

Ports and Logistics

April 2019



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1. Introduction

Ambition

The ambition for the ports and logistics sector in the Humber is to:

“Create a globally renowned hub for sustainable shipping, energy and logistics by investing in the assets and capabilities of the Humber ports, intensifying and diversifying their economic role, and strengthening their already pivotal contribution to the Northern Powerhouse, Midlands Engine and wider UK economy.”

Rationale

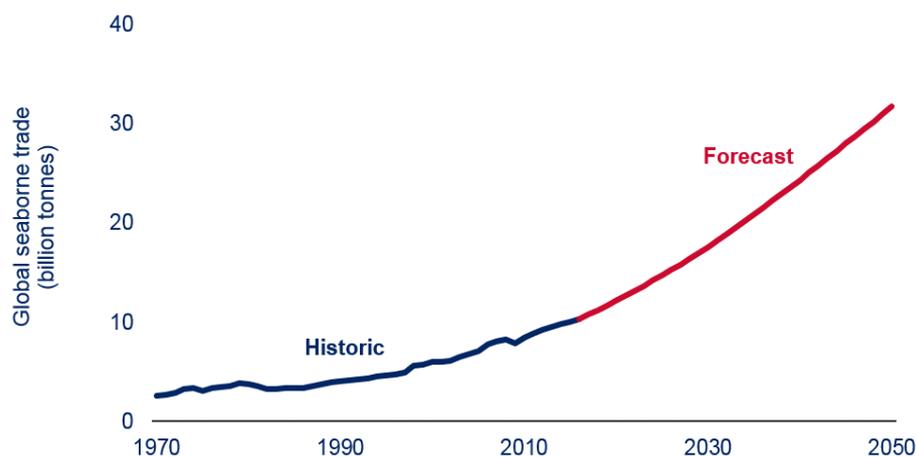
The Humber’s maritime supercluster of ports and associated activity provides the region with a nationally-significant economic asset which already makes an important contribution to the local and national economies. The ports and logistics sector could generate greater benefits for the North and Midlands, as well as the Humber area, with appropriate support and investment, as well as contributing to the Industrial Strategy priorities of clean growth, raising productivity, re-balancing the UK economy and exporting more to the world’s fastest-growing economies.



2. The Importance of the Maritime Sector to UK and Global Growth

The maritime sector has played an important role in the growth of the world economy, moving an ever-increasing volume of goods cost effectively around the globe. The nature of seaborne trade has changed, with a rapid rise in containerised traffic expected to continue over the next 30 years:

Figure 1: Maritime 2050 projections of global seaborne trade



Source: UNCTAD, OECD, DfT Calculations

The Government's Maritime 2050 strategy recognises that the UK economy is highly dependent on the maritime sector, with 95% of goods exports and imports moved by sea, including nearly half of the country's food supplies and a quarter of its energy supply. The UK's continued success as a global trading nation is dependent on its ability to import and export goods efficiently. This is particularly important as the UK plans its future trading relationships post-Brexit and seeks to increase exports to non-EU markets.

The Importance of Efficient Ports

As the global maritime infrastructure has been upgraded to accommodate larger vessels, there is growing demand on ports to efficiently unload, handle and transfer cargo to ensure that the shipping supply chain is as efficient as possible. This requires excellent facilities to move goods efficiently from ship to rail or road and then onto their

final destination. To remain competitive, it is vital that the Humber ports can offer their customers high quality, efficient and reliable options for onwards movement.

The Impact of Technological Change on the Sector and its Workforce

Like many other sectors, the ports and logistics sector is experiencing change as a result of technological development. There is a move towards digitalisation, with ports including Rotterdam and Singapore adopting a range of digital systems to manage the transfer of cargo. Within the Humber, some operators are introducing new digital systems to enable customers to track their goods. More widely within the logistics sector, the move towards autonomous vehicles and driverless technologies is expected to have a significant impact on jobs. Whilst there may be a reduced demand for some types of labour, new skillsets will be required, including the oversight and monitoring of new technologies and advanced machinery.

Ports and logistics businesses in the Humber report an ageing, male-dominated workforce, as is the case in the sector nationally. There is a need to ensure the skills available to local employers continue to match their evolving skills needs. Research undertaken with Humber businesses¹ highlights impending skills shortages in the sector, with roles affected including deckhands, workboats crew, ship operations, offshore logistics operations, port agency drivers, and shipbuilding tradesmen.

