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This document is an update to the ‘Proof of Evidence – Chief Witness’ document WG 1.1.1. It contains an update following the addition of the bridge protection measures in the DRAFT AMENDMENT (NO.2) SCHEME ORDER and a general update on the works to address the allegation of serious detriment upon Newport Docks by Associated British Ports (ABP).

Scheme Evidence Update

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Welsh Government, Port Economics

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1. Author

- 1.1 I am Andrew Meaney. I am a Partner and Head of Transport of Oxera Consulting LLP. My professional qualifications are set out in my main Proof of Evidence (WG1.4.1) and are not repeated here.
- 1.2 I confirm that the opinions expressed are my true and professional opinions.

2. **Scope and Purpose of this Scheme Evidence Update**^{2.1}

This document is an update to the 'Proof of Evidence – Port Economics' document (WG1.4.1). It contains an update following the addition of the bridge protection measures in the DRAFT AMENDMENT (NO.2) SCHEME ORDER and a general update on the works to address the impact of serious detriment upon Newport Docks.

- 2.2 This evidence provides an update to my previous evidence with respect to the potential impact of the proposed Scheme on the Newport Docks. The following sections of my evidence are updated by this evidence:

Andrew Meaney Port Economics Main Evidence (WG 1.4.1)

Section 3—Shipping Impact of the Scheme

Section 4—Quayside Impact of the Scheme

Section 6—Detriment to ABP's undertakings at Newport Docks

Section 7—Conclusions

Andrew Meaney Port Economics Supplementary Evidence (WG 1.4.5
PID 64)

Section 2—Updated estimate of financial detriment

- 2.3 Aspects of my evidence interface with the evidence of other witnesses including

- a) Mr Matthew Jones
- b) Mr Jonathan Vine
- c) Mr Ben Sibert
- d) Mr Stephen Bussell
- e) Mr John Davies

2.4 My evidence is presented in the following structure, with a detailed contents provided at the start of the document.

1. Author
2. Scope and purpose of this Scheme Evidence Update
3. Scheme evidence update

3. Scheme Evidence Update

3.1 In my published Proof of Evidence (WG1.4.1), I evaluate the impact of the Scheme on Newport Docks in relation to:

- a) Shipping traffic and therefore shipping revenues.
- b) Quayside activities and therefore rental income.
- c) Cost savings and other Betterments.

3.2 To estimate the financial detriment to the Statutory Undertaking, I quantified each of these elements. This update reconsiders my estimates of a) and b) above, which in my view would be materially altered by the proposed works. I then present my updated view of the overall financial detriment to the Statutory Undertaking. My assessment relies on the same method described in my published proof. I summarise my approach here for reference. Where I have made changes to the input assumptions, these are specified below.

3.3 Shipping impact of the scheme

Approach in the published proof

3.3.1 In my published proof, I consider the impact of the Scheme on the maritime revenues of the Statutory Undertaking.¹ To estimate growth in maritime revenues, I form an estimate of cargo growth (by commodity) at the Docks in the absence of the Scheme using historical relationships and UK-level port demand forecasts. I then use the published Tariff for ABP South Wales ports alongside data on vessel movements to estimate baseline maritime revenues.

3.3.2 To determine the impact of the Scheme in shipping terms, I relied on the evidence of Mr Jonathan Vine, who had assessed the shipping impediment created.

¹ WG 1.4.1 Section 3.

Mitigation proposals

- 3.3.3 I understand that the Welsh Government proposes to undertake a number of works that would affect shipping activity at the site. I summarise these from the Scheme Evidence Update of Mr Matthew Jones.²

Bridge Protection Measures

- 3.3.4 This would include quay extensions lengthening Junction Cut and narrowing it to 11.0m at the southern end. I understand that a width of 11.0m has been agreed with ABP as that at which risk of mast or superstructure contact with the bridge would be eliminated, without significant reliance on management measures.
- 3.3.5 Further, I am informed by Mr Jones that the narrowing of the Junction Cut may be limited to around 13.5m. I therefore consider the implications of both 11.0m and 13.5m cases.
- 3.3.6 Finally, for comparison with my previous evidence, I also consider the impact of the Scheme on shipping revenues under the existing width.

