trade and Rural Affairs Committee, 7 February 2024, RoP, paragraph 294

<sup>50</sup> Economy, Trade and Rural Affairs Committee, 26 June 2024, RoP, Paragraph 57



the UK Government for 2022-23.<sup>51</sup> The then Minister advised that the projected total further spend over the 2023-24 and next financial year (2024-25) was not expected to exceed £70m.

**57.** £6.426m was allocated to a new Border Controls BEL in the Economy MEG in the Welsh Government's 2024-25 Draft Budget<sup>52</sup> which did not change in its Final Budget.<sup>53</sup> During draft budget scrutiny, the Welsh Government advised that £6.4 million of this amount is being used from reserves to cover costs it says the UK Government previously agreed to cover (see below).<sup>54</sup>

**58.** For the 2023-24 budget, BCPs came under the Rural Affairs MEG, as an action for 'Rural Affairs Monitoring, EU Exit Strategy and Border Control Posts'. The final budget allocation was £3.389m. This BEL and action remained in the 2024-25 Draft Budget with a reduced allocation of £2.639m (a £750,000 / 22.1 per cent reduction). While this amount remained the same in the 2024-25 Final Budget, the BEL's name was changed to 'Strategic Evidence & Monitoring'.

**59.** The former Minister for Economy, Vaughan Gething MS said in the same evidence paper in January 2024 that it anticipated programme costs will cease after 2024-25 but this will be "clearer" with an agreed start date for physical checks.<sup>55</sup>

## **Costs dispute between the UK and Welsh governments**

**60.** The former Minister for Economy, Vaughan Gething MS, informed the Committee in January 2024 that the Welsh Government was of the view that BCP facilities should be fully funded by the UK Government.<sup>56</sup> He summarised the issue, saying that:

- HM Treasury committed to fund build costs for Holyhead, Fishguard and Pembroke Dock;

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<sup>51</sup> Welsh Government, [Evidence paper on Draft Budget 2024-25 - Economy Main Expenditure Group \(MEG\)](#), January 2024

<sup>52</sup> Welsh Government Gov.Wales, [Draft Budget 2024 to 2025](#)

<sup>53</sup> Welsh Government Gov.Wales, [Final Budget 2024 to 2025](#)

<sup>54</sup> Welsh Government, [Evidence paper on Draft Budget 2024-25 - Economy Main Expenditure Group \(MEG\)](#), January 2024

<sup>55</sup> Welsh Government, [Evidence paper on Draft Budget 2024-25 - Economy Main Expenditure Group \(MEG\)](#), January 2024

<sup>56</sup> Welsh Government, [Evidence paper on Draft Budget 2024-25 - Economy Main Expenditure Group \(MEG\)](#), January 2024

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- Former UK Government had recently rejected funding the transitional costs to reach steady state, including the costs to set up the arrangements.
- Former UK Government had also rejected meeting additional Welsh Government staff costs;
- Welsh Government believed these costs should also be met and were a condition of it agreeing to the Border Target Operating Model;
- Welsh Government was continuing discussions with HM Treasury and expected a resolution “shortly”; and that
- Welsh Government had made provision in the 2024-25 Draft Budget of £6.4m for these revenue costs in the meantime.

**61.** The revenue costs include start-up costs (recruitment, training etc) for the local authorities before charges are introduced, and the Welsh Government’s own programme costs.

**62.** On 7 February 2024, the Committee took oral evidence from the then Minister of State at the Cabinet Office, Baroness Lucy Neville-Rolfe.<sup>57</sup> Both the Minister and the Welsh Government’s former Minister for Economy, Vaughan Gething MS, have confirmed that an ongoing dispute over BCP costs was not resolved.<sup>58</sup>

**63.** This was later confirmed in the former Cabinet Secretary for Economy, Energy and Welsh language, Jeremy Miles MS’ written evidence to the Committee in June 2024.<sup>59</sup> He said that, in the absence of a commitment on funding from the UK Government:

*“the Welsh Government has provided initial funding so that Pembrokeshire and Ynys Mon can start preparations. However, they must recruit additional staff in the run up to physical checks, so we will need to identify funding before agreeing a start date.”<sup>60</sup>*

