

Written evidence submitted by the UK Major Ports Group (MAR0026)

I write as Chief Executive of the UK Major Ports Group (“UKMPG”), the trade body for the operators of the UK’s largest ports. Thank you for the opportunity to contribute to the Inquiry on Maritime 2050: objectives, implementation and effects.

Who we are

UKMPG represents the nine largest UK port operators who, via the 40 ports they run, handle three quarters of all the port volumes entering and leaving the UK and invest more than £500m of private sector capital each year in the UK’s ports and surrounding coastal areas. These ports include 13 of the largest 15 ports in the UK and the largest ports in England, Scotland and Northern Ireland. Appendix A to this document shows the UKMPG members and puts them in the context of the UK ports sector.

Ports sector context

The UK ports sector makes an essential contribution to several of the major strategic imperatives for the UK, its coastal regions and each of us as individuals:

- ***The UK’s largest and most important gateways globally trading Britain:*** 95% of the UK’s physical trade with the world arrives or departs the nation by sea¹. As the UK’s predominant global gateways with the world major ports are crucial enablers of strategic supply chains for the UK – allowing our industries to export and bringing in the food and goods that we all depend on in our daily lives. For example, virtually all of the £101 billion of international trade by the UK’s automotive sector moves through our ports. Around half of the UK’s food and feed needs are imported via our ports.
- ***Catalysts for ‘levelling-up’ in coastal regions:*** Third party research² estimates that the ports industry in the UK directly contributed £9.7bn of value to the UK economy. Around 115,000 people were directly employed in ports in 2017, jobs which are 55% more productive than the

¹ UK Port Freight Statistics: 2016 (Revised), Department for Transport, 2017, page 3

² “The economic contribution of the UK ports industry: A report for Maritime UK” – CEBR, September 2019

UK average and often significantly better paid than local averages. And each direct job in the ports sector supports around 7 in supply chains.

This positive impact is largely in coastal regions all around the UK. These communities all too often suffer significant socio-economic challenges. For parliamentary constituencies in a sample of 42 port areas across the whole of the UK, the average level of the Multiple Deprivation Index is 22% higher than the UK average (a level in the bottom third of areas) and unemployment rates in port constituencies are 18% worse than non-port coastal areas. In these areas, the port sector is provider and enabler of 'beacon' jobs – relatively well paid (20% above UK average earnings, let alone local benchmarks), highly productive, skilled. "Levelling up" in practice.

The economic effect of ports is not just in the ports themselves. It is also in the surrounding hinterlands as ports develop their broader estates and local land for productive use – logistics parks, fulfilment centres, manufacturing facilities, even film studios. The ports are anchor businesses and enablers of activities that grow jobs way in excess of the port's historic cargo handling activities.

- ***Foundations of the zero emissions transition:*** Moving goods by water is hugely better for the environment in terms of emissions intensity than other forms of freight transport – at least 9x better than by truck and nearly 100x better than by air.

Ports are investing in new generations of hybrid and fully electric equipment to improve their own operations. They are keen to work with customers and politicians to increase the pace of improvement in a way that is sustainable both environmentally and economically.

Ports are also key bases for the UK's offshore green energy revolution, like wind farms. They offer locations and facilities for manufacturers and other supply chain players as part of their broader port-centric models for developing port estates. This can be both final assembly of shipped components, or the fabrication of related structures. In addition, ports offer ongoing services to offshore green energy (and the jobs that go with it) as locations for operations and maintenance activities.

The UK ports sector has a strong record of private sector investment in ports and related infrastructure – on average around £600m per year in normal conditions and even maintaining close to £550m during the pandemic. Ports have ambitious future investment goals.

UK ports have a proud record of being responsible employers, with a commitment to skills development (e.g. high quality apprenticeships), high pay relative to both national and local levels and well-established industrial relations mechanisms. The large majority of staff on UK ports are drawn from surrounding communities, although we value staff whatever their nationality. Port operators are committed to this responsible approach going forward.