The Drive for Reduced Environmental Impact

As the volume of goods transported around the world has increased, so has concern over the environmental impact. International shipping accounts for an increasing proportion of global greenhouse gas emissions (2.2%) and, whilst the demand for seaborne trade is expected to continue, there is a growing drive to ensure that this is done sustainably, with ships becoming more fuel efficient and the least polluting transport options adopted where possible.

As part of the 'Energy Estuary', the Humber ports are contributing towards clean growth, supporting the growth of the offshore wind energy sector as a key base for Operations and Maintenance (O&M) activity, and supporting onshore renewables through handling biomass imports to the UK. The Humber ports are also seeing the long-term decline of fossil fuel imports, including coal and petroleum, as the Humber plays a key role in the UK's shift to more sustainable energy sources.

The Role of Ports in stimulating Economic Development

Although the ports and logistics sector already makes an important contribution to the Humber economy in terms of jobs and Gross Value Added (GVA) (see next section), the major economic development opportunity is in attracting / creating jobs from activity allied to the ports, rather than creating jobs directly as a result of greater throughput. As noted above, the impact of digitalisation and automation may lead to higher productivity, but a lower number of people employed directly involved in ports

¹ Skills Support for the Workforce – Skills Requirements up to 2022, Team Humber Marine Alliance

activity. However, the ports and logistics infrastructure within the Humber is attractive to certain sectors / users who value the proximity to the ports. Key targets include:

- Businesses which will benefit from access to a market of 170m people within 24 hours²,
- Businesses within the offshore wind supply chain,
- Manufacturers dependent on just in time deliveries of components, and
- Distribution centres able to access 40+ million UK consumers within one HGV driver shift³.

Implications for the Humber

The Humber ports are already major contributors to UK trade, facilitating both exports and imports, and are an important generator of jobs, GVA and business activity for the Humber economy. There is an opportunity to capture a greater share of the UK's international trade and lever greater value from the economic asset provided by the ports. This is dependent on the Humber ports operating efficiently and providing an attractive offer to potential users. Strengths, weaknesses, opportunities and threats are presented in the table overleaf.

² Associated British Ports, http://www.abports.co.uk/Our_Locations/Humber/Immingham/

³ Location Data Guide, InvestNEL, 2019, <https://www.southhumber.co.uk/>

3. Humber Ports and Logistics Sector SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Busiest ports complex in the UK • 25,000 people employed, increase from c. 18,000 in 2009⁴ • Key contributor to other Humber sector strengths - energy, low carbon, engineering and assembly • Significant private sector investment has strengthened the offer to users • 50% increase in GVA contribution to Humber economy since 2009 recession • Strong business base - over 1,740 businesses ranging from major global enterprises to indigenous SMEs and start-up companies • Competitive environment with multiple operators 	<ul style="list-style-type: none"> • Constraints affect movements into and out of the Humber ports complex • Road issues particularly severe on the North Bank • Decline in traditional freight volumes (e.g. coal) • Shortage of HGV drivers becoming acute • Rail constraints affect all parts of the Humber; existing east-west rail infrastructure prevents direct movement of modern containers • Low profile of Humber ports nationally - lack of recognition of the strategic importance of the ports complex to the UK economy • Lack of diversity within the workforce - still overwhelmingly male • No unified voice for business within the Humber
Opportunities	Threats
<ul style="list-style-type: none"> • National investment in clean growth - growing market for Humber • Reduce traffic-related air pollution by moving trade north • Future offshore wind investment will require greater UK content - Humber has the skills, facilities and space to respond • Brexit has highlighted dependence on southern ports - opportunity to make the case for change • Increase in ro/ro and other forms of containerised freight 	<ul style="list-style-type: none"> • Increased automation drives productivity but leads to reductions in employment • Significant investment in capacity required to meet growing demand • Unpredictable effects of Brexit - impact on levels of importing and exporting not yet clear • Planned rail investment nationally prioritises passengers over container-compatible freight • Some important markets expected to decline, e.g. coal, fuel refineries, bio-mass

