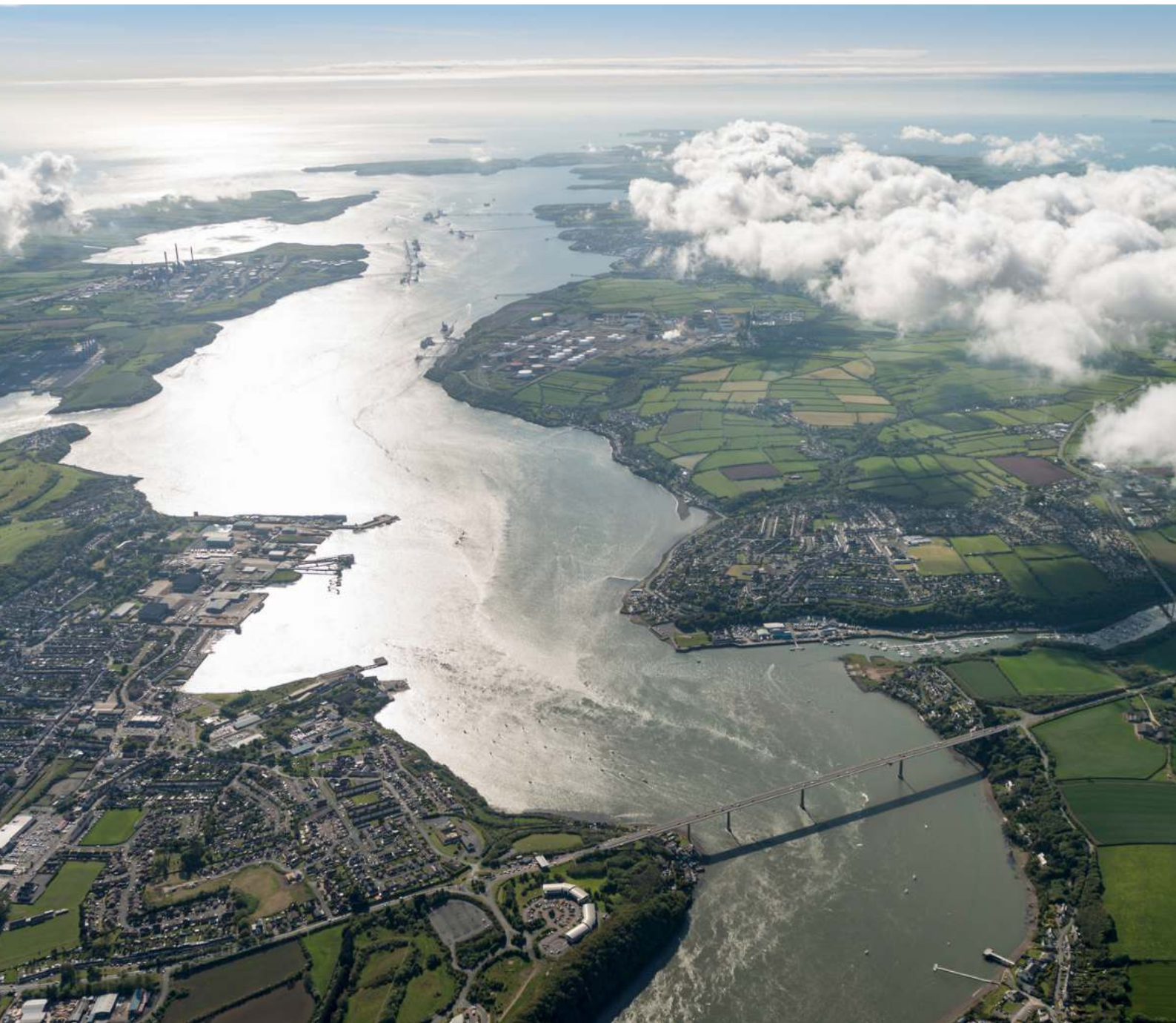




GATEWAYS FOR GROWTH

Backing a Better Connected Britain



FOREWORD

As gateways to the global market, ports facilitate 95% of UK international trade, unlocking growth and partnerships with other nations. Ports are the underlying mechanism of a connected Britain and their efficiency is fundamental to the health of our economy. They contribute £9.7bn Gross Value Added to the UK, with a further £11bn supplied through the supply chain and £7.7bn in induced spending.

