

Written Submission by Irish Ferries to;

The External Affairs and Additional Legislation Committee, National Assembly for Wales.

1. Introduction.

Irish Ferries have been invited to provide a written submission to this Committee on the implications of Brexit for ports in Wales and in that context, to respond to two key questions, which are;

- **What risks and opportunities does Brexit present for Welsh ports?**
- **What steps should be taken, and by whom, to mitigate any risks and secure any benefits?**

It is important to note that Irish Ferries do not have a public position on this and are unlikely to do so until the outcome is more clearly defined. We have a responsibility to our shareholders and customers, to approach this in a measured way.

At this very early stage in the Brexit process, any reports on the likely impact of Brexit in relation to international trade, and in turn its impact on trade through the ports in Wales, will inevitably contain a high degree of speculation. This report has been prepared in direct response to the request from the Committee, but is not intended to be the formal public position of Irish Ferries.

Irish Ferries are members of the UK & Irish Chambers of Shipping and together with all of the other UK Ferry Operators, through the UK Chamber of Shipping, we have started the process of engaging with the UK Government Team, on the implications of BREXIT for our industry, to look for solutions, to facilitate and grow trade.

As negotiations, at Government levels, continue and a clearer picture emerges, Irish Ferries will continue to work towards the best possible outcome, together with the other ferry operators and our industry representatives.

In response to the two specific questions raised by the Committee, before we can address these, we need to consider the current market, for Roll On/Roll Off traffics, between the island of Ireland and Great Britain and also to consider how this market has developed, since the advent of the full status Single Market on the 1st January 1993.

It should be noted that, whilst there are common concerns at all ports, that can be progressed as industry wide issues, the Welsh ports that trade almost exclusively with Ireland, are in a unique and potentially vulnerable position. We propose to explain this in detail, in the next section of this report.

2. Irish Ferries Services – Routes and Traffic Volumes – 2016.

Page 1 of the report attached confirms that in 2016, we carried 1.623 million passengers, 414,100 cars and 286,100 freight vehicles, on 5,286 sailings, primarily between Ireland and Wales, but also between Ireland and France.

3. Current Market – Island of Ireland and UK – Traffic Volumes – Routes and Operators.

Page 2 of the report attached identifies a total market (2016 figures) of 4.73 million passengers, 1.163 million cars and 1.720 million freight vehicles moving between the two islands, with 42% of passengers and cars and 47% of freight, moving on routes that connect with the Irish Land Boundary.

There are up to 84 sailings per day in total, operating between 11 ports.

Irish Ferries operate from 4 of these ports and account for 16 of the 80 daily sailings.
Page 3 of the attached report details all of these volumes and routes.

4. Freight Traffic Volumes – Comparison Between 1992 and 2015.

Prior to the transition to Single Market (EU) Status on the 1st January 1993, the Freight Market between the two islands, was dominated by the routes connected with the Northern Irish land boundary, as shown in the table below;

All Ireland to UK Freight Market Growth 1992 -2016

<u>Route Statistics (Freight Units)</u>	1992 2016		Growth 1992 to 2016	
			Volume	%
<u>Central Corridor</u>				
<u>Central Corridor Short Sea Dublin - Holyhead</u>	53,992	428,623	374,631	694%
<u>Central Corridor Long Sea Dub - Liverpool</u>	97,431	385,996	285,565	273%
<u>Central Corridor Total</u>	151,423	814,619	663,196	438%
<u>Southern Corridor</u>				
<u>Southern Corridor Total</u>	57,050	101,892	44,842	79%
<u>Republic of Ireland Short Sea</u>	110,289	530,515	420,226	381%
Total Rep. Of Ireland Cross Channel	208,473	916,511	708,038	340%
<u>Northern Corridor Belfast & Larne Total</u>	498,036	803,024	304,988	61%
Total Island of Ireland Cross Channel	706,509	1,719,535	1,013,026	143%

There were a number of factors that explain the dominance of the Northern Routes prior to 1993 and why the Welsh Ports, in particular Holyhead, have grown so significantly in the overall context of the Market, since 1992, as outlined in the comparison table shown above. The key factors are listed in the next section of the report.