⁴ Using sector definition agreed for the Humber LIS analysis

- Land available for expansion of ports / co-location of complementary activities
- Attracting more downstream / added value activity (i.e. not just throughput)
- Well-paid employment opportunities for local people, particularly as labour shortages arise in key occupations (e.g. drivers)
- Long-term move towards driverless technology provides opportunity for productivity growth
- Depending on outcome of Brexit negotiations, Humber well-placed to benefit from any potential Freeport zones established to overcome tariffs

- Risk of Humber missing out on some investment opportunities as more funding streams are focussed on areas with Mayoral Combined Authorities / Combined Authorities

4. Where we are now

The sector in the Humber

The Humber ports of Goole, Grimsby, Hull and Immingham (including C.Ro Killingholme) handle over 40,000 shipping movements each year and 79m tonnes of cargo in the year to end Q3 2018⁵. Immingham specialises in oil and coal, whilst Grimsby is a nationally significant car import terminal handling 500,000 imported vehicles a year, and has become an established O&M location for offshore wind firms Ørsted Energy, Centrica, Siemens, E.On and RES. Similarly, C.Ro Killingholme has deep sea car vessel facilities. Hull specialises in handling forest products and bulk commodities especially chemicals, alongside containers, ferry travel and roll-on / roll-off cargo, as well as growing green energy activities including manufacturing. Goole is the country's most inland port and is well-linked to the UK's rail and road infrastructure.

The Humber ports account for a greater proportion of the UK's imports than they do exports, and 'liquid bulk' (chemicals, petroleum, gasoline and other liquids) accounts for the largest proportion of trade through the Humber ports - 31.2m tonnes in 2017. The Humber ports also handle a particularly large proportion of imports of 'other general cargo'⁶ (26.7% of the UK total) and 'dry bulk'⁷ (24.1%).

The Ports and Logistics sector employed 25,000 people in the Humber LEP area in 2017, an increase of nearly 50% since 2009, and equivalent to 6% of the area's total employment⁸. Warehousing and support activities for transportation is the most important sub-sector, accounting for 15,000 jobs, including 2,500 in 'service activities incidental to water transport'. Employment is distributed across the four Humber local authorities - ranging from 5,500 in Hull to 6,500 in North East Lincolnshire and East Riding of Yorkshire. As a percentage of total employment, the ports and logistics sector is most significant in North Lincolnshire and North East Lincolnshire, accounting for 9% of employment in each local authority area.

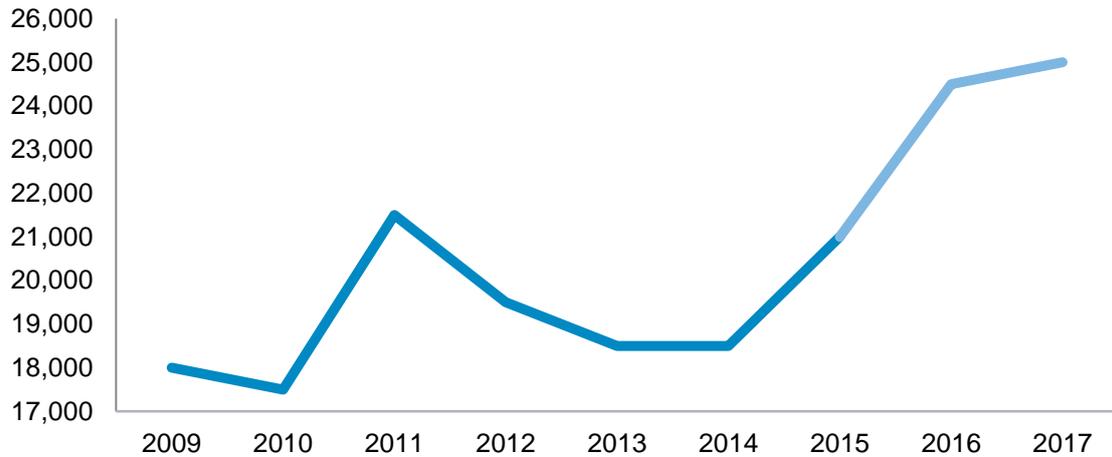
⁵ Department of Transport Statistics, UK Major Port Traffic 2001-2017