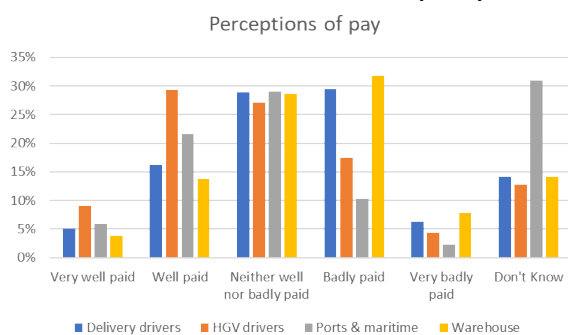
Answers to Inquiry questions

Question a) whether and how the ambitions and objectives described in Maritime 2050 support the maritime sector

To set the scene, the UK Major Ports Group welcomed the Maritime 2050 document in part for some positive overarching reasons.

- It is a welcome recognition of the importance of maritime as a whole to the UK. Despite being an island nation, dependent on the sea for 95% of our trade, the UK has developed a tendency to be ‘sea blind’, taking for granted what the sea and our maritime industries contribute to the economy and all our lives.

In some ways a combination of the pandemic, Brexit and specific supply chain disruptions have reawakened at least an awareness about where ‘stuff’ comes from. Recent public polling undertaken for UKMPG revealed that 48% of people now think more now about the supply



chains delivering their goods than they did pre-pandemic and 68% of people believe the workers involved in these supply chains deserve more acknowledgement.

However, even given the events of the last two years and initiatives such as Maritime 2050 knowledge and visibility of maritime in particular remains relatively low. Only 24% of those polled said they had any idea of how the last item of clothing they bought got from its manufacturing location to them. Thinking about jobs and careers, ports and maritime jobs registered massively more ‘don’t knows’ about pay and conditions perceptions compared to other logistics jobs (see left).

So there remains, across many dimensions, much work to be done on raising the profile and understanding of maritime in the UK – not all of which, of course, is the Government's job.

- Ports and some other parts of the maritime sector are inherently 'long horizon' businesses. Asset lives are long, infrastructure is designed to last for decades (and has in some cases been in use for centuries) and harbours and ports have been part of fabric of communities since time immemorial. Therefore, setting a long-term trajectory of principles or strategic themes is useful for such long horizon businesses to give direction and confidence to investment plans. There's a recognition that politics and policies can change, but a reasonably stable 'direction of travel' and sense of the role of Government is a very important part of setting an attractive environment for developing the infrastructure that's essential for the UK.

There are clearly limits about how much certainty that can ultimately be provided by anyone over a multi decade horizon and the Pandemic has been a reset in many ways for us all. But many of the key themes outlined in Maritime 2050 remain valid – decarbonisation, digitisation, automation, the inherent importance of maritime supply chains. And some of the Governmental priorities brought forward since the launch of Maritime 2050, such as 'global Britain' and 'levelling up' could be said to be well aligned to what's in Maritime 2050. So what is required is a hard look at what has moved forward and the coverage / emphasis of particular themes, rather than a fundamental review of the themes themselves.

To illustrate the point about 'emphasis' two themes of Maritime 2050 important for ports but from which they were to a material degree disregarded were 'Fiscal competitiveness', which is very much focused on professional services, and 'People', where there is an emphasis is on shipping and seafarers. In both cases our comments are not to suggest that these industries should be disregarded, but more to identify where some extra coverage would have been welcome. I.e.:

- **Fiscal competitiveness** – the UK is a global fight for infrastructure investment funds to commit here in the UK. Ports are part of this and there could have been inclusion of ports in the recommendations and the subsequent development activity.
- **People** – UK ports have a proud record of being responsible employers, with a commitment to skills development (e.g. high quality apprenticeships), high pay relative to both national and local levels and

high levels of unionisation well established industrial relations mechanisms. They are committed to this responsible approach. Although ports skill needs didn't feature in the Maritime 2050 recommendations as heavily as other sectors, we have proactively sought to 'lean in' to some of the general recommendations. For example UKMPG approached the Maritime Skills Commission with a research proposal which was supported to uncover opportunities and requirements for improvement in strategic workforce development.

