

# Preparing for Brexit

## Follow-up report on the preparedness of Welsh ports

November 2018

---

### Introduction

With less than five months until the UK leaves the European Union, it is an apposite time to explore in more detail the preparedness of various sectors in Wales. This first report, in a series of three, looks at the implications of Brexit for the Welsh ports sector and should be read as a companion to our previous work on Brexit and Welsh ports, which was published in August 2017.

### Background

1. In our 2017 report, we made eight recommendations in relation to Brexit and Welsh ports. During the course of 2018, a clearer picture of the eventual outcome of negotiations and the potential shape of a final Brexit deal has emerged. Whilst some uncertainty remains, the UK Government has made a number of commitments and proposals in terms of how it would like to see EU-UK relations operate after Brexit. They have included:

- publication of a negotiated text on a final Withdrawal Agreement between the UK and the EU;



- publication of the UK Government’s White Paper on the future relationship between the United Kingdom and the European Union; and
- publication of the UK Government’s “no deal” technical notices.

2. On 14 November 2018, the final negotiated text of a draft Withdrawal Agreement between the UK and the EU was published. This agreement deals with the so-called “divorce issues” arising from the UK’s exit from the European Union. Our report is being published to the backdrop of ongoing political developments relating to the Withdrawal Agreement. However, we note that it faces a number of political hurdles before various preparedness issues, particularly a “no deal” scenario, can be ruled out entirely. The timescales for these political hurdles are likely to extend well into 2019, we therefore consider scrutiny of the Welsh Government’s preparedness work to be important in the meantime.

3. In summer 2018, we decided to write to stakeholders for a progress update in relation to:

- the preparedness of Welsh ports for the UK’s departure from the EU and any observations they may have on the current state of play (when compared with the time of the Committee’s original report publication);
- the proposals for new EU-UK customs arrangements;
- how the Welsh Government is leading efforts to prepare Welsh ports for the UK’s departure from the EU, including contingency planning; and
- any other issues that stakeholders might wish to bring to the attention of the External Affairs Committee.

4. We received responses from:

- the Freight Transport Association (“FTA”);
- the Road Haulage Association (“RHA”);
- Cardiff Airport;
- the Welsh Ports Group;
- the Rail Freight Group;
- the Port of Milford Haven;

- Dr Andrew Potter and Professor Anthony Beresford of Cardiff Business School; and
- the Wales Tourism Alliance.

**5.** To explore some of the themes from the written responses in more detail, we held oral evidence sessions on the 8 October 2018 with Richard Ballantyne of the Welsh Ports Group, Debra Barber of Cardiff Airport, and Sally Gilson of the FTA.

**6.** We questioned the First Minister in more detail during an oral evidence session on 5 November 2018.

**7.** This report summarises some of the key themes from the evidence received and sets out our view, conclusions and recommendations.

## 1. General preparedness of Welsh ports

This first section looks at the general preparedness of Welsh ports, and in so doing explores some of the issues relating to: capacity and infrastructure at Welsh ports; future customs arrangements; the implications of “no deal”; technological solutions; and the UK landbridge.

### 1.1. Capacity and infrastructure at Welsh ports

**8.** In 2016, just over 650,000 passenger vehicles and 524,000 lorries and unaccompanied trailers passed through Welsh ports, with the latter accounting for around 80 per cent of all goods carried on Irish registered Heavy Good Vehicles (HGVs) passing between the Republic of Ireland and Europe.<sup>1</sup>

**9.** In written evidence, the Welsh Ports Group explained that the implications of new customs and/or border checks were a particular concern for Roll-on Roll-off (Ro-Ro) freight on Irish Sea ferry services. They also stated that these concerns are less pronounced for ports handling bulk shipments.<sup>2</sup>

**10.** Many stakeholders reiterated the point made by us in our previous report on the implications of Brexit for Welsh ports that there is not the physical space available for new infrastructure at Wales’ major Ro-Ro ports. The FTA said that:

“At present, Irish Sea facing ports do not have the space available to hold waiting traffic as they have been built around the Ro-Ro Just In Time business model.”<sup>3</sup>

**11.** Dr Andrew Potter and Professor Anthony Beresford of Cardiff Business School told us that: “any checks are likely to have significantly more of an impact at Fishguard and Holyhead, where freight is more time sensitive and accompanied by a driver”.<sup>4</sup>