⁶ Forestry products, steel and iron products, and miscellaneous cargo

⁷ Metals and minerals, coal, agricultural products and other

⁸ Using sector definition agreed for the Humber LIS analysis

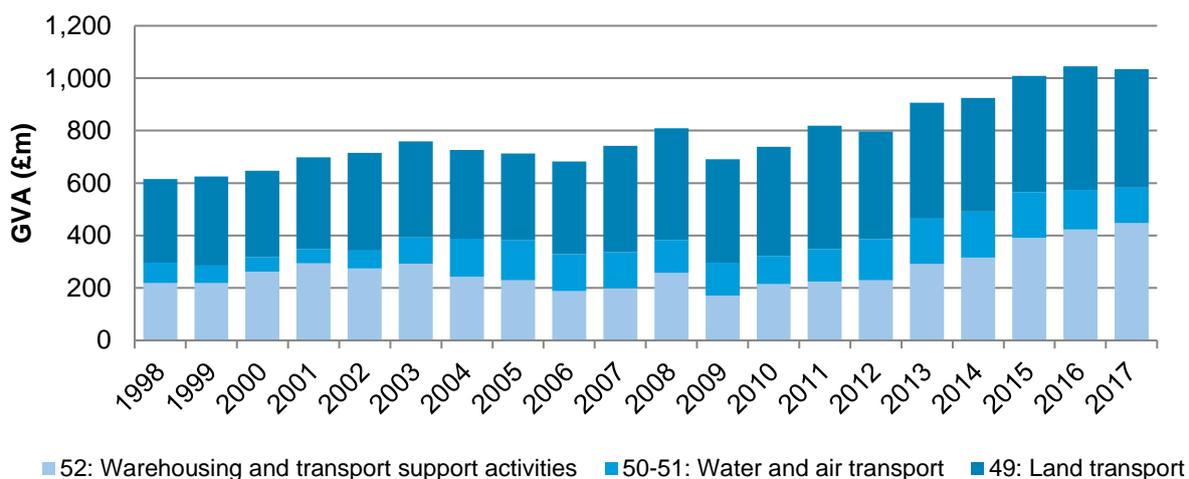
Ports and Logistics Employment - Humber



Source: BRES (coverage of BRES changed in 2015 to include PAYE only employment)

The sector contributes over £1bn of GVA to the Humber economy each year, and the amount has been on an upward trajectory since 2009. The land transport sub-sector is the largest in GVA terms, but it is the warehousing and transport support activities which has driven recent GVA growth. The number of businesses within the sector - 1,745 in 2018 - has increased by 470 (37%) since 2010. The vast majority of these are microbusinesses, employing fewer than ten staff, but there are more medium-sized businesses in the sector than in the Humber economy as a whole (2.3% compared to 1.9%). Over half of businesses have a turnover of less than £100,000, but 14% turnover more than £1m per year - compared to 12% of businesses across the Humber economy as a whole.

Ports and Logistics GVA - Humber



Source: ONS, Regional economic activity by gross value added (balanced), UK

Recent Investment and Activities

Considerable investment has been made in the Humber's ports and logistics sector, largely linked to the offshore wind developments in the North Sea. ABP and Siemens' Green Port Hull development provides a facility for the manufacture, installation and service of offshore wind turbine blades. Over £300m has been invested in this site which is ideally located to take advantage of the planned investment in offshore wind and the sector's commitment to increase the total UK lifetime content of projects commissioned from 2030 onwards to 60 per cent⁹.

A further £40m has been invested in the port infrastructure in Grimsby to provide facilities to build and maintain wind farm assets. A number of top tier companies have established bases in North East Lincolnshire from which they deliver operations and maintenance support to the offshore wind farms. ABP is investing a further £120m to upgrade container terminals at Hull and Immingham, and improve its automotive terminal at Grimsby. £65m has also been invested in the bulk terminal at Immingham, which handles imports for British Steel's Scunthorpe plant.