Mitigation Measures for Water Based Operations

- 3.3.7 The Welsh Government had proposed measures to increase the berthing capacity at South Dock to facilitate reallocation of vessel traffic that would otherwise be restricted by the changes to accessibility of North Dock. These would include:
- a) Refurbishment of 250m of quay on the south side of South Dock (at the eastern end of the Coal Terminal), to be made available as part of Phase One;

² WG 1.1.7 Section 3.

- b) The phased creation of approximately 303m of new quay on the north side of South Dock. Phase One includes the construction of 150m of new quay, and Phase Two includes the construction of the remaining 153m of quayside; and
- c) Dredging of the South Dock, to be included as part of Phase Two.

3.3.8 To quantify the impact on ABP in commercial terms, I rely on the updated evidence of Mr Jonathan Vine.

3.3.9 Mr Vine's analysis looks at how often, with the Scheme in place, vessel visits would have been impeded from entering the North Dock based on historical vessel data. Using the revised beam restriction of the Junction Cut, the number of visits impeded would have increased. With a 1m air draft clearance, a restriction of the Junction Cut to 11m and assuming the raised dock levels that are expected at the dock in the future, 550 visits would have been impeded out of 568 visits to the North Dock over the period 2005 to 2015.³ This corresponds to 299 unique vessels being impeded over the period.⁴ If the Junction Cut were instead 13.5m wide, the number of excluded visits would instead be 268, and the number of unique vessels excluded would be 132.⁵

3.3.10 Mr Vine offers specific insights into how the provision of additional berth space at South Dock described above could be used to further mitigate any shipping impediment created by the Scheme. His evidence shows that this additional capacity would allow the vast majority of displaced vessels to be reallocated to the South Dock, even in the absence of the option to recharter vessels for smaller vessels.

³ WG 1.22.5, Table 3.

⁴ WG 1.22.5, Table 9.

⁵ WG 1.22.5, Tables 4 and 10.

3.3.11 I have assumed that Phase One capacity is available from 2020, and Phase Two from 2023. The results from Mr Vine's assessment imply that there is a small impediment in just the scenario of 11m wide Junction Cut, between 2020 and 2023, but there will be no impediment following the additional capacity released from Phase Two. In the scenario with 13.5m, all of the displaced vessels can be reallocated in the South Dock.⁶ My assessment of the financial impacts on the Statutory Undertaker is consistent with this.

3.3.12 It is important to note that my updated estimate of shipping revenue impacts relies on the reallocation of vessels impeded at North Dock to existing and future berth space at South Dock.

3.4 Quayside impact of the scheme

Approach in the published proof

3.4.1 In my published proof, I assess the impact of the Scheme on Newport Docks' Tenants.⁷ I first project ABP rental income in the absence of the Scheme. I then use data provided by the Welsh Government to assess the land loss that would arise as a result of the Scheme, taking into account permanent and temporary losses (i.e. during construction). By combining these, I form an estimate of the rental income loss to ABP as a result of the Scheme. I have updated my analysis to reflect the latest construction plans for the scheme. On this basis, construction at the port site would begin in 2018 with completion in 2023. I maintain my (cautious) assumption that land returned to ABP following completion of the scheme could remain vacant for a period of time while a new tenant is found.

⁶ Mr Vine has looked at cases where traffic from Sections 7-9 are redirected, and not directed to the 250m of newly refurbished quay space. I have taken the conservative assumption where the traffic is not diverted, and therefore there is a higher impediment to traffic. See WG 1.22.5, Table 43, 45, 48, and 50.

⁷ WG 1.4.1 Section 4.

