Paper 6

FREIGHT TRANSPORT ASSOCIATION

National Assembly for Wales
Enterprise and Business Committee

Inquiry into International Connectivity through Welsh Ports and Airports

Introduction

1. Freight Transport Association (FTA) would like to thank the Enterprise and Business Committee for the opportunity to participate in this Inquiry. Our response will concentrate on areas which have a direct impact on our members; specifically connectivity for business rather than passengers.

2. Freight Transport Association represents over 14,000 companies engaged in the transport of freight both domestically within the UK and internationally. Their interests range from those as operators, carriers, freight service providers, through to customers – suppliers of raw materials, retailers, manufacturers, and wholesalers, covering all modes of transport – road, rail, inland waterways, air and sea.

UK Ports

3. Unlike the rest of Europe the UK has a market-led ports sector. Owners include private operators, local authorities and trust ports. The UK ports operate without Government funding, unlike competitors on the continent. There are different kinds of services used by the freight operators:

- Ferry services – which concern trucks and drivers as well as other passengers
- Dedicated freight Roll-on Roll-off services – which typically send trucks and trailers unaccompanied.
- Container services – where the freight is loaded and shipped in standardised containers, this service dominated the deep sea service from the Far East.
- Bulk **–** for the shipment of products such as grains, oil and aggregates.

UK ports compete with each other for all these services as well as against competitors from the continent.

4. The current freight and logistics industry has changed significantly over the past ten years. This change has been driven by several factors, including:

- Globalisation;
- Internet and web enabled supply chain management tools;
- Bar coding, stock control and inventory management systems;
- Information communication technology applications;
- Consolidation;

- Retailer-led supply chain dominance in European market (i.e. From “push” to “pull” supply chain economics); and Service industry importance in economy.

5. Given the scale of the change, the assumption can be made that the rate of change in the freight and logistics industry in the next ten years will be at least equal, if not exceed, that of the last decade, albeit some of the major ports have shown a reduction in their throughput as a result of the recent down turn in the economy.

6. Total freight traffic through UK ports in 2010 was 511.9 million tonnes (Mt), a rise of 2% from 2009 however 11% lower than in 2000. It should be noted however, that since 2000 imports have increased by 10% however exports have been hit hard with a decrease of 24%. Table one highlight the top ten ports in the UK; which demonstrates the pre-eminence of Milford Haven as a port within Wales.

Tables 1 - Trends in traffic through the top 10 UK ports in 2010 in terms of tonnage

	Million tonnes 2010	**Percentage of 2010 Total**
Grimsby and Immingham	54.0	10.6
London	48.1	9.4
Milford Haven	**42.8**	**8.4**
Southampton	39.4	7.7
Tees and Hartlepool	35.7	7.0
Forth	34.3	6.7
Liverpool	30.0	5.9
Felixstowe	25.8	5.0
Dover	24.1	4.7
Medway	14.0	2.7
Other Major UK ports	150.3	29.4
Minor UK ports	13.4	2.6
All ports UK	511.9	100

Source – DfT Port Freight Statistics 2010

7. Wales plays a leading role for the whole UK in oil and energy sector traffic, as handled by Milford Haven. Welsh ports also provide ro-ro links with the Republic of Ireland, and dry and liquid bulk, forest products, iron and steel services and some container traffic.

UK Airports

8. Air freight services are a key ingredient in the UK economy. The availability of these services allows the UK to function as an international centre of business and high value manufacturing. Clearly the aviation industry itself contributes a lot through employment and regeneration. However, this is not why such services really matter to the UK. It is the wider

range of businesses that these services allow and encourage that are the real importance of the industry.

9. Business in sectors such as technology, financial services, pharmaceuticals or business services increasingly requires high speed delivery services to ensure they can respond to customers' needs. If these services are not available either in Wales or the wider UK they will relocate to countries where they are. Air transport is not used for most freight. Indeed, the volumes are actually very small. Air freight accounts for only 0.5 per cent of the UK's international goods movements by weight – sea freight (95 per cent) and the Channel Tunnel (4.5 per cent) account for the rest[1]. However, the importance of air freight is shown by the fact that when freight is measured by value, 25 per cent of the UK's international goods movements are made by air.

10. Heathrow is, and will continue to be, the UK's most important centre of air freight (1.4m tonnes pa). Indeed, Heathrow handles half as much again in freight as all the other UK airports put together. Its location, close to the major economic centre that is London and its connection to global passenger flight networks means that it is the only UK airport that can fulfil this role. This is no different for goods moving from Wales than it is for goods of English or Scottish origin. Heathrow is the most important export airport for Welsh goods.