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<sup>57</sup> Economy, Trade and Rural Affairs Committee, 7 February 2024

<sup>58</sup> Welsh Government, [Minister for Economy – Evidence Paper](#), 6 March 2024

<sup>59</sup> Welsh Government, [Green Economy and General Scrutiny Evidence Paper](#), June 2024

<sup>60</sup> Welsh Government, [Green Economy and General Scrutiny Evidence Paper](#), June 2024

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## Committee budget scrutiny

**64.** The Committee made four recommendations to the Welsh Government during its scrutiny of the Welsh Government’s 2024-25 Draft Budget in February 2024.<sup>61</sup> The recommendations and the Welsh Government’s response,<sup>62</sup> received in March 2024, are shown on the table below.

**Table 1: Recommendations from the report on the Welsh Government Draft Budget 2024-25 and the Welsh Government response**

Committee recommendation	Welsh Government response
<p><b>Recommendation 27.</b></p> <p>The Welsh Government should write to the Committee explaining how planned activities for Border Control Posts are divided between the Strategic Evidence, Monitoring, Borders and Intergovernmental Monitoring budget line in the Rural Affairs main expenditure group, and the Border Controls line in the Economy main expenditure group.</p>	<p><b>Accept</b></p> <p>Although Welsh Government staff work on borders policy in a number of ministerial portfolios, the costs for the Programme to deliver Border Control Posts in Wales are funded through the Economy main expenditure group, Borders Control BEL3730.</p>
<p><b>Recommendation 28.</b></p> <p>The Welsh Government should write to the Committee to provide an update on whether the Welsh and UK governments have reached a resolution on funding for Border Control Posts.</p>	<p><b>Accept</b></p> <p>The UK Government has agreed to fund the necessary build costs of our Border Control Posts, subject to business cases. However the Treasury has refused to fund revenue costs, including the local staff to conduct the documentary checks and physical checks. This is a particular issue before charges start. We have not reached resolution with the UK Government on this issue.</p>
<p><b>Recommendation 29.</b></p> <p>The Welsh Government should write to the Committee to confirm what the impact of a possible resolution with the UK government regarding funding Border Control Posts is on draft budget allocations, including the £6.4 million of reserves allocated by the Welsh</p>	<p><b>Accept</b></p> <p>HM Treasury has agreed, subject to business cases, to fund the capital costs of building the Border Control Posts in Holyhead and the Pembrokeshire ports. Given the UK government’s refusal to fund revenue costs, the budget includes £6.4m</p>

<sup>61</sup> Economy, Trade and Rural Affairs Committee, [Scrutiny of the Welsh Government’s draft budget 2024/25](#), February 2024

<sup>62</sup> Welsh Government, [Response to the Committee’s report on Scrutiny of the Welsh Government’s draft budget 2024 – 25](#), March 2024

Committee recommendation	Welsh Government response
<p>Government to cover costs while funding issues are resolved with the UK Government.</p>	<p>revenue funding in 2024-25: the major components are local authority staff involved in the document checks and preparing for physical checks, and Welsh Government staff working on the programme.</p> <p>Financial Implications: If HM Treasury were to agree to reimburse these costs, additional funding would be available for Welsh Government priorities.</p>
<p><b>Recommendation 30.</b></p> <p>The Welsh Government should clarify to the Committee what proportion of the £6.4 million of reserves it expected to receive from the UK Government. It should also confirm whether this amount has changed following intergovernmental discussions as a result of the UK Government’s decision not to fund aspects of Border Control Posts, as described by the Minister.</p>	<p><b>Accept</b></p> <p>The Welsh Government had expected that HM Treasury would fund the revenue costs associated with the borders programme, most notably the local staff to conduct documentary and physical checks before charging begins. We had therefore anticipated that the UK Government would fund the full £6.4m.</p> <p>Financial Implications: The cost projections for 2024-25 continue to evolve, as they depend on a number of decisions yet to be taken, not least the start date for physical checks, the details of the Common User Charge and the operating contract for the Holyhead BCP.</p>

## 6. Welsh Government

**65.** The matters in this report span multiple Ministerial portfolios, as follows<sup>63</sup>:

- First Minister, Eluned Morgan MS (International relations, Wales and Europe);
- Huw Irranca-Davies MS, Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs (Oversight of borders policy);
- Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning (International Trade policy, including coordination of matters relating to the UK/EU Trade, export support).