**12.** Sally Gilson of the FTA told us in oral evidence about the implications of a lack of space for hauliers. Ms Gilson said:

---

<sup>1</sup> Welsh Government, [Sea Transport 2016](#)

<sup>2</sup> Written evidence, [Welsh Ports Group](#)

<sup>3</sup> Written evidence, [Freight Transport Association](#)

<sup>4</sup> Written evidence, [Dr Andrew Potter and Professor Anthony Beresford](#), Cardiff Business School

“I don’t think the Irish sea-facing ports actually have the available space to be able to hold waiting traffic as well. So, again, that could be a potential issue for our hauliers: where do they sit and wait?”<sup>5</sup>

**13.** In terms of the movement of people, Dr Andrew Potter and Professor Anthony Beresford said that:

“Mention should also be made of the agreement in December 2017 between the UK and EU in respect of the Irish Border. The biggest positive from this was that the Common Travel Area (CTA) will carry on, so many of the 2.5 million passengers that cross the Irish Sea from Welsh ports can continue to do so with ease.”<sup>6</sup>

**14.** In terms of the conversations that are currently taking place between the UK Government and the sector, the Parliamentary Under-Secretary of State, Robin Walker MP told us that the Welsh Ports and Airports Steering Group is conducted under a “non-disclosure agreement” and that it is “standard practice across Government to hold some conversations on confidential terms”.<sup>7</sup>

**15.** In oral evidence, the First Minister, Carwyn Jones AM, told us that he did not expect the scale of the challenge, in terms of extra capacity that might be required in Holyhead, to be insurmountable and cited the arrangements prior to the end of customs checks in the early 1990s. The First Minister said:

“We know the common travel area would be maintained, so passport control, immigration control wouldn’t be needed. There might be, on a ‘no deal’ Brexit, the need for customs checks. Now, we’ve been there before, in the sense there were customs checks in the Welsh ports before. They were random, they weren’t checks that were carried out for every single vehicle, as they are in airports. Customs checks are carried out on an intelligence basis. So, there’s no need, even if, for example, the worst scenario was to be realised, and there would need to be some kind of customs boundary in place, for every single good to be checked, to my mind. It will still be done on a random basis, in the same way that no airport can possibly check every single passenger that comes in through that particular airport. I don’t anticipate, certainly in the early stages, that there would be a traffic problem. It’s

---

<sup>5</sup> Record of Proceedings, [paragraph 110](#) – 8 October 2018

<sup>6</sup> Written evidence, [Dr Andrew Potter and Professor Anthony Beresford](#), Cardiff Business School

<sup>7</sup> [Correspondence from Robin Walker MP, Parliamentary Under-Secretary of State for Exiting the EU regarding the additional information requested following 11 October EAAL Committee appearance](#) – 7 November 2018

more difficult in Dover than it would be with the Irish ports, but these discussions have taken place with the border delivery group.”<sup>8</sup>

**16.** The First Minister was asked to expand upon his comments in relation to Dover and stated that:

“Dover would have immigration control, which Holyhead wouldn’t, because of the common travel area. All right, it’s probably right to say that most of the delay would be caused to goods rather than to people, but Dover inevitably would have a higher level of checking than Holyhead would. Also, of course, we know that there is a history of people using Dover and the channel ports to enter the UK in a way that hasn’t happened to anything like the same extent in Holyhead. So, the potential for checks in Dover is much, much greater, I’d argue, than it would be in Holyhead.”<sup>9</sup>

## 1. 2. Our view

In common with our previous work in this area, we heard repeated concerns about the vulnerabilities of Wales’ major “Roll-on Roll-off” ports (Holyhead, Pembroke Dock, and Fishguard) to any new delays after Brexit. We reiterate our concerns about the lack of physical capacity and infrastructure to accommodate new customs and border checks.

We note that the commitment to the continuation of the UK and Ireland “Common Travel Area” obviates any requirement for new checks on people travelling between the two States after Brexit.