11. Other major UK freight airports (carrying between 100 and 300 thousand tonnes pa) are Stansted and East Midlands, which give over a much higher part of their operations to freight services, and Manchester and Gatwick. No other airport carries more than 30,000 tonnes per year. Cardiff's share of the freight market has fluctuated substantially over the last 5 years with only 28 tonnes of freight carried in 2010 and 377 tonnes in 2011, down from 2,564 tonnes in 2005.[2] Therefore FTA believes the substantial majority of Welsh airfreight will continue to move through the English south-east airports and Manchester.

What role do the Welsh Government and local authorities play in facilitating the development of Welsh ports and airports?

12. Ports policy in Wales unlike Scotland and Northern Ireland is administered by Westminster albeit decisions regarding land side access to and from the ports are a matter for the Welsh Government. Therefore it is imperative that robust polices look at improving and making best use of existing infrastructure, whilst recognising that investment may also be required. The importance of Welsh ports on the Welsh economy should not be underestimated, ports provide direct employment opportunities, and benefit related businesses, including local sub-contractors and suppliers.

13. Ports themselves clearly offer huge benefits from employment to regeneration opportunities. It is crucial therefore to remember that the most important economic aspect of them is what they facilitate, namely the effective international trading of goods. The ability to export efficiently is a key component of a region being seen as an attractive place in which to base economic operations. Equally the ability to import to a region helps maintain and develop the standard of living available to the population.

14. The importance for other UK ports to the Welsh economy should not be neglected. To a large extent, Wales' deep-sea container ports are, and will continue to be, Southampton, Felixstowe and the London ports. Connections from these ports to Wales, via both sea and land should be a key aspect of Welsh policy.

[1] DfT Statistics on Freight 2006
[2] CAA - Airport statistics 2011

15. Government cannot ignore the greater economic benefits from private port development. Whilst it is not for Government to decide where it wants the freight to flow and where it wants the private developments needed to support the transport of freight and goods, it is the proper role of Government to facilitate development. It is important therefore that government adopt a presumption in favour of development.

What factors have contributed to the decline in business through Cardiff Airport?

16. The tonnage of freight which is carried through Cardiff Airport is small; Table 2 provides an understanding of where Cardiff airport sits compared with a sample of other airports across the UK.

Table 2 - Freight 2005 -2011 (tonnes)[3]

Airport	2005	2006	2007	2008	2009	2010	2011
Cardiff	2,564	2,212	2,391	1,334	178	28	377
Heathrow	1305686	1,263,129	1,310,987	1,397,054	1,277,650	1,472,988	1,484,351
Stansted	237,045	224,312	203,747	197,738	182,810	202,238	202,593
East Midlands	266,569	272,303	274,753	261,507	255,121	273,669	254,595
Edinburgh	29,595	36,389	19,292	12,418	23,791	20,357	19,332
Glasgow	8,733	6,289	4,276	3,546	2,334	2,914	2,430
Belfast City (George Best)	827	1 057	168	138	155	457	195
Belfast INT'L	37,878	38,417	38,429	36,115	29,804	29,716	31,062

17. To fully understand the figures we need to understand what is being carried. The users of air freight services tend to be those with high value goods that need to be transported in small quantities (i.e. individual packages to meet customers' needs) or perishable goods, such as food or medicine that would not be able to survive the time taken for a sea freight voyage.

18. Around 70 per cent of air freight travels in the hold of passenger planes, so it travels at the same time as passenger flights do. The remainder is carried on specialist freight services, which includes express carriers. These often need to leave at specific times of day to make international connections – this is how the UK remains linked into global express service networks. Freight services are often pushed to more unsociable hours due to the demand for passenger flights at more traveller friendly times. Express services need to operate at such times to fit with customer need – e.g. end of business day collections, delivery by start of day.

19. As background, the main industry sectors using express operations (such as TNT) in the UK include: electronics and telecoms; vehicles and auto parts; engineering; information technology; pharmaceuticals, biotech and health; business services; and in fact Government. For these industries, air freight provides the level of flexibility, speed of delivery and security that are required for smaller, high value products. The users of larger scale air freight, where it is needed because of time constraints, are food manufacturers from areas such as Africa. Air freight enables them to trade with the UK, aiding economic growth in the developing world.

[3] CAA - Airport statistics 2011

20. It should be noted that currently (2011) almost all freight moving through Cardiff is on freight-only flights (366 out of 377 tonnes). It is this sector that accounts for the change between 2010 and 2011. Cardiff Airport's owners and TNT (the freight operator who previously operated out of Cardiff), will be best placed to explain the changes since 2007. However the period since then has seen global pressure on air freight volumes. As this is an expensive mode for moving goods it is highly susceptible to changes in the wider economy. Falling volumes may have relieved pressure at alternative airports, as well as reducing the total amount needing to move.