Mitigation Measures for Land Based Operations

- 3.4.2 I understand that the Welsh Government is seeking an agreement with ABP with regard to the mitigation of any detriment to parties affected by the Scheme. These mitigation measures can take various forms, including the relocation of tenants (and users of ABP's common user areas) within the Port boundaries and the construction of facilities such as access roads and common storage areas and the provision of a moveable (swing) bridge to allow equipment such as mobile harbour cranes to cross the junction cut.
- 3.4.3 The Tenant Relocation Proposals (Rev 20) provides more detail to this, and the Scheme Evidence Update of Mr Matthew Jones highlights that the mitigation measures result in new, more modern and efficient facilities.
- 3.4.4 The measures described by Mr Jones are based on engagement with stakeholders at the port including ABP and its tenants and have been designed to mitigate the impact of the CPO. I understand that these mitigation measures would therefore offset any harm caused to tenants by the Scheme. In particular, these measures are intended to ensure that no tenant leaves the Port because of the Scheme. Under these conditions, ABP would not lose any rental income due to the Scheme.
- 3.4.5 My analysis does not take into account the potential benefits to ABP resulting from the construction of new facilities for tenants as part of the proposed Tenant Relocation Proposals. In principle, this could have an effect on the attractiveness of the port, which could lead to higher rental income.

- 3.4.6 The situation would hence be very different from the level of detriment assessed in my Proof of Evidence (WG1.4.1). There, I calculated the rental income loss due to the Scheme combining ABP's estimated annual rental income level with the future land loss. The assumption behind my approach is that there is a direct link between land available and rental income: the higher the footprint coverage of the Scheme, the higher the financial loss to ABP.
- 3.4.7 As explained in my Proof of Evidence (WG1.4.1), it may be that the detriment is reduced through the relocation of tenants within the Port boundaries.⁸ I have pointed out potential areas for relocation,⁹ but due to a lack of information, I made no adjustment for this in my published Proof of Evidence (WG1.4.1). If all tenants can indeed be relocated within the Port boundaries (and the associated cost is covered by the Welsh Government), there is no detriment to ABP from a rental income perspective, provided that the expansion areas remaining in the Docks are sufficient for future growth.
- 3.4.8 I have compared the tenants mentioned in the Scheme Evidence Update of Mr Jones and the Tenant Relocation Proposals with the tenants I relied upon when preparing my Proof of Evidence (WG1.4.1), which is based on the CPO. I have also received clarifications from the Welsh Government Project team, responsible for preparing the Tenant Relocation Proposals. This comparison shows that the tenants—or, more precisely, their current sites at the Port—for which mitigation measures are planned in the Tenant Relocation Proposals correspond to the sites I have relied upon in preparing my Proof of Evidence (WG1.4.1). For clarity, I highlight some inconsistencies between the documents available to me.

⁸ See paragraph 4.3.2 of my Proof of Evidence (WG1.4.1).

⁹ See Appendix A4 of my Proof of Evidence (WG1.4.1).

- 3.4.9 **Owens Road Services / R.C. Marshall:** the North-Western site is now being occupied by R.C. Marshall. This explains why my Proof of Evidence (WG1.4.1) mentions Owens Road Services (Appendix A3, Table A3.1) but not R.C. Marshall, and why the Tenant Relocation Proposals mentions the latter (B5) but not the former. The Scheme Evidence Update of Mr Jones also addresses R.C. Marshall (and not Owens). In both cases, I understand the affected site to be the same.
- 3.4.10 **South Wales Wood Recycling and SMS Towage:** the sites occupied by these two tenants form part of my analysis (Appendix A3, Table A3.1). South Wales Wood Recycling is neither mentioned in the Scheme Evidence Update of Mr Jones nor in the Tenant Relocation Proposals. However, I understand that the sites used by South Wales Wood Recycling (plots 4u and 4w) are now considered as common user area, although I cannot say whether the site is still being used by South Wales Wood Recycling. In any event, my analysis captures the same footprint as the Tenant Relocation Proposals. Similarly, my original proof made reference to Svitzer Marine; the Scheme Evidence Update of Mr Jones and the Tenant Relocation Proposals instead address SMS Towage. I understand that SMS Towage is the relevant tenant.
- 3.4.11 **Sims Metal:** this plot is mentioned in my Proof of Evidence (Appendix A3, Table A3.1) and in the Evidence Update of Mr Jones. It is implicitly mentioned in the Tenant Relocation Proposals (“Existing fenceline and car parking area to be moved eastwards to accommodate the Scheme during construction.”)
- 3.4.12 **Hargreaves:** this appears to be a tenant at the south-east corner of South Dock, whose site needs further amendment as part of the accommodation plans for the relocation of other tenants (Tenant Relocation Proposals, ZZ). As such, it is not mentioned in my Proof of Evidence.