We note that the First Minister’s comments that additional capacity required at Holyhead would be easily achieved does not correspond with the evidence received from stakeholders in this, and the previous inquiries on the implications of Brexit for Welsh ports. In particular, we would cite the 694 per cent growth in the volume of freight travelling between Holyhead and Dublin since the completion of the EU’s Single Market in 1993.<sup>10</sup>

**Recommendation 1.** We recommend that the Welsh Government publishes details of its contingency plan for managing traffic and congestion that may affect Welsh “Ro-Ro” ports in the event of any new checks and delays becoming

---

<sup>8</sup> Record of Proceedings, [paragraph 111](#) – 5 November 2018

<sup>9</sup> Record of Proceedings, [paragraph 117](#) – 5 November 2018

<sup>10</sup> External Affairs and Additional Legislation Committee, [“Inquiry into the implications of Brexit for Welsh ports” \(evidence from Irish Ferries\)](#) – August 2017

---

necessary after the 29 March 2019 and details of any assessment that has been made in terms of the funding arrangements for any infrastructure that may be necessary.

### 1.3. Future customs arrangements

**17.** In its White Paper, the UK Government proposes a Facilitated Customs Arrangement (FCA) after Brexit. The FCA would see “the UK apply the EU’s tariffs and trade policy for goods intended for the EU. The UK would also apply its own tariffs and trade policy for goods intended for consumption in the UK”.<sup>11</sup> The UK Government states that the FCA model “would remove the need for customs checks and controls between the UK and the EU as if in a combined customs territory”.<sup>12</sup>

**18.** Many stakeholders made positive remarks regarding the UK Government’s proposals for a Facilitated Customs Arrangement.<sup>13</sup> In its evidence, the Welsh Ports Group stated that the customs proposals set out in the UK Government White Paper would be “helpful” and “would avoid the need for any new border checks on UK-EU freight”.<sup>14</sup>

**19.** The Port of Milford Haven noted that the FCA proposals could work “*if* the will on both sides was in place”.<sup>15</sup>

**20.** The FTA, in its evidence, noted a difference of opinion between its members in terms of the UK Government’s proposals. It noted that those involved in the transportation of goods between the UK and the EU welcomed the proposals as it would “essentially retain today’s frictionless trade routes”. Those involved in “rest of the world trade”, however, raised concerns about the scheme’s practicalities since it would “place the administrative burden further up supply chains”.<sup>16</sup> The FTA also said that:

“In terms of impacts on Wales, the FCA would, as we understand it, mean that broadly speaking the impact on ports, airports and other infrastructure would be Business As Usual, however Welsh companies involved in Rest of World trade would have to ensure they were

---

<sup>11</sup> UK Government, [“The future relationship between the United Kingdom and the European Union”](#) – 12 July 2018

<sup>12</sup> [Ibid.](#)

<sup>13</sup> Written evidence, [Rail Freight Group; Port of Milford Haven](#)

<sup>14</sup> Written evidence, [Welsh Ports Group](#)

<sup>15</sup> Written evidence, [Port of Milford Haven](#) (their emphasis)

<sup>16</sup> Written evidence, [Freight Transport Association](#)

---

compliant with the FCA rules and if necessary make investments in IT infrastructure, training and/or use of specialist customs brokers to support their work.”<sup>17</sup>

**21.** In relation to other potential models for customs clearance, including clearing customs at sea, we wrote to Jim Harra, Deputy Chief Executive at Her Majesty’s Revenue and Customs (“HMRC”) to clarify the position. Mr Harra told us that “goods can be declared to customs prior to arrival but they can only be granted customs clearance after they have physically arrived within the UK customs territory”.<sup>18</sup> However, he also stated that “The process of customs clearance does not necessarily involve any physical check at the UK frontier,” and that HMRC will “continue working closely with industry to ensure interventions are conducted in a way which minimises delays and additional burdens for legitimate trade, while robustly ensuring compliance”.<sup>19</sup>

**22.** The draft Withdrawal Agreement includes provisions for the UK to remain a member of the European single market and the Customs Union for the duration of the transition period, which is scheduled to end in December 2020.<sup>20</sup> Arrangements for the so-called “backstop” are included in the “Protocol on Ireland and Northern Ireland” contained within the draft Withdrawal Agreement. It confirms that, from the end of the transition period until the EU-UK future relationship becomes applicable, there will be a single EU-UK customs territory, which will avoid the need for tariffs, quotas or checks on rules of origin between the EU and the UK.<sup>21</sup> However, there would be a need for some additional checks to take place on goods travelling from the rest of the UK to Northern Ireland.<sup>22</sup> The draft agreement states that the EU and the UK have agreed to carry out these checks in “the least intrusive way possible” adding that most would take place “in the market or at traders’ premises”. In terms of checks for animal products, the proposals are for “already existing checks at ports and airports” to continue and