Throughout the Coronavirus pandemic, ports have kept the nation afloat. If it had not already been established, ports have shown that they play a fundamental role in ensuring vital supplies and provisions are delivered to the British people and the key workers at ports who have continued to work throughout the pandemic to keep the nation stocked are a testament to the strength of the industry. However, if the end-to-end freight journey is not able to function as efficiently as possible, the UK's economic competitiveness will suffer – a consideration that holds even more salience as the UK faces a period of economic hardship and must seek to unlock growth in the economy.

UK ports are independently owned and commercially managed, operating strategically and financially separate of Government. With very few exceptions, UK port infrastructure investments are privately financed. Port investments are market-led and the UK's industry is currently investing in excess of £1.7bn worth of infrastructure projects.

1.7 BN

**invested by ports
in infrastructure
projects**

Ports ask for very little from the Government, but they do rely on investment in modern transport infrastructure. This can be subject to competing demands; for example, budget constraints mean that passenger projects are frequently prioritised over the streamlining of freight movements. However, this paper outlines why investment in freight transport infrastructure is imperative.

Ports are catalysts for Britain's prosperity and growth on a global scale, but if their transport links are not effectively maintained and improved, goods face congestion and delay, interrupting delivery to British industry and consumers. The UK economy loses out because of supply chain disruption. Maintaining excellent surface access of ports to the wider transport network is a vital element of Britain's economic prosperity. This sentiment is currently being mirrored in the US, where the Federal Maritime Commissioner is looking into ways to ease challenges posed by Covid-19 pandemic after a report found that congestion and bottlenecks at ports and other points in the nation's supply chain pose a serious risk to the growth of the US economy.

This report explores the current challenges to achieving a truly connected Britain and identifies how money should be targeted to rebuild after the economic shock of the Coronavirus pandemic to unlock value and facilitate growth in the economy.



CONTENTS

5. Two Years on from the Port Connectivity Study

9. National and Local Funding

14. National Infrastructure Projects

16. Conclusion

17. Priorities for port connectivity and growth post COVID-19





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TWO YEARS ON FROM THE PORT CONNECTIVITY STUDY

The 2018 English Port Connectivity Study by the Department for Transport (DfT), served as an important notice that port connectivity, and its salience to national prosperity and resilience, was indeed on the UK Government's radar. Elsewhere in the UK, the devolved administrations have also been looking at transport and infrastructure in varying ways and we are also now seeing the growing influence of sub-national transport bodies across the whole of the UK who are reviewing regional priorities.

The UK Maritime Minister at the time, Nusrat Ghani, recorded in the foreword of the Port Connectivity report that ports are investing billions of pounds into infrastructure that facilitates Britain's trade, not only to the benefit of ports but to the national economy. Hence, the Study was pivotal to renewing focus on the importance of free-flowing of trade that is not held up by bottlenecks on our roads or hindered by a lack of freight capacity on the UK's rail network. It was recognised that by concentrating on the matter of port connectivity, UK industry can thrive.

The BPA welcomed the Port Connectivity Study back in 2018 for its overdue attention on the benefits to be drawn from connecting ports to wider transport infrastructure. We also commended the Study for its comprehensive review of connectivity issues affecting ports in each region of the UK, which is key to strengthening the role ports play in supporting their surrounding coastal communities. However, identification of the issues is only the first step towards a better-connected Britain.

The Port Connectivity Study made several key recommendations; including taking a more holistic approach to freight, increasing data available in this area to aid decision making, improving understanding of how to unlock the potential for coastal shipping, engage ports with Government transport bodies, raise the profile of the role of ports in the economy and ensure port connectivity plays a key role in working towards ‘Maritime 2050’.

These are valid recommendations that should be honoured by allocating resources and funding to fulfil them. However, the report only looks at English port connectivity. While we value this contribution to public knowledge of where investment is needed in England, the BPA is calling for a UK-wide Connectivity study, that focuses on Scotland, Northern Ireland and Wales, as well as England.

This is a complicated ask from industry, as transport policy is devolved. However, a study that considers the links between the nations is much needed to consider the connectivity between all parts of the UK. For example, the A75 road that runs links Stranraer and the ferry terminals at Cairnryan and Lochryan with the A74 at Gretna, close to the Border with England and the M6 Motorway, is of strategic significance to Northern Ireland, Scotland and the North of England and is in urgent need of upgrades but requires a centralised approach to create the imperative for improvements. There are also many other transport upgrades required in the devolved nations that should be examined.