- 3.4.13 **Common user area:** some common user areas mentioned in the Evidence Update of Mr Jones and the Tenant Relocation Proposals (including the central engineering workshops, medical centre, etc.), while not separately listed in my Proof of Evidence (WG1.4.1), are analysed using upper and lower rental income losses (for example, compare my reference to ABP land in 4.8.3 of my Proof of Evidence) (WG1.4.1).
- 3.4.14 I note that the plots identified for the relocation of various tenants are most often located in the south-east corner of the Port. This is consistent with my view that ABP's Master Plan 2016 reveals a significant share of unused land that could be used to offset the affected sites of the Scheme (see Appendix 4 of my Proof of Evidence) (WG1.4.1).¹⁰
- 3.4.15 As a result, on the basis of the relocation works being proposed by the Welsh Government, I assume there will be no rental loss to ABP from current tenants at the port being displaced by the Scheme. This assumes that the mitigation works proposed are indeed carried out. As an economist, I cannot offer any insights into the likelihood of specific tenants leaving the port. As I note above, I understand that the relocation proposals have been designed in consultation with tenants to avoid such an outcome. In any case, I would also note that were an existing tenant to leave, any loss of revenue is likely to be temporary rather than permanent as the vacated land (or replacement site) could be let to a new tenant.¹¹

¹⁰ Contained in WG 1.4.3.

¹¹ Again, I do not have any insights into how long this would take to occur.

- 3.4.16 However, while it is suggested that Origin be relocated to the South Dock (Tenant Relocation Proposals, A3), in the event that is not possible for any reason (although I note the evidence of Andy Clifton that there is no known impediment to the grant of Hazardous Substances Consent) I present a sensitivity to compute the effects the loss of Origin would have on the rental income of ABP.
- 3.4.17 Consistent with my Proof of Evidence, I assume that this is lost throughout the temporary and intermediate period, but not the permanent period. This would represent a scenario where Origin leaves the Port and the land used by Origin is re-let to a new tenant, albeit with a period of vacancy.
- 3.4.18 I have updated my analysis to reflect the latest construction plans for the Scheme. On this basis, construction at the port site would begin in 2018 with completion in 2023. I maintain my assumption that land returned to ABP following completion of the Scheme could remain vacant for a period of time while a new tenant is found. Given the assumption in 3.4.15, this applies only to the sensitivity test for Origin.
- 3.4.19 I deviate from my Proof of Evidence in that I assume that the full Origin site would be lost, i.e. not merely the area affected by the Scheme. As such, my sensitivity is deliberately conservative. It means that all revenues from Origin are assumed to be lost during the construction and intermediate period.
- 3.4.20 In Appendix 4 of my published Proof of Evidence (WG1.4.1), I express the view that the Scheme will have a limited impact on the future developments specified in ABP's Master Plan for the site. Given the changes to the layout of the port associated with the Tenant Relocation Proposals; this would no longer be the case. Nevertheless, I maintain the view expressed in my original Proof of Evidence (WG1.4.1) that, in the absence of reliable information on the probability of proposed developments going ahead, it is not possible to quantify the financial impacts on these projects. Further, I note that

Mr John Davies concludes in his Scheme Evidence update (WG 1.23.6) that the proposed mitigation measures are themselves consistent with the objectives of the Master Plan.