---

<sup>17</sup> Written evidence, [Freight Transport Association](#)

<sup>18</sup> [Correspondence from Jim Harra, Her Majesty’s Customs and Revenue](#) – 14 November 2018

<sup>19</sup> [Ibid.](#)

<sup>20</sup> European Commission, [“European Commission recommends to the European Council \(Article 50\) to find that decisive progress has been made in Brexit negotiations.”](#) – 14 November 2018

<sup>21</sup> European Commission, [Protocol on Ireland and Northern Ireland – information factsheet](#) – 14 November 2018

<sup>22</sup> [Ibid.](#)



“will be increased in scale in order to protect the EU’s Single Market, its consumers and animal health”.<sup>23</sup>

## 1. 4. Our view

We note that the majority of the evidence seemed to support the UK Government’s proposals for a Facilitated Customs Arrangement after Brexit. However, it is clear to us that the sector will need time to prepare for the transition to this new proposed customs arrangement. Furthermore, we note the concerns of those involved in “Rest of World trade” about the added complication of operating under two separate customs regimes.

**Recommendation 2.** We recommend that the Welsh Government explores with Welsh companies involved in international trade (particularly “Rest of World trade”) what assistance they may require in transitioning to a future customs arrangement. Following the results of this exercise, consideration should be given to allocating resources from the Brexit Transition Fund for this purpose and the Welsh Government should report back to us the results.

We further note that the proposals contained within the draft Withdrawal Agreement, unless superseded, will necessitate increased regulatory checks between the rest of the UK and Northern Ireland. We agree that clarity is needed on how these checks will operate in practice, including details of the way in which the potential for increased delays at Welsh ports will be minimised.

**Recommendation 3.** We recommend that the Welsh Government, in its response to our report, outlines its views on the proposals for the Northern Ireland backstop and how they will affect operations at Welsh ports.

## 1. 5. Implications of “no deal”

**23.** All those who submitted written evidence to us expressed concerns about the implications of a “no deal” scenario for Welsh ports.

**24.** The Welsh Ports Group said that “in a “no-deal” scenario many of our concerns about delays at the border [...] could become a reality”.<sup>24</sup> These concerns

---

<sup>23</sup> European Commission, [Protocol on Ireland and Northern Ireland – information factsheet](#) – 14 November 2018

<sup>24</sup> Written evidence, [Welsh Ports Group](#)

include “requirements for full frontier checks (customs and animal/plant health etc) on freight traveling between the UK and Europe”.<sup>25</sup>

**25.** Richard Ballantyne of the Welsh Ports Group expanded upon this during oral evidence and told us that new checks at the border, in the event of a “no deal” would be particularly “daunting” for Roll-on, Roll-off ports such as Pembroke, Fishguard and Holyhead.<sup>26</sup> Mr Ballantyne said:

“Under conventional arrangements, in a ‘no deal’ scenario, that would mean stopping each freight unit at the border for a customs approval process, which may only take a few seconds, but as soon as you start to stop lorries at ports you get queues that back load onto ferries, that back out of ports themselves.”<sup>27</sup>

**26.** Furthermore, Mr Ballantyne emphasised that the sector needs an implementation period. He told us:

“[...]anything that introduces new checks at frontiers is going to be a challenge to actually manage, and, without a proper implementation period and time to build those in, it’s very difficult to see how you would build in those processes immediately. We don’t have the facilities. This is intra-EU movement, so it’s been outside customs controls and port health controls for 25 years at least, which means we don’t have the facilities and processes at the border already. So, anything that introduces those new checks is going to be quite a dramatic change and it’s going to take time for both the port operators to build in new systems, the Government to build in their new arrangements[...].”<sup>28</sup>

**27.** Similarly, the Road Haulage Association told us that a “no deal” scenario without a transition period would “result in major procedural change in the handling of lorries at Welsh ports” and went on to state that:

“UK and EU road hauliers, the overwhelming majority of their customers and UK and EU officialdom are not ready, and will not be ready for a no deal, no transition scenario. There is not, and will not, be sufficient trained and competent customs clearance agents or sufficient resources within UK and EU border agencies. It will not be

---

<sup>25</sup> Written evidence, [Welsh Ports Group](#)

<sup>26</sup> Record of Proceedings, [paragraph 13](#) – 8 October 2018

<sup>27</sup> [Ibid.](#)