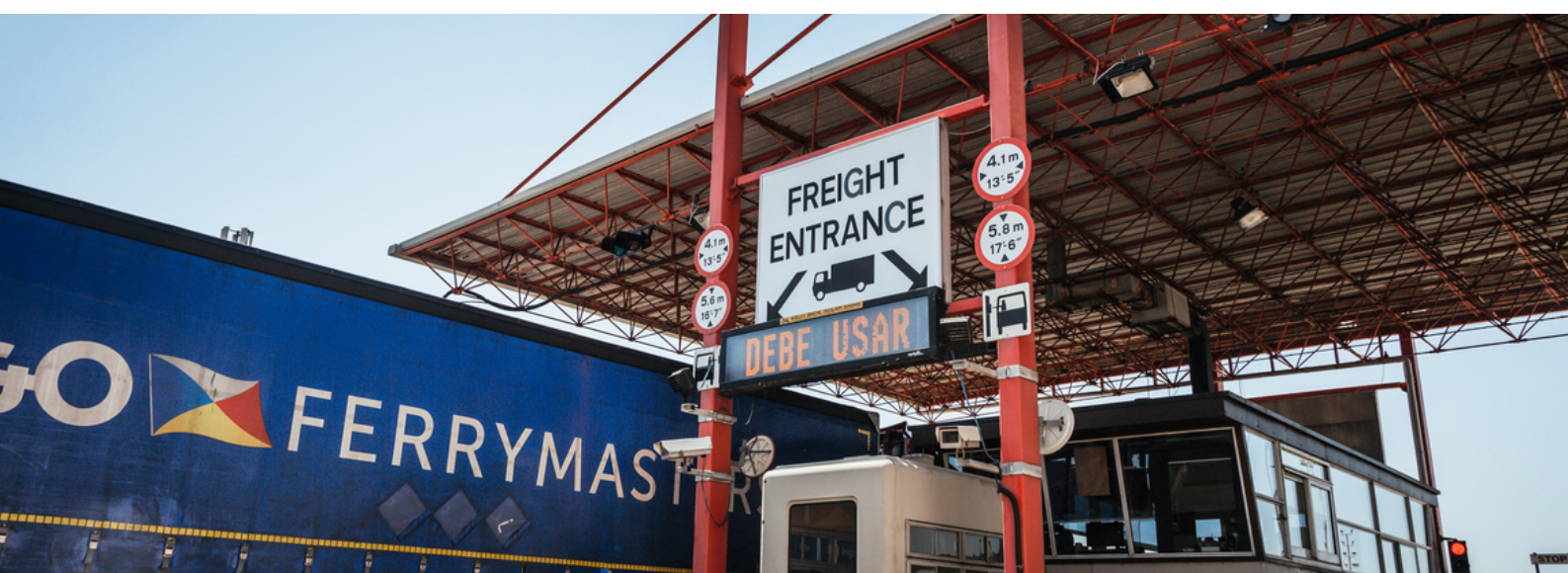


Furthermore, it was noted by the BPA at the time of the release of the Study that the findings must guarantee investment, as well as ensuring support and guidance for local planners, in order to stimulate heightened economic activity in the UK.

We, therefore, wish to see money allocated to fund and support the recommendations in the report. As well as calling for initiatives to enable regional planners and authorities to recognise the value in taking account of port connectivity when overseeing budgets and plans.

As mentioned in the UK Government's Maritime 2050 strategy, there is a commitment to update the port master planning guidance and a recommendation to create new Port Economic Partnerships to speed up port infrastructure developments. The BPA avidly supports both proposals and wishes to see Port Master Plans being given formal recognition by regional and national planners to support investment and jobs.

The Partnership involves policy support from the Department for Transport and is to be piloted in Southampton and depending upon its effectiveness we would like to see this utilised across the sector to speed up the planning process.



Separately, the UK Government's National Infrastructure Commission produced a valuable Freight Study report in 2019 which focused particularly on the green challenges the sector faces and also highlighted how congestion and ageing infrastructure was reducing Britain's competitiveness.