A common theme of the 'emphasis' points above is that they have cross departmental dimensions. Ports straddle the land, intertidal and marine dimensions. Major ports are hubs for wider industry and energy use and generation as well as the historic trade gateway role. This means that the 'ports agenda' inevitably crosses departmental boundaries. In addition to the Department for Transport ports have to regularly interface with the likes of DEFRA, DLUHC, BEIS and HMRC / HMT. The challenges of cross-Whitehall working are certainly not unique to Maritime 2050 but it continues to be an ongoing task to consistently bring along other departments with a broad vision for the maritime sector. As a specific example, ports were descoped from a recent BEIS funding scheme for alternatives, such as hydrogen, for replacing diesel in industrial equipment in favour of sectors such as construction (perhaps understandable) and mining and quarrying (less so).

Finally, there is a fundamental question about the roles of Government and industry in the development of the maritime sector. UK major ports are unique in Europe and unusual globally in being privately owned and operated. This is a model that has secured consistently high levels of investment in UK infrastructure (around £600m per year generally and even above £540 million in a Pandemic year), choice and competitiveness for UK businesses and supply chain resilience for the UK. It's a model that works. Therefore we welcome the general tone of Maritime 2050 of 'industry led with Government enabling where necessary'. However, there can be occasions where Government has strayed into problematic intervention, for example in the provision of post Brexit border infrastructure delivery and through sometimes wanting to set attention grabbing headlines with insufficient regard to the means of implementation (e.g. some aspects of climate change targets, more recently and specifically the imposition of sanctions against Russian affiliated vessels).

Question b) progress towards the ambitions and targets set out in Maritime 2050, including the effectiveness, pace and priority of the strategy's implementation

Implementation and progress has been uneven.

Some themes have proceeded at pace with notable developments. The Environment theme has seen Councils and workgroups, plus more tangibly the Clean Maritime Demonstration Competition, together with a significant capital commitment to its follow-up. Shipbuilding has a strategy, a Tzar and a financial guarantee scheme.

Yet some areas have not moved forward at all. For ports it is particularly disappointing that there has been so little progress on the Infrastructure theme. A number of the specific commitments (e.g. Port Economic Partnerships haven't materialised) and more general commitments, like reviewing landside port connectivity – which in itself referenced a previous very sensible review undertaken by DfT that didn't progress to action, have not incurred.

Industry appreciates that Government resources, like those of industry, have been thinly and unpredictably stretched by the Pandemic and Brexit. But it is clear that either explicitly or implicitly, choices have been made about priority and resource commitment between themes of Maritime 2050. This is not to argue that progress on green maritime isn't welcome – far from it. But simply that other areas have been neglected.

It is disappointing that some of the more 'landside' or infrastructure elements of Maritime 2050 haven't made progress as these are important drivers of key UK strategic priorities such as a reinvigorated globally trading nation, robust and resilient supply chains and regenerating ('levelling up') often hard-hit coastal communities. It is arguable that some of these elements, such as improved port connectivity, could have played a role in mitigating parts of the supply chain congestion seen over the last 24 months. For example, greater and better use of rail freight has been identified in various DfT studies and then again in the Sir Dave Lewis supply chain taskforce work in Q4 2021.

We hope that some of these infrastructure challenges and opportunities will benefit from the DfT's emerging 'Future of Freight' strategy. There are some encouraging early elements, but Future of Freight needs to make the jump from broadly sensible strategy document to actual change in a way that the Port Connectivity Study and significant parts of the Maritime 2050 Infrastructure theme have not.

Where themes have moved forward there can be a notable gap between ambition and resources. For example, one area that has clearly moved forward is around the environmental theme. There are some ambitious objectives in this area and ports, as we are sure is the case in other sectors, absolutely

understand the need to make substantial change. But the scale of resources, such as Government funds for co-investment, have not been in the same league as other nations where we have seen progress on the ground. An example would be co-investment in infrastructure for electrically charging vessels at berth.