<sup>28</sup> Record of Proceedings, [paragraph 23](#) – 8 October 2018

---

possible to put systems in place, and to train sufficient people to deal with border processes in the UK or the EU by 30 March 2019.”<sup>29</sup>

**28.** In concluding their remarks, submitted in written evidence, the RHA said that “current preparations are insufficient to avoid catastrophic disruption to supply chains” and that a transition period was “essential”.<sup>30</sup>

**29.** The FTA cautioned that a “no deal” scenario may not be a “strictly accurate description” of what may transpire. The FTA said:

“For example, we understand that the UK should be able to accede to the Common Transit Convention prior to the withdrawal date. It may also be possible to negotiate some other “quick-win” measures to ease friction at the Border; staying in the European security zone for example in order to avoid the need for Entry and Exit Summary Declarations.”<sup>31</sup>

**30.** In written evidence, the Wales Tourism Alliance (“WTA”) stated that “a no deal, hard border option would be the worst possible option” and expressed a preference for the continuation of “seamless travel” after Brexit. The WTA also said that it would be helpful for the Welsh Government to demonstrate leadership by disseminating information to transport operators, stating that “action is needed to allay fears and to provide reassurance”.<sup>32</sup>

**31.** In terms of a “no deal” Brexit, Debra Barber of Cardiff Airport stated that the “doomsday” scenario would be that on the day after the UK leaves the EU “aircraft stop flying around Europe”. However, she added that “none of us in the aviation industry or airports industry absolutely expect that to happen”.<sup>33</sup> Ms Barber went on to emphasise the need for an “agreed transition period that will allow things to continue as they are for a defined period whilst those agreements are thrashed out and finalised”.<sup>34</sup>

**32.** In his written update to us, the First Minister stated that the recently published UK Government technical notices:

---

<sup>29</sup> Written evidence, [Road Haulage Association](#)

<sup>30</sup> [Ibid.](#)

<sup>31</sup> Written evidence, [Freight Transport Association](#)

<sup>32</sup> Written evidence, [Wales Tourism Alliance](#)

<sup>33</sup> Record of Proceedings, [paragraph 81](#) – 8 October 2018

<sup>34</sup> Record of Proceedings, [paragraph 86](#) – 8 October 2018

“[...] outline huge potential changes that raise questions about the time, capacity and expertise and ability of firms to adapt[...].”

and

“simply underline the key message of the Welsh Government: that a no deal scenario must be avoided.”<sup>35</sup>

## 1. 6. Our view

We are clear that a “no deal” scenario would pose a serious threat to the ports sector, our trading relationships with neighbours and the Welsh economy. We note the evidence that suggests that a “no deal” scenario would lead to short- to medium- term disruption at our ports and borders. We cannot endorse a “no deal” scenario as either necessary or desirable and urge the Welsh Government to continue making the case for it to be avoided.

We heard that some stakeholders would welcome more information and assurance from the Welsh Government as they prepare for Brexit. As the Article 50 period enters its closing stages, there needs to be a step-change in Welsh Government Brexit preparations in relation to ports in Wales. We would welcome more detail and clarity from the Welsh Government in terms of its contingency planning before we are assured of the robustness of its preparations.

**Recommendation 4.** We recommend that the Welsh Government improves its overall communication with ports, and stakeholders connected with ports, such as freight and haulage organisations, travel operators, and the tourism sector to provide them with greater assurance around the preparations and planning for 29 March 2019.

## 1. 7. Technological solutions

**33.** During this, and the previous inquiry work that we have conducted in relation to Brexit and ports, we heard about the need for technological solutions and new IT arrangements after Brexit.<sup>36</sup>

**34.** In oral evidence Richard Ballantyne of the Welsh Ports Group explained the need for new systems as part of the move to any future customs arrangements:

---

<sup>35</sup> [Correspondence from the First Minister on preparedness](#) – 2 November 2018

<sup>36</sup> See: [Inquiry into the implications of Brexit for Welsh ports](#)

---

“Well, at the moment, if you imagine hauliers bringing freight in and freight forwarders and agents—at the moment, they don’t have to think about these kinds of things: the customs arrangements, the port health checks that I talked about earlier, some of the certificates on board. All that sort of paperwork and how you get that to the UK authorities, and presumably the Irish authorities, needs to be built into arrangements. There isn’t a phone line you pick up and say, ‘HMRC, I’m here and this is what it is.’ So, it’s about building systems, IT systems, building the culture as well where the hauliers and the freight forwarders and the movers of freight understand what their role is, how they interface with the carriers, i.e. the ships and the ferries, and then how the port might have a role in facilitating the actual information as it’s passed on and allowing the freight to move freely between, in this case, Wales and Ireland.”<sup>37</sup>

**35.** Richard Ballantyne went on to tell us that any new system was very unlikely to be ready and could take a minimum of two years.<sup>38</sup>

## 1. 8. Our view

Although we did not consider the issue of technology in great detail, we note the concerns of stakeholders that technological solutions will not be ready either in time for March 2019, nor potentially in time for the end of the transition period, which is currently scheduled for December 2020.