The BPA participated in the study's advisory panel and one of the recommendations of the Commission echoed a call we made during the development of the report; that a cross-government freight liaison group could be established with different stakeholder groups and parts of the public sector to make sure when funding considerations are made strategic hubs like ports and freight, in general, are considered. We very much hope to see this delivered.

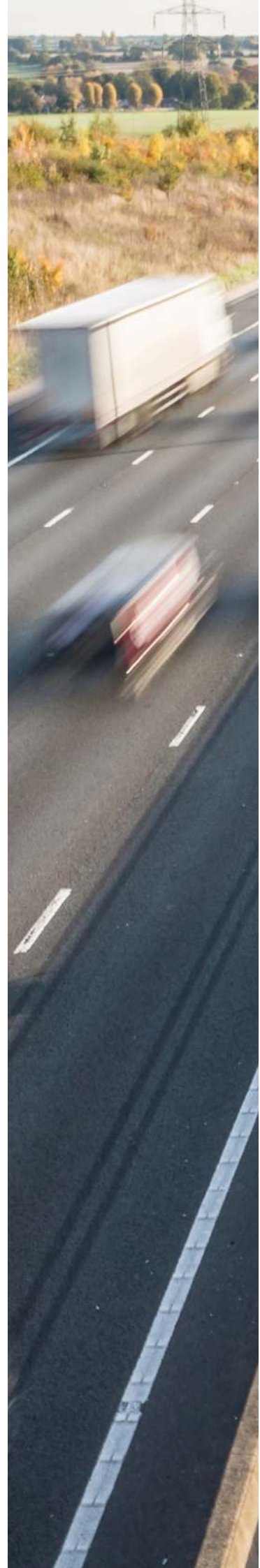


NATIONAL AND LOCAL FUNDING

In May 2020 the Transport Secretary Grant Shapps announced a multi-billion pound road and railway investment to put the nation on the path to recovery. This includes a £1.7bn Transport Infrastructure Investment Fund to improve roads, repair bridges and fill in millions of potholes. The BPA has welcomed the government's recognition that investing in transport infrastructure will be critical for economic recovery, however, this must include targeted funding for freight, industry and passenger movements surrounding ports to ensure a return on the investment made by the Exchequer.

Coronavirus-related spending announcements aside, National budgets for transport infrastructure have been seeing slight increases. Network Rail's current Control Period (CP6) which covers spending priorities for 2019-2024 has seen a budget increase of £4bn from CP5.

However, in Network Rail's report outlining CP6, one of the five core themes is about 'Putting Passengers First', with no mention of rail freight as a main area of focus. Passenger capacity on the network is no doubt an important matter, especially as the UK builds towards a low-carbon economy, but this is equally as valid for freight capacity on rail networks.



12% of the UK's inland surface freight is moved by rail freight, which has avoided 7.6m journeys from roads annually. However, with effective and targeted investment, the capacity for growth in the rail freight sector is far higher.

Highways England, responsible for operating, maintaining and improving England's motorways and major A roads, has also seen budget increases in the past few years. The Highways England Annual Report 2017-2018 noted a budget increase of £287 million, and in 2018-2019 recorded that their capital spending is now 37% greater than three years ago.

According to analysis by MDS Transmodal on behalf of the BPA, between 80-85% of UK port freight enters and leaves ports by road. This is more than 400m tonnes each year. This is a consequence of our geography, an import and services-led economy and the UK's proximity to major European freight hubs. So, this budget increase for roads is highly welcome, however, again the allocation of this money must prioritise freight.

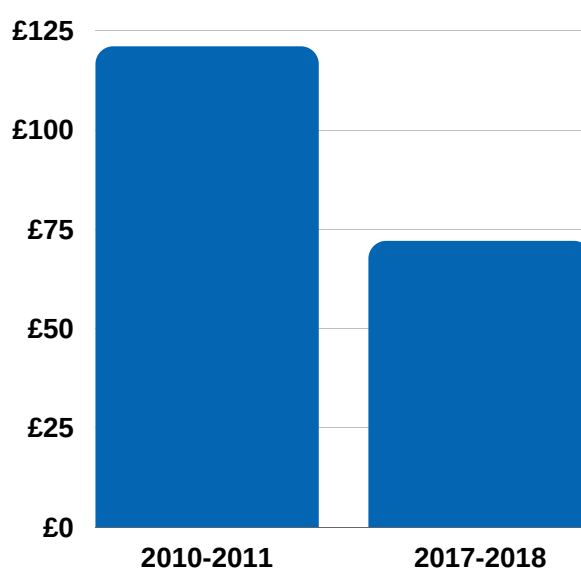


It is right that national infrastructure projects are now given a much-needed increase in funding, but consideration of local roads is also needed. While spending on larger-scale, national infrastructure projects is, of course, crucial to wider port connectivity, local projects often form the vital link to hinterland connections, connecting road freight to the Major Road Network (MRN) and Strategic Road Network (SRN).