5. The 1990's – Welsh Ports Growth - The Key Issues.

5.1. The 1/1/93 EU Customs Changes.

Prior to the 1/1/93 intra-EU Customs changes, every export vehicle had to be cleared for loading by Customs, before it could be loaded on to a ship and every import vehicle had to be cleared through Customs before it could leave the port. These procedures necessitated the completion of an SAD customs entry for every vehicle, by the ferry operator or agent, a labour intensive and time consuming process.

Port facilities also had to be maintained for the inspection and examination of goods by Customs and Excise, including refrigerated facilities, to examine chilled, or frozen cargo.

The 1/1/93 changes completely removed the need for these procedures.

5.2. The Northern Ireland Land Boundary.

The Northern routes carried the greater share of the business, with greater capacity, shorter sea routes, frequency of sailings and fast clearances times at the Irish land boundary between the North and the South.

These clearance times were always faster than the seaport connections with the South due to the inconsistency of checks between the land and sea “borders”. It was a question of expediency at the Border crossing points, where the emphasis was on security, rather than the overly bureaucratic approach that sometimes prevailed with HMRC (and Irish R&C), at the sea ports.

The reality was also that vehicles standing at the land boundary could become targets, for all sorts of activities. So the 1/1/93 changes in Customs Procedures also encouraged the use of Holyhead versus the Border, by “levelling the playing field”.

5.3. Investment and Expansion in Holyhead.

In 1994, Irish Ferries and Stena Line started the re-development of Holyhead, jointly investing over £42 million in the port, introducing twin tier ramps and larger ships, with significant increases in freight capacity. Since that time, both companies have added significant investment to the two corridors, both “Central” and “Southern”, with other key dates for additional sailings and larger ships.

There are currently 20 sailings per day in total, to and from Holyhead, combining the sailings of both ferry operators.

Also there was some increase in terminal capacity, by land reclamation from the sea, on Salt Island. However this reclamation was not in proportion to the huge growth in throughput, so there is significantly less space in Holyhead overall, when taking the huge growth in business into account.

However, the lack of a need to maintain standage areas, for vehicles awaiting Customs clearance (exports and imports), lent itself to efficient utilisation of all available space, to cope with the increase in throughput.

This investment, coupled with the freedom of vehicle movement, has allowed and encouraged the growth of Holyhead port.

Today, Holyhead is the second busiest Ro/Ro port in the UK, with only Dover handling more cars and freight vehicles each year.

6. BREXIT – Possible Options for Trading Relationships.

Clearly it is far too early to predict the outcome of what could become protracted negotiations with the EU. However there is speculation that we will end up with one of three scenarios, or a derivative of them.

- Intra – EU Trade Special Status in the Single Market – UK Continuing to trade with the EU, largely as it does now, but with restrictions on the movement of people.
- Non EU status – but with preferential trade arrangements, like the EEA Countries status, e.g Norway.
- Third Country Status – Full Border Controls between the UK and the EU.

In all cases, the UK has to avoid returning to a Customs Regime at the ports, which requires all import and export vehicles to be detained in the port, until processed through laborious and labour intensive control procedures.

If this were to happen “UK PLC” would quickly grind to a halt. To illustrate this we should consider the Port of Dover as a prime example;

Since 1992, Dover’s throughput has increased from 1 million to 2.5 million ro/ro freight vehicles. When the Port of Calais effectively closed for two days in 2015 and Dover ground to a halt, the UK Government quickly realised the hugely negative impact on the economy that any major disruption to port services will have.

This was followed by a series of meetings, between the ferry industry and Government, to review capacity and alternative ports on all routes, including the Irish Sea.

This serves to highlight what an overly bureaucratic approach to BREXIT could mean to the ports.

There are alternatives, which must be fully explored, by consultation with industry.

7. Established Trading Relationship Between the UK and Ireland.

For many years, prior to their membership of the EU, the Irish Republic and the UK have had agreements in place to promote trade and simplify border controls. For the movement of goods there was an Anglo-Irish Free Trade Agreement, which was phased out when we both achieved full Member Status of the EU.

We have also had a Common Travel Area Agreement in place for many years, which still allows Irish and UK citizens to move between the two countries, without the need for a passport.

In the context of BREXIT, it has been reported in the press, that both the Irish and UK Governments have indicated that they would want to preserve the free movement of people between the UK and the Irish Republic, post implementation of any BREXIT changes.

In relation to Northern Ireland, it has been reported in the press that the Governments of the Irish Republic, the UK and the Northern Ireland Assembly, have all indicated a marked reluctance to “return to the borders of the past”. This could imply less restrictive controls on the movement of goods also, in addition to people, via the Irish Land Boundary.