**Recommendation 5.** We recommend that the Welsh Government updates us on the discussions that it is having with counterparts in the UK Government on new IT systems in relation to future customs arrangements. This update should include details of how the needs of Welsh ports are being considered and addressed in any future IT system, and the latest anticipated timescales for completion of this work.

## 1. 9. The UK “landbridge”

**36.** The Rail Freight Group highlighted the need for the continuation of the Ireland-UK-EU “landbridge” after Brexit, and argued that the UK Government’s FCA proposals should help to achieve this.<sup>39</sup>

---

<sup>37</sup> Record of Proceedings, [paragraph 44](#) – 8 October 2018

<sup>38</sup> Record of proceedings, [paragraph 50](#) – 8 October 2018

<sup>39</sup> Written evidence, [Rail Freight Group](#)

**37.** The Port of Milford Haven noted that:

“The possibility of delays in loading and unloading ferries, longer check-in and processing times, traffic instead using ports in England and Scotland to reach Ireland through Northern Ireland, or bypassing the UK altogether, will have an impact on the west Wales economy.”<sup>40</sup>

**38.** Milford Haven also stated that:

“With two thirds of Irish exports going through English and Welsh ports, via the UK landbridge, to the Channel ports and onwards to the continent, any establishment of an island of Ireland regulatory system that diverges from the rest of the UK – i.e. a hard border in the Irish Sea – would be deeply unhelpful to our operations.”<sup>41</sup>

**39.** Furthermore they highlighted the recent European Commission proposals to revise the “North Sea-Mediterranean transport corridor.” by offering financial incentives to bypass the UK landbridge and Welsh Ro-Ro ports.<sup>42</sup> These moves have subsequently been opposed by the French transport Minister.

**40.** During oral evidence, the First Minister described the difficulties in relation to the border on the island of Ireland. The First Minister said:

“I think that you have a real problem while you have a completely open border. It’s not a border with Ireland, as it were; it’s a border with the EU. And certainly, the indications I’ve had in discussions with Brussels is that the EU sees Ireland as a back door to the EU. I think their greatest fear is that the UK has some kind of agreement with other countries that allows products that are not manufactured to EU standards to leak into the EU via Ireland. That’s where they come from. It’s hugely difficult and not obvious to me how you can have an open, unpatrolled border but have different customs arrangements on either side of that border. I don’t know of anywhere else in the world where that scenario exists. Every other country where there is a difference of that magnitude has a border where there are checks—of various different levels of magnitude, but they’re still there.”<sup>43</sup>

---

<sup>40</sup> Written evidence, Port of Milford Haven

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Record of Proceedings, paragraph 71 – 8 October

## 1. 10. Our view

In our previous work on the implications of Brexit for Welsh ports, we found that fears that the UK landbridge would be by-passed altogether, in favour of direct maritime links with the European continent, are not as significant as the risk of displacement of traffic through Northern Ireland and to ports in England and Scotland, should a hard border between Great Britain and the island of Ireland, and a soft border between Northern Ireland and the Republic of Ireland, be introduced after Brexit. We reiterate this view in this report. However, we would also bring to the attention of the Welsh Government recent moves by the European Commission to offer incentives to potentially bypass the UK landbridge.

## 2. Wider implications for freight, aviation and users of ports

Brexit will affect more than just the major ports of Wales. In gathering evidence, we consulted with connected sectors and parties. This section looks at the wider implications for freight, aviation and users of ports.