Without effective funding given to the maintenance and upgrading of local roads, the national spend on A-roads and motorways cannot reach its full impact, as freight may be held up within a mile of leaving the port, to the severe detriment to its value and the nation's purse. Local roads, which form the initial link from the port to hinterland, are the responsibility of local authorities. Maintenance and upgrades to these roads are financed by the local council, whose funding is collected through taxes, fees, and central Government grants. It is critical that ports and their associated freight movements are taken account of in local transport plans. However, budget constraints have led to a squeezing of councils' ability to engage with industry and plan for freight movements.

The Institute for Fiscal Studies has calculated that Local Authorities now receive 40% less money from Central Government Grants since 2010. When other sources of council income are taken into account, we can see that overall their budgets have fallen by 26% since 2010. The Local Government Association (LGA) report that local authorities have faced a reduction to core funding from the Government of nearly £16 billion over the past decade. This has meant a significant shortfall in funding allocated to local roads.

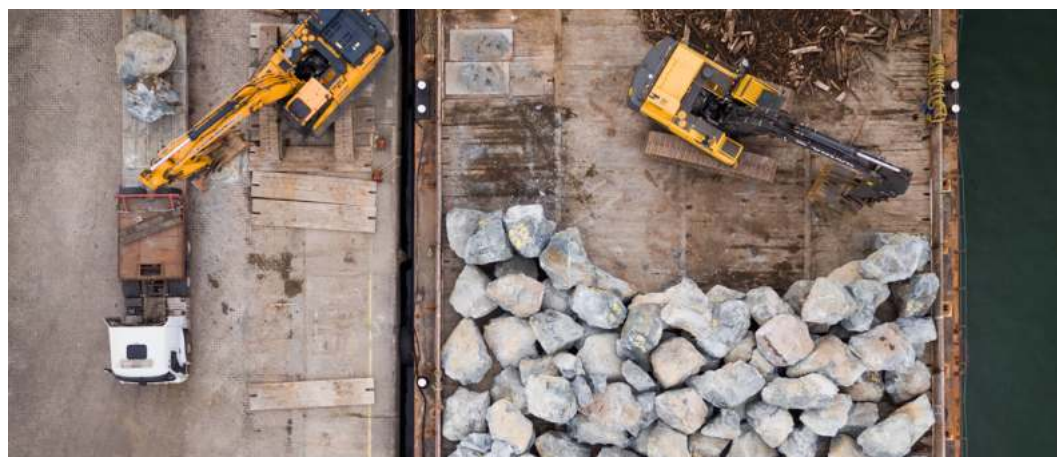
Statistics from the MHCLG show that between 2010-2011 and 2017-2018, Councils' spending on highways and transport fell by 40% - from £121 to just £72 per person. Cllr Richard Watts, chair of the LGA Resources Board, reported in 2018 that councils in England would face an overall funding gap of £8bn by 2025.



There are currently eight sub-national transport bodies in England and none in the devolved administrations; though the Welsh government is considering the establishment of a transport body for North Wales. The BPA would welcome the roll-out of sub-national bodies across the whole of the UK to give due consideration to the regional significance of certain transport projects and ensure the efficient movement of freight. However, there must be cohesion between transport bodies and they must consider their strategic links to other regions and not just look within their area.

Another key part of the solution does not solely rest on the allocation of funds, but to reconfigure planning processes, which frequently disadvantage the transport of freight. We acknowledge that with such a stretched budget, councils and local planners have been forced to prioritise what are viewed as more 'urgent' policy areas and the return value of considering freight within plans has become diminished. However, as indicated above, the immeasurable benefits of supporting freight connectivity cannot be ignored. We must, therefore, raise awareness of the importance of accommodating freight transport in budgets and planning and ensure that it is not always passenger journeys that are prioritised.