8. Potential Risk to Trade at the Welsh Ports.

There should not be a more relaxed regime in place, after Brexit, at the Irish Land Boundary, for the movement of people and goods, (in fact this is contrary to WTO Guidelines). This would encourage trade and the movement of people via this route, and then the Northern Ireland ports, at the expense of the direct ferry routes into Wales.

Overall this may not be damaging to the UK economy, as the same volume of trade could still move between the two countries, just via the ports with direct routes into the North of Ireland. It could also be said that for the Irish Republic as a whole, the economy and trading relationship with the UK would be maintained, however it would impact on the direct service ports of Dublin and Rosslare and the associated industries, with an impact on jobs.

The major negative impact could be on the Welsh economy, with the potential for a marked reduction in throughput at the Welsh ports.

That completes the detailed review of the current markets and the issues that may arise. Taking into account all of the foregoing, Irish Ferries now respond to the two questions raised by this Committee;

Q1. What risks and opportunities does Brexit present for Welsh ports?

Risks.

- If a stringent Customs regime was in place at the Welsh seaports with direct connections to seaports in the Irish Republic, and a less onerous or more relaxed regime was in place at the Land Boundary on the island of Ireland, there is a risk that this could cause significant displacement of traffic, from the Welsh ports, to ports in Northern England and Scotland. This could have serious economic consequences for the ports in Wales and Ireland, both in direct and indirect employment.
- Welsh Ports and UK Ports as a whole, cannot revert to pre-1993 Customs Procedures, where all import and export vehicles, would have to be cleared through Customs, by the preparation, lodgement and Customs clearance of every individual consignment within each vehicle. Not only have traffic volumes grown considerably, but the whole process of goods ordering and delivery has changed. Previously, large quantities of stock would have been held in local warehouses and depots within the UK and Ireland, however, with the onset of the “Just in Time” ethos, goods are frequently ordered on day1 with a commitment to deliver on day 2. This can be illustrated on an individual consumer level, with the growth of internet orders.

It's not just a question of the lack of space within the ports, but also the threat to the economy as a whole, with goods and product supplies being severely disrupted, if there are delays in the movement of goods within the ports.

It is in the interest of our existing partner states within the EU, to develop an agreed IT lead electronic solution, that will enable the current trading levels to continue.

Opportunities.

- As identified on page 3 of the attached report, there are 84 sailings a day between the two islands. 28 of the 84 sailings are to and from the 3 ports in Wales, which is 34% and of the 44 sailings per day, to and from the Irish Republic, the total of 28 represents 64% of the total sailings. So, the Welsh Ro/Ro ports have a significant role to play, now and in the future, in the continuance and development of trade between the two countries.

Irish Ferries have ordered a new ship at a cost of €144 million, for delivery in 2018, to increase freight and passenger capacity on the Irish Sea.

With a “level playing field” the Port of Holyhead can continue to be the gateway to the Irish Republic, to continue to facilitate and expand, trade and tourism links between the two countries.

- In 1999, the sale of Duty Free Goods, for intra EU passenger movements, was abolished. Contingent on the final outcome, in terms of the Customs regime in place after Brexit, the case will be made for the re-introduction of Duty Free Goods. This has potential benefits for the retail trade, the ferry and airline operators and service infrastructure suppliers. We understand that the UK and the European Travel Retail Organisations have started a preliminary review process for this.

Q2. What steps should be taken, and by whom, to mitigate any risks and secure any benefits?

- There is a need for continuous dialogue between the ferry industry and the HMRC Brexit Team. Through the UK Chamber of Shipping, that process has already started, with the ferry and ports industry facilitating fact finding missions from the HMRC Brexit Team, to both Dover and more recently, to Holyhead. This communication is vitally important, so that we can work together for a mutually acceptable solution i.e one that achieves their objectives in protecting the UK Borders, but that also continues to allow the free flow movement of vehicles, goods and passengers within an agreed framework of IT based controls.
- In Wales, we need the support of the National Assembly for Wales, the Welsh Government and the Office of the Secretary of State for Wales, to ensure that the ports in Wales can continue to compete equally, with all other ports and routes to and from the island of Ireland, including routes that connect with the Irish land boundary.

Paddy Walsh
UK Ports Manager
Irish Ferries Limited

19th May 2017.