### 2.1. Road haulage permits

**41.** EU law governs significant aspects of road transport and while international agreements exist as a “fall back” position, these are more limited than the EU internal market and legal framework.<sup>44</sup>

**42.** One key consideration that emerged during evidence was the status of ECMT (European Conference of Ministers of Transport) permits after Brexit. The ECMT permit system allows for:

- journeys between member countries, including transit journeys whether laden or empty; and
- third-country journeys to other ECMT countries which would otherwise be prohibited under certain bilateral agreements.<sup>45</sup>

**43.** Sally Gilson of the FTA expressed concerns about access to these permits in the event of a “no deal” Brexit.<sup>46</sup> In additional evidence, the FTA stated that in the event of a “no deal”, and in the absence of “a new EU-wide or bilateral agreements, the only available system will be ECMT permits”. Quota limits apply to the ECMT permit system, and the UK has base limit of 102 annual permits, which can be converted into a higher number of permits if their use is restricted to EURO VI vehicles or if they are converted into monthly permits.<sup>47</sup>

---

<sup>44</sup> For example, the non-EU European Conference of Ministers of Transport (ECMT) multilateral quota system of permits for pan-European road haulage excludes cabotage operations.

<sup>45</sup> UK Government, “International road haulage: vehicle operator licences and permits” – [last updated] 5 November 2018

<sup>46</sup> Record of Proceedings, paragraphs 23-24 – 8 October 2018

<sup>47</sup> Additional evidence, Freight Transport Association

---



**44.** These restrictions would also apply to operators in the remaining EU27 countries going to the United Kingdom. The FTA states that limiting permits would mean that only 2 per cent to 5 per cent of UK transport need would be covered.<sup>48</sup>

**45.** The UK Government has subsequently announced guidance on the determination of permit allocations.<sup>49</sup> The guidance confirms that the Department for Transport (DfT) “expects the number of applications for ECMT permits will exceed the number of permits available” and therefore “criteria will be applied to permit applications”.<sup>50</sup> The DfT states that the criteria applied are designed to “get the greatest benefits for the UK economy from these permits, while being fair and equitable to UK hauliers”.<sup>51</sup>

**46.** Dr Andrew Potter and Professor Anthony Beresford also identified the risks to Welsh ports of a reduction in the feasibility of operating Ro-Ro logistics. They stated that:

“Currently, road haulage operates throughout the EU on the basis of a Community Licence. Neither scenario has a clear position from the UK Government on the situation post-Brexit. In the White Paper, there is talk of seeking to develop a permit system (for which some initial legislation has been agreed by Parliament). However, no permits would be required for north-south movements in Ireland. With no deal, the situation would likely revert to the ECMT permit system with a limited number of licences awarded to UK vehicles. The consequence of these situations could be an increase in unaccompanied or Lo-Lo freight – in fact, this is something the UK Government is recommending in the case of a no-deal Brexit. This traffic could pass through Holyhead but would require the port to reconfigure its operations and need more standing space for trailers. By contrast, Liverpool already has such facilities which may then increase its attractiveness.”<sup>52</sup>

**47.** The RHA expressed concerns that:

“Few of the parties who will have to introduce new processes, or obtain new permissions (such as EORI numbers for importers and exporters, or

---

<sup>48</sup> Additional evidence, [Freight Transport Association](#)

<sup>49</sup> UK Government, [“Allocation of ECMT haulage permits: guidance for hauliers”](#) – 5 November 2018

<sup>50</sup> [Ibid.](#)

<sup>51</sup> [Ibid.](#)

<sup>52</sup> Written evidence, [Dr Andrew Potter and Professor Anthony Beresford](#), Cardiff Business School

---

road haulage permits for operators), are able to take meaningful action to prepare while the negotiations are still ongoing.”<sup>53</sup>

**48.** The Port of Milford Haven stated that continued membership of the Common Transit Area was essential.<sup>54</sup>

**49.** In correspondence with us, the First Minister stated that the UK Government’s technical notices highlight the “potentially huge disruption” and “uncertainty” for employers in significant sectors including “shipping companies, hauliers and exporters”.<sup>55</sup>

## 2. 2. Our View

We are concerned by the potential implications of a “no deal” Brexit for the allocation of road haulage permits in the UK and note the concerns expressed to us that this could have serious UK-wide implications for movement of freight and goods. Clearly, the movement of goods and freight touches on other sectors of the country and economy for example medicines, and food. We will explore these other sectors in more detail as part of our forthcoming preparedness reports.

**Recommendation 6.** We recommend that the Welsh Government works with its key economic stakeholders to ensure that they have the necessary capacity and resources to take part in the UK Government’s permit application scheme and reports back to us on its efforts in that regard.