Investment is also being made in the transport infrastructure. In 2020, Highways England will begin work to upgrade the A63 which provides access to the Port of Hull, although there are concerns that this will not be sufficient to address the constraints that it places on the growth of the port. Improvements are also being made to rail infrastructure on the South Bank, including rail gauge improvements to enable movement of the latest modern containers by rail between Immingham and Doncaster. Research is also being undertaken to inform future improvements to east-west freight transport:

Case study: Liverpool-Humber Optimisation of Freight Transport (LHOFT) study

Led by the University of Hull's Logistics Institute, the LHOFT study brings together industry and academia in a partnership including ports operators (Associated British Ports, Peel Ports), a major customer (Unilever) and transport experts (Oxford Rail Strategies, Rail Freight Consulting). Currently, despite 50% of manufacturing and warehousing being in the North of England, 90% of container ro-ro freight traffic is directed through southern ports¹⁰. The LHOFT study is seeking to address this by developing technology which can be used by multiple businesses to pool their cargo and transport needs. This would de-risk the provision of new freight services through the northern ports.

To tackle the skills gaps identified nationally and locally, investment has been made in new facilities and training provision in the Humber region, with the aim of attracting younger talent to the industry and upskilling existing staff. New facilities such as Modal

⁹ Offshore Wind Sector Deal, HM Government, 2019

¹⁰ <https://www.humberbusiness.com/news/freights-northern-way-offers-humbers-ports/story-7034-detail/story>

Training Immingham and the Hull Trinity House Academy now offer a range of courses and qualifications including freight forwarding and logistics, LGV & HDR driver training, ship handling, maritime studies and deck / engineering apprenticeships.

Future Plans

Further investment is planned for the Humber ports and logistics sector. ABP are currently undertaking master-planning work across their Humber ports to inform future investment priorities. The ABLE Humber Port, including the ABLE Marine Energy Park and ABLE Logistics Park, are both fully consented, the south bank deep water coastline offers the potential for expansion of existing facilities at Immingham and Killingholme. A potential cruise ship terminal in Hull is also in development.

6. Our Approach

The development of the Humber Local Industrial Strategy (LIS) provides an opportunity to highlight how the ports and logistics sector acts as an enabler for other priority sectors in the Humber, and can contribute to the achievement of national policy objectives. Through the LIS, we intend to deliver a strengthened Humber ports and logistics sector which:

Makes an increased contribution to the UK economy by:

- Handling an increased volume and proportion of the UK's international trade
- Strengthening the competitive position of the UK's importing and exporting sectors by offering them a high quality, reliable and cost effective service
- Investing in R&D and adopting innovative approaches to keep the UK at the forefront of the international maritime sector

Makes an increased contribution to the Humber economy by:

- Levering greater advantage from the ports as strategic assets by attracting more value-added activities to the Humber (e.g. manufacturing, distribution centres etc)
- Supporting the growth of the Humber's key sectors - clean energy, energy-intensive continuous process industries and engineering and assembly
- Providing high quality employment opportunities for local residents

Contributes to national and local ambitions for clean growth by:

- Encouraging a modal shift from road to rail transport for more of the freight passing through the ports
- Diverting northern traffic from the southern ports, reducing the need to transport freight long distances by road within the UK
- Facilitating the growth of the offshore wind and renewable energy sector
- Reducing emissions generated by the sector within Humber through the adoption of clean technologies

In order to achieve this, activity and investment will be needed in relation to each of the five foundations of productivity identified in the Industrial Strategy.

Infrastructure: Deliver the infrastructure which is required to maximise the impact of the Humber ports and increase their contribution to the Humber and UK economies

If the Humber ports and logistics sector is to make its maximum possible contribution to the national, regional and local economies, it is vital that the infrastructure is in place to ensure the efficient operation of the ports, provide customers with a high quality service which compares favourably with that available elsewhere in the UK, and integrates with international freight networks and corridors, ensuring the seamless movement of goods across the globe.

Infrastructure priorities include both making better use of the existing infrastructure, and critically reviewing infrastructure needs over the next 15-20 years, based on a robust analysis of market opportunities for the Humber ports and logistics sector, and the infrastructure requirements associated with these. Influencing local, regional and national decision-making on infrastructure impacting on the Humber ports will be vital, and there is a need for a co-ordinated, industry-led approach to prioritising infrastructure investment.