3.4.21 As a result, my assessment here is based on current tenants at the site. This approach is consistent with my original Proof of Evidence (WG1.4.1).

Betterment

3.4.22 At 5.2 of my published evidence (WG1.4.1) I describe the potential impact of the increased connectivity arising from the Scheme and tenant revenue to ABP. As part of my evidence I have produced a quantitative estimate of this effect.

3.4.23 This quantitative estimate is based on information provided to me by Mr Bryan Whittaker. Specifically, I have been provided with estimated journey time savings for traffic associated with the docks in the 'with Scheme' and baseline cases. These are taken from the traffic model used for the assessing the scheme as a whole. I understand that the inputs I have relied on have been updated since my evidence was produced. In particular, the inputs I have used include an assumption that the toll for use of the Severn Crossing will be halved in future years.¹² In the most recent traffic forecasts the toll has been removed entirely.

3.4.24 I have been provided with a revised set of inputs based on the latest traffic forecasts by Mr Bryan Whittaker. The removal of the toll results in an increase in the betterment to ABP of £0.2m due to an increase in baseline traffic. My revised quantitative estimate of the betterment amounts to £4.3m.

¹² See 9.6.4 of the Revised Proof of Evidence of Bryan Whittaker, WG 1.2.1 Rev A

3.5 Detriment to ABP's undertakings at Newport Docks

- 3.5.1 As per my original published proof and my supplementary evidence, I evaluate the overall detriment caused to Newport Docks as a result of the impact of the Scheme on Newport Docks': (i) shipping revenues; (ii) rental income; and (iii) OPEX and CAPEX; and iv) any Betterments passed on to ABP.¹³
- 3.5.2 The works described above have a significant impact on my estimates of (i)–(iii). My updated estimates of the detriment are presented in the table below. As discussed above, my updated estimates of the maritime revenue losses rely on the reallocation of vessels impeded from entering the North Dock to berth space at the South Dock. These estimates therefore directly replace my alternative shipping scenario,¹⁴ where reallocation of impeded vessels takes place, albeit only to existing unused berth space.
- 3.5.3 The results suggest that the financial detriment from the two main sources identified in my proof—maritime revenues and rental income—are all but eliminated by the proposed mitigation works in the scenarios with 13.5m and existing Junction Cut width. In the scenario with 11.0m Junction Cut, the present value of the overall detriment from maritime revenues amounts to £0.03m. The remaining financial impacts of the Scheme are due to Betterment from improved connectivity, which in my view would benefit ABP as a landlord. These Betterments are worth £4.3m and described more fully in section 2 of the Supplement to my Proof of Evidence (WG1.4.1). These Betterments also lead to a small offsetting increase in OPEX to the landlord in all three scenarios.

¹³ WG 1.4.1 Section 6.

¹⁴ Described in 7.1.9 of WG 3.7.3.

3.5.4 I have also conducted a sensitivity test to consider a case where rental income from the Origin site is lost throughout the temporary and intermediate periods, as explained in section 0. In this case, the detriment from land loss amounts to £0.2m in the lower bound scenario and to £0.6m in the upper bound scenario. It results in the overall detriment to range from -£1.8m to -£1.6m in the scenario with the existing Junction Cut.