The BPA is currently looking at how ports can communicate and collaborate with local authorities regarding matters of planning, transport and environmental issues and a report will be published shortly.



This figure has likely been exacerbated by the COVID-19 pandemic, so it is vital that central Government targets funding to correct this disparity in key spending areas.

The BPA is calling for the targeting of funding of local roads to support effective freight transport at this level. There are numerous benefits to optimising local roads for this purpose. By allowing freight a swift and efficient journey out of the area, to the MRN and SRN, congestion will be minimised on the roads, contributing to better public safety. Fewer traffic jams and bottlenecks will also mean fewer vehicles stood at a stand-still, which will lead to better air quality and an overall better living environment. Furthermore, by aiding port activity through these means, Government can enable ports to bring further investment into the area, creating jobs for local residents and leading to a positive cycle of benefits brought by ports to coastal communities around Britain.

As previously referenced, there are several sub-national transport bodies in England who are reviewing regional priorities. These bodies can form part of the solution to a joined-up approach to transport connectivity by spotlighting regional transport matters and their influence is growing over time.

They are formed by grouping councils together to provide transport governance at a more strategic level than individual local authorities are able to do. However, membership can also include a mix of local highways authorities, Local Enterprise Partnerships, local airports, Highways England, Network Rail and the Department for Transport.



NATIONAL INFRASTRUCTURE PROJECTS

The BPA is typically supportive of large-scale national projects, though we do stress that money should not only be allocated for ‘big ticket’ items, but also for smaller, targeted projects that can unlock the UK’s trading capacity and provide a significant boost to imports and exports.

With the Prime Minister’s indication in early 2020 that he was giving further consideration of a new road bridge joining Northern Ireland with South West Scotland, we felt it necessary to re-issue our message that injecting money into smaller-scale projects can be more beneficial, especially as the UK economy re-builds post-pandemic. This could have significant implications for ports, freight and maritime passengers, and instead the originally suggested £20bn (at the time) for the bridge would be far better spent on smaller scale infrastructure projects, such as local road upgrades around ports or the recommendations made by the Port Connectivity Study.

We must see resources allocated to ensure local authorities see an injection of transport funding, as well as more resources to support planning decisions.



High Speed Rail 2

- In February 2020, HS2 was given the green light from the Prime Minister. This will involve a major investment of approximately £105bn to ensure the project becomes operational.
- The BPA is supportive of HS2, as the project could involve sizeable aggregates and materials to build which are expected to be sourced internationally so could provide a sustained boost to the UK's bulk imports market. However, the Department for Transport must ensure this increased passenger capacity is used to free up rail freight capacity on the West Coast Main Line.

Expansion of Heathrow

- Ports are also supportive of the expansion of Heathrow to add a third runway. Much like HS2, the BPA typically welcomes large infrastructure developments because of the role ports can play in helping to build these. Ports are key to delivering construction materials and can facilitate these bulk imports. However, as before, this project would involve ensuring freight connectivity is optimal from ports involved to the site.
- However, with the February 2020 Court of Appeal ruling that the Government's decision to allow the expansion was unlawful because it did not take climate commitments into account. The BPA is supportive of sustainable growth and hopes that the plans return having taken these targets into account.



CONCLUSION

Looking back, previous Governments have also grappled with transport investment. The conclusion of the report by Sir Rod Eddington on transport, commissioned by the DfT and produced in 2006 remains salient today. The report identified strong cost-benefit ratios for investment in surface access to ports, which they assessed translated into positive GDP benefits and represented very good value for money for Government funding.