Innovation: Capitalise on new technologies to ensure Humber ports remain at the leading edge of innovation within the sector

Keeping the UK at the forefront of the global maritime sector is an important priority for Government, and by capitalising on new technologies, the Humber ports and logistics sector can contribute to this agenda, as well as driving up productivity levels. Whilst there are pockets of innovation within the sector, a more co-ordinated approach is required to identify areas of R&D / innovation where the Humber can lead on the development and piloting of new approaches, and support their roll-out into the wider sector. The proposed establishment of a Maritime Research Hub will provide a national focus for port-related R&D - it is vital that the Humber is connected into the regional networks which the Government envisages working alongside the national Hub.

There is also scope for the ports and logistics sector to play a greater role in delivering clean growth objectives. With close links to the offshore wind and onshore renewable energy sectors, the Humber ports and logistics sector already contributes towards the UK's shift to more sustainable energy sources. However, more could be done within the sector's own operations to reduce carbon emissions, and a Low Carbon Innovation Plan would help co-ordinate activity across the sector, transferring best practice and supporting peer learning amongst businesses to tackle common challenges.

People: Prepare the workforce for the Ports and Logistics sector of the future, ensuring alignment with other skills activity being taken forward across Humber LEP

The sector is changing, meaning that skills needs are changing too. There is a need for a five year sector skills strategy which anticipates changing skills needs and puts in place the provision and facilities that will ensure business can find the skills they need in the short-, medium- and longer-term. This involves not only raising skills levels within the existing workforce, and replacing those workers who leave the sector due to retirement, but requires a co-ordinated programme of activity to engage with a much broader potential workforce, encourage under-represented groups (particularly women) into the sector and increase diversity within the workforce.

Business Environment: Create a business environment which supports intensification and diversification of activity around the ports

To capitalise on the asset provided by the ports cluster, the Humber needs to create the conditions to encourage new investors into the area. This involves both physical development - through supporting small-scale enabling works to unlock development, such as improved site access, new and refurbished buildings etc - and promotional work to raise awareness of the benefits of locating in the Humber, targeted at a range of potential investors.

There is also a need to support the growth of smaller, indigenous companies linked to the ports and logistics sector - with the vast majority of Humber businesses employing fewer than ten people. Providing bespoke business growth support which is tailored to the needs and circumstances of businesses in the sector should help to address the challenges faced and create a stronger business base.

Place: Develop the ‘Humber Maritime Supercluster’ collaborative partnership amongst the key businesses and stakeholders within the Humber

All of these proposals require dedicated resource and capacity if they are to be delivered. The Humber has an active ports and logistics business base, but a framework is needed through which industry can be engaged, and can contribute to identifying sector issues and agreeing priorities for action. These actions will be industry-led, but will need public sector support to be implemented.

Maritime 2050 highlights the priority being placed on the ports sector by the Government. The Humber is well-placed to respond to this and play a major role in helping the UK to achieve its maritime ambitions, but needs to invest in capacity if the potential is to be achieved.

7. Our Priorities

PL1: Deliver the infrastructure which is required to maximise the impact of the Humber ports and increase their contribution to the Humber and UK economies

PL1.1: Working with industry, consider market opportunities and their implications for infrastructure, and develop long term infrastructure plan for the Humber ports to cover modernisation and increased capacity e.g. new quays / additional berths.

- This will be informed by existing work being led by the private sector, including ABP's current master-planning work.
- The aim is to explore infrastructure requirements and the potential market opportunities that investment would unlock, in order to de-risk investment which will be undertaken by the private sector, rather than develop a long list of potentially public-sector funded projects.

PL1.2: Feasibility study to explore options, costs and return on investment for improved road access to the Port of Hull.

- Road access to the Port of Hull acts as a constraint on use of the port, with peak-time congestion and the impact of accidents / minor disruptions on the A63 reducing the reliability of journey times to the port.
- Although Highways England is bringing forward an improvement scheme, this is unlikely to have the transformational impact required on the port.

PL1.3: Feasibility study to explore options, costs and return on investment from improved rail infrastructure at the Ports of Grimsby and Immingham.

- Investment is already being made in improving rail access between the ports of Immingham and Grimsby, and in making rail gauge enhancements between Immingham and Doncaster.
- The need now is to ensure that the right rail infrastructure is in place to capitalise on the market opportunities identified in PL1.1, above, and develop business cases for further funding should any needs be identified, e.g. the development of a new rail terminal etc.