Comparison of the breakdown of my estimate of detriment to Newport Docks (£m)

	Original estimate, Proof of Evidence	Supplement estimate, alternative shipping scenario	Updated estimate Existing Junction Cut.	Updated estimate Junction Cut. 11.00m	Updated estimate Junction Cut. 13.50m
Shipping revenue	0.113	0.202	-	0.027	-
Rental income	5.516–14.020	5.516–14.020	-	-	-
Betterment	(0.595)	(4.088)	(4.252)	(4.252)	(4.252)
OPEX	(2.805)– (7.543)	(0.908)– (5.647)	2.369	2.354	2.37
CAPEX	(0.038)	(0.034)	-	(-0.004)	-
Total	2.191–5.957	0.688–4.454	(1.883)	(1.876)	(1.883)

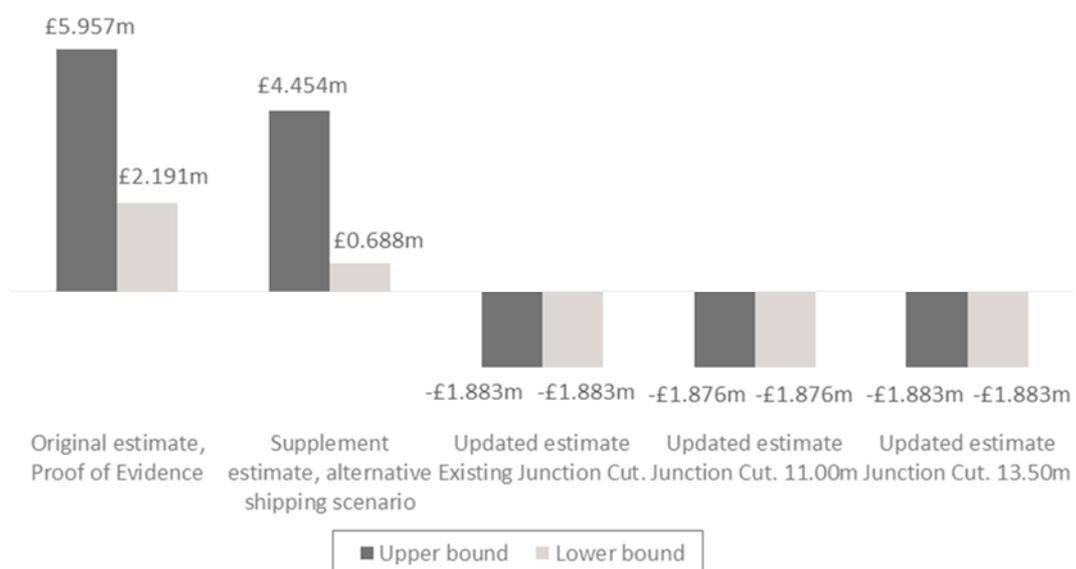
Source: Own calculations.

3.6 Conclusions

3.6.1 I have considered the impacts of the works being proposed by the Welsh Government within the framework I established in my original proof of evidence (WG1.4.1) and supplementary evidence. There are however a number of impacts of these works that I have not been able to quantify. For example, the new berth space would create additional capacity for use during non-peak periods and the replacement of the existing buildings with new facilities could both have positive commercial impacts on ABP. In principle, the loss of some land on a permanent basis could also constrain development within the port estate in the future if demand for space is sufficiently great.

3.6.2 The results of my updated analysis suggest that the proposed addition of new berth space and relocation of existing tenants would significantly reduce any financial detriment to ABP. Any residual impact would be outweighed by Betterments from the site becoming more attractive to perspective tenants due to its improved connectivity. My analysis suggests that the overall financial impact on ABP would be minimal, with the improved connectivity potentially outweighing any residual impacts on maritime revenues. This is shown in Figure 3.1.

Figure 3.1 Comparisons of overall estimate of financial detriment



Source: Own calculations.

3.7 Statement of truth

3.7.1 My Scheme Evidence Update includes all facts that I regard as being relevant to the opinions that I have expressed. The Public Local Inquiry’s attention has been drawn to any matter that would affect the validity of those opinions.

3.7.2 I believe the facts that I have stated in this Scheme Evidence Update are true and that the opinions expressed are correct.

3.7.3 I understand my duty to the Public Local Inquiry to assist it with matters within my expertise and I believe that I have complied with that duty.