We are not suggesting that nothing has happened. The £23 million for the first round of the Clean Maritime Demonstration Competition was welcome (as evidenced by the level of industry response) and the recently announced £206m allocation for a follow-on scheme is clearly a substantial commitment. So now we need to ensure that this money is spent wisely, including a meaningful element on the Development side of R&D. is welcome but it's taken ages and there's a 'D' and implementation gap to be bridged too. In addition, there's a an unglamorous but important role for Government in incentivising the introduction of technologically possible but economically unviable assets through, for example, better use of capital allowances and tax incentives. This hasn't yet been properly factored into the Maritime 2050 work programme and of course is dependent on the Treasury playing its part.

Looking forward, there is a need (and opportunity) to look at the lessons from the Pandemic. The UK's ports and the supply chains they service have a remarkable job in ensuring a high level of resilience despite the confluence of unprecedented difficulties. Some aspects of this look like they will be picked up in the Future of Freight project – such as the valuation of freight flows in Governmental decision making, seeing freight as a system, improving resilience (but without 'picking winners'), regarding ports and maritime as key workers. But this raises some important questions for the DfT about how sectoral strategies like Maritime 2050 work together with cross modal strategies like the Future of Freight.

There are also some important developments in the broader policy landscape which could structurally change the way maritime sectors develop. That is even in themes which have made progress, such as environment. For example, even in the relatively short period since the publication of the Maritime 2050 document new environmental priorities have come to the fore. Biodiversity receives passing mention and net gain doesn't feature at all. Both concepts now seem likely to fundamentally shape intertidal and marine development.

Question c) the effect of Maritime 2050 on Government policies and regulation, maritime sector decision making and economic and

environmental outcomes, including the Clydebank declaration agreed at COP26

As noted in our response to Question B Maritime 2050 has played a role in some notable and positive impacts on Government policy and fiscal commitment. As examples, the Clean Maritime Demonstration Competition – where an initial relatively small financial allocation uncorked a wave of industry interest and has subsequently developed into a much greater £206 million financial commitment for a follow-up scheme. Ship building (as an umbrella term for manufacturing, technology and services) has clearly progressed, supported by Ministerial enthusiasm. The freeports programme has become a reality in England with the Greenports programme underway in Scotland. Improvements have been made to the tonnage tax regime.

However, as also noted above there have been areas of little to no movement. This has not stopped investment or indeed improvements from sectors such as ports. But neither has had it set a different, more positive course for the sector.

Although the question asks about economic and environmental outcomes we would also stress that consideration should be given to social outcomes as well. To provide two examples:

- ‘Levelling up’ – maritime industries like ports are literally well placed to play a role in ‘levelling up’ some of the UK’s most challenged communities which are disproportionately located on our coast. So are actions by industry (e.g. investment) and Government (e.g. local value targets for offshore green energy projects) achieving positive outcomes.
- Diversity – More focused effort is definitely taking place in maritime industries like ports to address low levels of diversity. More progress is absolutely required and we should consider the effectiveness of the provisions in Maritime 2050 in this regard.

We’d welcome a ‘scorecard’ from the DfT on where progress has been made or not and an honest discussion on where we’ve collectively got to. From such a candid appraisal could appear a prioritisation of joint effort (and crucially resources) on what amongst the long list of recommendations we want to take forward, what is new, what can be dropped and what is being taken forward elsewhere.

Specifically on the Clydebank Declaration our experience is of relatively little ports industry engagement and involvement so far, with this largely seeming to a inter-Governmental initiative so far.

Finally, we would like to stress that there are definite areas where Government has a role to play and others where the responsibility sits with industry. Indeed there have been a number of examples where Government intervention has been problematic – for example in the provision of post Brexit border infrastructure. Government partial provision in a historically industry led activity risk distorting supply chains and chilling longer-term investment. It's also been an object lesson in how Government can be a difficult counterparty even for supposed 'winners'. So it is just as important to know where Government shouldn't act as where it should. It is not always the case that Government should 'do something'.

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