PL1.4: Support improved port and rail freight connectivity between the Humber and the Mersey, along the M62 corridor.

- Continue to promote the importance of this trans-northern freight link to Government, as set out in the TfN strategy.
- Take forward the findings of the LHOFT study by rolling out technology which can pool business cargo needs across the north, encouraging businesses to use it, and supporting operators to respond to the scale of demand identified.

PL2: Capitalise on new technologies to ensure Humber ports remain at the leading edge of innovation within the sector

PL2.1: Smart Maritime: use R&D and innovative approaches to make the Humber ports more efficient and competitive for customers.

- Establish a Research and Innovation Group with academics, industry and the public sector to identify opportunities for piloting new approaches in the Humber ports and logistics sector.
- Work with Government and the proposed Maritime Research Hub to bring new approaches to the Humber, developing an R&D cluster of businesses willing to implement and test the benefits of new approaches, and support their roll-out across the sector.

PL2.2: Develop a Humber Ports and Logistics Low Carbon Innovation Plan to drive the sector's contribution to the UK's clean growth objectives.

- Work with existing research hubs – the Logistics Institute, Modal, Aura, the Offshore Renewable Energy Catapult - to draw on existing good practice within the Humber and beyond, including the Humber Bondholders' The Waterline campaign promoting new economic models that demonstrate how decarbonisation can deliver both environmental sustainability and economic growth.
- Develop ports and logistics sector-specific solutions to move towards zero carbon emissions, recognising the challenges faced by the sector in moving to a more sustainable operating model.

PL3: Prepare the workforce for the Ports and Logistics sector of the future, ensuring alignment with other skills activity being taken forward across Humber LEP

PL3.1: Develop a 5 year skills strategy for the ports and logistics sector in the Humber, with the aim of the Humber being recognised as a Centre of Excellence in ports and logistics-related training.

- Draw on existing research on local and national skills needs to identify potential market for skills provision.
- Develop strategy to attract learners from outside the Humber, based on new sector-specific provision being established locally.

PL3.2: Develop a programme to engage more people with the Humber ports and logistics sector and diversify the workforce.

- The sector workforce is ageing and is overwhelmingly male. There is a need to widen the pool of candidates considering work in the sector if it is to secure the best pipeline of talent to meet the challenges outlined above.
- Develop a Business Engagement Programme aimed at young people / teachers to raise awareness of the range of opportunities available within

the sector and the pathways into the occupations on offer, co-ordinating with other education-business partnership activity being delivered within the Humber.

PL3.3: Develop a Flexible Skills Fund to respond to skills needs identified through PL3.1 and PL3.2.

- Establish dedicated funding pot to respond to skills needs within the sector. The issues to be tackled will be determined through further research and flexibility will be maintained, but are likely to include:
 - Upskilling existing ports and logistics workers in response to the impact of digital technologies and automation on the sector
 - Responding to short-term skills gaps within the sector, e.g. increasing HGV driver training in response to Brexit effects
 - Supporting increased diversity within the sector, e.g. through Women in Industry training programmes.

PL4: Create a business environment which supports intensification and diversification of activity around the ports

PL4.1: Invest in marketing the Humber ports and logistics sector, nationally and internationally, to potential inward investors.

PL4.2: Continue to develop existing enterprise zone sites and Port locations for new inward investors and supply chain clustering.

PL4.3: Ports and Logistics Accelerator support

- Develop incubation, start up and grow on space for small and innovative companies within the sector and those attracted to the Humber as a result of the port assets.
- Provide enhanced business support for scale-up businesses within the sector to stimulate enhanced growth.

PL5: Develop the 'Humber Maritime Supercluster' collaborative partnership amongst the key businesses and stakeholders within the Humber

PL5.1: Empower and resource Team Humber to facilitate industry collaboration, represent the collective interests of Humber Ports with Government and national agencies and provide a Secretariat function for the sector including:

- Providing a framework for industry engagement
- Developing new ideas linked to Maritime 2050, including exploring the benefits of establishing a Port Economic Partnership, building on a strengthened Humber Ports Board.
- Exploring Freeport status, bonded warehouses or customs-free areas once the UK leave the EU.
- Raising the profile and awareness of the significance of the Humber ports complex nationally and globally