## 2. 3. Potential implications for aviation and tourism

**50.** In their written submission, Cardiff Airport detailed the significant degree of engagement that it was undertaking in relation to Brexit preparations including involvement in high-level discussions with the Department for Transport and representation at the Welsh Ports Steering Group.<sup>56</sup> Debra Barber, Chief Executive of Cardiff Airport, expanded on this during oral evidence stating that:

---

<sup>53</sup> Written evidence, [Road Haulage Association](#)

<sup>54</sup> Written evidence, [Port of Milford Haven](#)

<sup>55</sup> [Preparedness letter from the First Minister](#) – 2 November 2018

<sup>56</sup> Written evidence, [Cardiff Airport](#)

“there is a huge amount of work going on behind the main overarching negotiation, looking at contingency planning around bilateral agreements and things like that.”<sup>57</sup>

**51.** In oral evidence, Debra Barber emphasised the importance of continued mutual recognition of certification between the UK and Europe after Brexit.<sup>58</sup> Ms Barber told us:

“We currently are part of the European Aviation Safety Agency. Now, actually, the UK was instrumental in the majority of European aviation safety regulation. In the UK, we apply—we’re probably stricter than Europe. So, all of the current European safety regulation would be enshrined within UK law through the Withdrawal Act. So, the UK has already said that we would apply mutual recognition to European airlines. Although Europe is currently saying they wouldn’t, again, there is expectation that that will happen as the negotiation continues.”<sup>59</sup>

**52.** Ms Barber also noted the importance of the aviation sector for Europe on the whole, and agreed with the assertion that the geographic importance of UK airspace should help to ensure that an agreement is reached.<sup>60</sup>

**53.** The Wales Tourism Alliance highlighted a number of concerns about the implications of Brexit for the tourism sector. In addition to emphasising the need for seamless travel, the WTA stated that:

“There has been a singular lack on information and direction given by WC, which we believe has caused much widespread frustration.”<sup>61</sup>

**54.** The WTA also expressed concerns about the lack of time available for detailed analysis of the issues and preparation of the sector.<sup>62</sup>

---

<sup>57</sup> Record of Proceedings, [paragraph 83](#) – 8 October 2018

<sup>58</sup> Record of Proceedings, [paragraph 29](#) – 8 October 2018

<sup>59</sup> Record of Proceedings, [paragraph 84](#) – 8 October 2018

<sup>60</sup> Record of Proceedings, [paragraphs 95 to 98](#) – 8 October 2018

<sup>61</sup> Written evidence, [Wales Tourism Alliance](#)

<sup>62</sup> [Ibid.](#)

## 2. 4. Our view

We note that concerns about the grounding of flights after Brexit appear to be overstated, not least given the strategic importance of UK airspace for European and transatlantic flights.

We agree that mutual recognition of civil aviation certification must be secured after Brexit to ensure the continued smooth operation of air travel in the UK and the EU before Brexit and note that the EU (Withdrawal) Act 2018 contains provisions to facilitate this.

We note the frustration expressed to us by the tourism sector about the lack of communication from the Welsh Government and urge improvements in this regard in relation to all affected sectors as set out in our earlier recommendation four.

## 2. 5. Future regulatory regime (habitats, wildlife, fisheries)

**55.** A number of issues relating to the future regulatory regime affecting Welsh ports also came to light during our work. In particular, the British Ports Association stated that:

“we are still seeking clarification on regulatory changes over both outcomes in respect of environmental (planning and consenting) and competition (state aid and the EU Port Services Regulation) rules and if the UK could amend post Brexit.”<sup>63</sup>

**56.** The Port of Milford Haven highlighted the potential to grow the domestic fishing industry after Brexit and said that they would like to see positive fiscal and funding policies to facilitate this, including a reformed successor to the European Maritime and Fisheries Fund. Furthermore they made calls for fisheries to remain a devolved matter on the basis that the Welsh Government is best placed to react to local needs.<sup>64</sup>

## 2. 6. Our view

We note that Brexit might provide opportunities to do things differently, particularly in relation to future fisheries policy.

---

<sup>63</sup> Written evidence, [Welsh Ports Group](#).

<sup>64</sup> *Ibid.*

**Recommendation 7.** We recommend that the Welsh Government outlines in its response whether it intends to bring forward new environmental regulations after Brexit and how these may interact with the UK Government proposals for a “common rulebook” after Brexit.