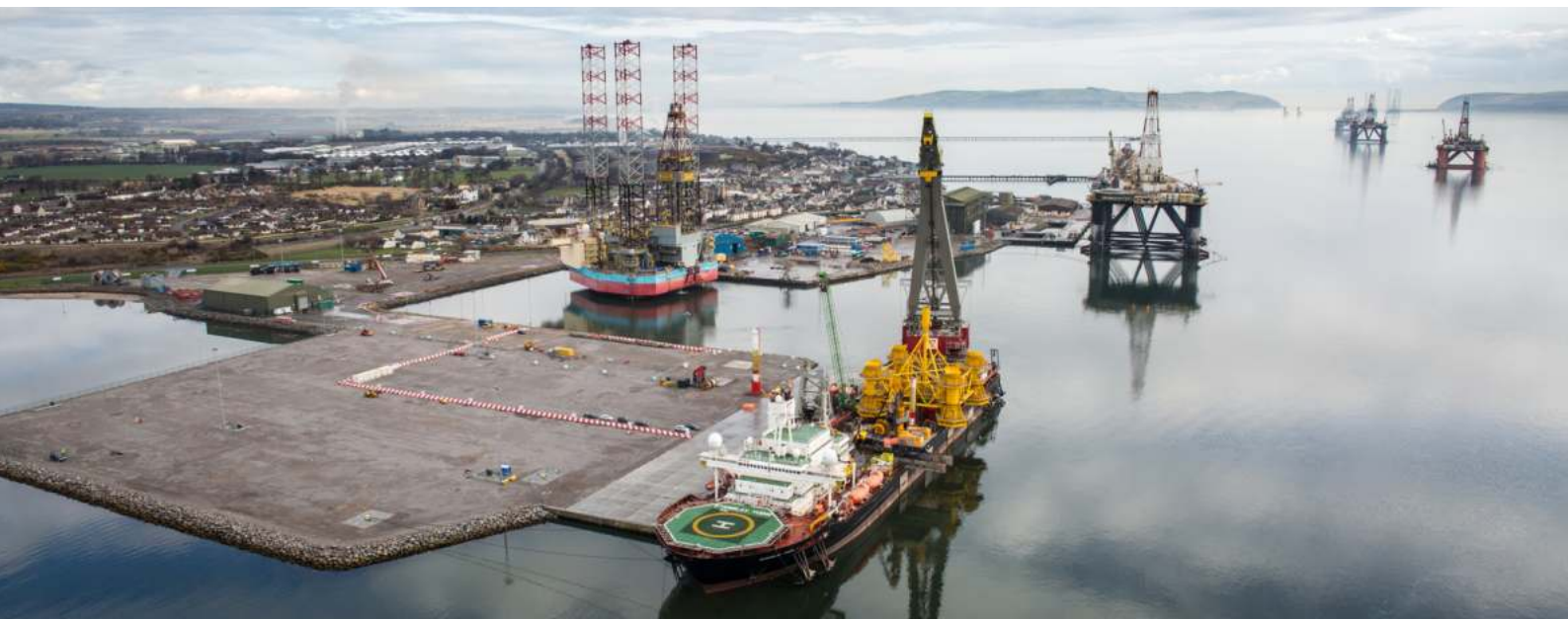
This is synonymous with all literature on the value of infrastructure investment. The IMF estimates that an increase in public investment in infrastructure of 1% of GDP can lead to a 2.6% increase in GDP over four years. While a report produced for the Civil Engineering Contractors Association found that for every 1,000 jobs that are directly created in infrastructure construction, employment as a whole rises by 3,053 jobs through induced economic activity.

Furthermore, it is also reported that if the UK fails to bring its infrastructure up to the standard of other developed economies, by 2026 this could create an annual loss to the economy of £90 billion. Government must, therefore, take this moment to invest in Britain's infrastructure, and will ultimately reap the rewards and boost the capacity for economic recovery post-Coronavirus.



PRIORITIES FOR PORT CONNECTIVITY AND GROWTH POST-COVID-19:

- Government to recognise the £1.7bn ports invest in their own infrastructure, to the benefit of the UK economy.
- Funding allocated for the recommendations of the Port Connectivity Study, as well as a second, UK-wide report.
- Local and regional planners to recognise the importance of considering freight within planning, and the benefits derived from prioritising this.
- Local authority funding to be stepped up for roads, in line with budget increases for national agencies.
- Vital large-scale national projects to go ahead, but funding must be allocated for smaller scale, but equally as imperative projects.



ABOUT THE BPA

The BPA is the national association for ports, harbours and terminals, speaking for over 100 port authorities who own and operate over 400 ports, terminals and port facilities. We represent the interests of a diverse group of ports to all tiers of government. Our membership accounts for 86% of all tonnage and handles 85% of all vessel arrivals.

The BPA also represents all the UK's main energy gateways, 19 of the top 20 fishing ports and an extensive network of ports and harbours that facilitate over one million leisure craft and yachts.

Phoebe joined the Association as an analyst in 2019, working across all policy areas to strengthen the BPA's policy positions.



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