21. The bulk of Welsh airfreight then is likely to travel down the M4 motorway and leave or arrive via Heathrow. It may also be making use of major continental hubs such as Paris, Amsterdam and Frankfurt. Cardiff is not an obvious choice for airfreight customers given its limited (in global terms) economic catchment area combined with relatively easy access to the London airports. This reinforces the importance of the M4 as a strategic corridor for freight, and the importance to both the Westminster and the Welsh Governments of ensuring the efficiency of this vital trade route.

How effectively does Welsh Government policy, primarily in the areas of transport, economic development, and land use planning policy, support the development of Welsh ports and airports?

22. Ports on the whole are privately owned and as a result their development is a commercial decision based on location and the needs of the market. Current practice incorporates a lengthy planning approval system that discourages developments, with a new requirement on the promoters of particular port development proposals to pay for inland infrastructure developments, I.e. s106

23. As many of the ports are owned by foreign companies this could have a discouraging affect on future investment decisions as it places UK ports at a competitive disadvantage to Continental ports, which typically do not have to bear these infrastructure costs.

24. In England the DfT's guidance on 'Funding transport infrastructure for strategically significant developments' (published April 2009) set out a framework for determining the extent of public contributions to necessary infrastructure upgrades (i.e. road and rail links). But the key question that will determine the success or otherwise of this policy will be the extent to which the Government provide funds for such improvements.

25. It is important for the future development of Welsh ports and wider freight interests that the close working relationship developed with the Welsh Government through forums such as the Wales Freight Group are regenerated and maintained. Policy makers must be open to dialogue with freight generators to ensure that future decisions regarding ports and importantly, access are based on the needs of industry. Such an approach would establish a strategic freight policy that is based on the needs of the freight and industry, identified by industry, rather than the aspirations of politicians, civil servants and others that might seek to prejudice decisions on investments in strategic infrastructure.

26. The Wales Freight Strategy[4] contains ten clear recommendations aimed at future guidance for policy makers; these recognise the importance of ports to the Welsh economy. However it is important that the Welsh Assembly Government working closely with DfT make a clear commitment to ensuring funding to carry forward these recommendation which include road, rail routes and intermodal sites.

[4] One Wales – Connecting the Nation – The Wales Freight Strategy (May 2008)

27. Location of ports will have a direct bearing on the potential for growth; the southern ports in England traditionally serve as the main routes for container traffic links to Europe and the global shipping networks. The potential of Welsh ports is in opportunities to encourage ro-ro and feeder shipping services. These have been discussed at the Wales Freight Group and should be explored further.

How effective is Welsh transport infrastructure and interconnectivity in supporting the development of Welsh ports and airports?

28. Port and airports are the gateways into the hinterland; they provide a focus for business and ultimately the creation of jobs. Each component part has a role to play in ensuring that the productivity and job security is maintained and this of course includes Government. Planning processes which result in lengthy delay have shown that business is not likely to invest and that ease of development is likely to be a factor when considering inward investment in Wales. Government should look at and identify which parts of the planning process are barriers to economic renewal with the view of amending or removing this process.

29. Road remains the dominant method of carrying freight, many factors will need to be considered if this trend is to be reversed and more goods encouraged to use rail or shipping, therefore access to and from ports, and the infrastructure to accommodate additional freight/passenger movements is an important priority of any future policy.

30. For Wales to compete with the southern English ports changes need to be considered to accommodate containerised traffic, issues such as the Severn Tunnel and development of a W12 (or at least W10) gauge clearance should be considered. This allows compatibility with standard freight flows, allowing the line to work as part of rail's developing Strategic Freight Network.

31. The M4 and A55 are both designated as part of the Tens-T network and provide important access to markets in England, Ireland and Europe. They are also important for access to and from all of the main ports in Wales. It is therefore important that these routes are maintained to a high standard to accommodate the expeditious movement of freight traffic, which benefits the environment, and the economy.

32. In 2017 the Severn Bridge is due to come back into public ownership, with its users having paid just short of £1 billion. Government should not be encouraged to use these bridges as 'Cash Cows'. The rate of toll on these bridges impacts the freight sector directly and constitutes a direct tax on doing business for Welsh operators.

33. The Government should also review lorry parking facilities, particularly along these routes. Planning permission should be viewed with a presumption of acceptability rather than have developers plans refused by a local authorities planning/transport committee. Given the localism agenda safeguards should be put in place to ensure that projects which have a national or strategic outcome be considered using a separate set of guidelines rather than left to the political apparitions at a local level.

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