### Evidence on steps the Welsh Government can take

**66.** In an evidence session with the Committee, Professor Potter identified two steps the Welsh Government can take to help support trade:

1. Provide appropriate support to businesses to continue using Wales's trade routes, including to understand the BTOM, Windsor Framework etc; and
2. To ensure BCPs are ready in time for the deadlines that are coming up, "so that when we do start to do more of the border control checks, we have got the facilities in Wales to be able to do them".<sup>64</sup>

**67.** Professor Hayward agreed, adding that the Welsh Government could also:

*"be aware from the perspective of devolution about the implications of changes to Westminster legislation and the way that that would affect, potentially, trade across these islands [...] it's very much a sort of evolving process, and it almost seems as if it's up to the devolved legislatures and executives themselves to be able to keep track of the ramifications for them, and to issue guidance accordingly."*<sup>65</sup>

**68.** In conclusion, both agreed that the uncertainty around post-Brexit trade arrangements will continue for some time into the future.

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<sup>63</sup> Welsh Government, [Cabinet secretaries and Ministers](#)

<sup>64</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, RoP, paragraph 42

<sup>65</sup> Economy, Trade and Rural Affairs Committee, 11 October 2023, RoP, paragraph 44

## UK-EU veterinary agreement

**69.** The former Cabinet Secretary for Economy, Energy and the Welsh Language, Jeremy Miles MS', written evidence from June 2024<sup>66</sup> stated that, if a Labour administration were in place after July's election, "we will want to consider with them and other administrations the implications of" any UK-EU veterinary agreement<sup>67</sup> (which would reduce the need for inspections of live animals and animal products).

**70.** A UK-EU veterinary agreement was included in the UK Labour Party's 2024 general election manifesto "to prevent unnecessary border checks and help tackle the cost of food."<sup>68</sup>

**71.** UK in a Changing Europe (UKICE) explains:

*"Currently – i.e., without a veterinary agreement – all UK consignments are subject to documentary and identity checks. The frequency of physical checks depends on the risk associated with the product category. For example, the level of physical controls is set at 100% for live animals, at 30% for poultry meat and dairy products, and 1% for hay and straw. Some products – like minced meat, raw sausages, or seed potatoes – can no longer be sold into the EU."<sup>69</sup>*

**72.** UKICE's research published in June 2024, found that a an agreement could lead to a 22.5 per cent increase in agri-food exports and a 5.6 per cent increase in imports, while also adding 0.22 per cent to the agricultural sector's value added.<sup>70</sup>

## TCA implementation review

**73.** A UK-EU veterinary agreement is one of four Welsh Government priorities for the upcoming implementation review of the Trade and Cooperation Agreement (TCA).<sup>71</sup> The Committee is currently taking part in a cross-committee consultation of the review, alongside three other committees.<sup>72</sup>

<sup>66</sup> Welsh Government, [Green Economy and General Scrutiny Evidence Paper](#), June 2024, page 7

<sup>67</sup> UK in a changing Europe, [Veterinary agreements](#), October 2024

<sup>68</sup> UK Labour Party, [2024 General Election Manifesto](#), June 2024

<sup>69</sup> UK in a changing Europe, [Veterinary agreements](#), October 2024

<sup>70</sup> UK in a changing Europe, [Would a veterinary agreement be a boost for UK-EU agri-food exports?](#), June 2024

<sup>71</sup> [Letter from the former Cabinet Secretary for Economy, Energy and Welsh Language to the Chair of the Culture, Communications, Welsh Language, Sport, and International Relations Committee, 20 June 2024](#)

<sup>72</sup> [Welsh Parliament, UK-EU implementation review of the Trade and Cooperation Agreement – Consultation](#)