1. IRISH FERRIES – ROUTES, SHIPS AND SERVICES.

Irish Ferries are a ferry company, carrying passengers, cars and freight vehicles, between Ireland, Great Britain and France. Irish Ferries are a wholly owned subsidiary of the Irish Continental Group, who are registered on the Irish Stock Exchange.

Our current ships and routes are;

- **Holyhead to Dublin.** MV “Ulysses”, which is 210 metres long and has a gross registered tonnage of 51,000 tonnes. This ship has the capacity to carry 1,900 passengers, 1,342 cars or 240 freight vehicles, per sailing.
- **Holyhead to Dublin.** MV “Epsilon” which is 187 metres long and has a gross registered tonnage of 26,375 tonnes. The ship has a capacity to carry 500 passengers, 170 freight vehicles or 80 freight vehicles and 125 cars per sailing.
The ship operates on the Holyhead service 5 days per week and from Dublin to Cherbourg at the weekends.
- **Holyhead to Dublin.** MV “Jonathan Swift”, which is a fastcraft, 87 metres long, with a gross registered tonnage of 5,989 tonnes. This ship has the capacity to carry 745 passengers, 200 cars and up to 10 coaches, per sailing.
- **Pembroke to Rosslare.** MV “Isle of Inishmore”, which is 183 metres long with a gross registered tonnage of 34,000 tonnes. The ship has capacity for 1,260 passengers, 710 cars or 122 freight vehicles per sailing.

We also operate a ferry service from Rosslare to Cherbourg and Roscoff.

In 2016 we carried 1.623 million passengers, 414,100 cars and 286,100 freight vehicles on 5,286 sailings between Ireland and Wales and Ireland and France.

2. IRISH FERRIES INVESTMENT IN SHIPS AND PORTS.

Since the mid 1990’s Irish Ferries have invested over €500 million in new ships and port facilities. In Holyhead this port investment was a joint project with Stena Line Ports, the owners of the Port of Holyhead. Irish Ferries share of the initial development costs was over £20 million. In Pembroke Dock, the investment was a joint project with the Milford Haven Port Authority, at a cost of over £11 million. Both of these port developments were primarily privately funded, with very little grant aid being made available.

Irish Ferries have recently announced a €144 million investment in a new cruise ferry for delivery in May 2018.

TRAFFIC FLOWS AND ROUTES- ISLAND OF IRELAND.

Here are the volumes of passengers and vehicles that currently move between the island of Ireland and the UK mainland, by sea. These are the 2016 totals.

Corridor	Passengers	Cars	Freight Vehicles
Northern	2,034,000	490,000	803,024
Central	2,059,000	488,000	814,619
Southern	637,000	185,000	101,892
RoI Irish Sea Totals	2,696,000	673,000	916,511
Island of Ireland Totals	4,730,000	1,163,000	1,719,535

The Northern Corridor Figures are the totals handled through the Ports of Belfast, Larne and Warrenpoint, from the Ports in Scotland and Northern England.

The Central Corridor Figures are the totals handled through the Port of Dublin, from Northern England and Holyhead.

The Southern Corridor figures are the totals handled through the Port of Rosslare, from Pembroke and Fishguard.

From the totals shown above, the percentages carried to and from Northern Ireland and the Irish Republic, are;

Area	Passengers	Cars	Freight
Northern Ireland	43%	42%	47%
Irish Republic	57%	58%	53%

IRISH SEA FERRY ROUTES AND OPERATORS 2016.

In 2016, there were up to 84 sailings per day between Ireland and the UK mainland, with 48% of them operating via Northern Ireland. The number of sailings does vary, based on seasonal traffic flows.

In 2016, additional capacity was added to the Dublin – Liverpool route by Seatruck, now operating up to eight sailings per day on this route.

Island of Ireland Port	Operator	British Mainland Port	Sailings Up to.....Daily
Larne	P&O	Cairnryan	14
Belfast	Stena	Cairnryan	12
		Heysham	4
		Liverpool	6
Warrenpoint	Seatruck	Heysham	4
			40
Dublin	Seatruck	Heysham	2
		Liverpool	8
	P&O	Liverpool	6
	Stena	Holyhead	8
	Irish Ferries	Holyhead	12
Rosslare	Stena	Fishguard	4
	Irish Ferries	Pembroke	4
			44