Maximising EU/UK Trade Resilience Through Making the Most of the UK's Ports

UK Major Ports Group, October 2020

On 1st January 2021, the United Kingdom officially leaves the EU Single Market and Customs Union. The UK Major Ports Group (“UKMPG”) supports efforts to secure an EU trade deal. But regardless of whether a deal is reached or not, arrangements for handling goods moving to and from the European Union and the UK will change. The implementation of new border controls will mean new requirements, processes, and checks.

This briefing paper draws on specially commissioned research from UK transport experts MDS Transmodal to assess the extent of the additional port capacity that the UK could draw on for handling freight. It also paints some scenarios of the differences new arrangements might make to existing flows of freight.

In addition, this paper highlights what needs to be done – particularly by the Government – to maximise the use of the UK’s port capacity and keep freight flowing.
In summary, the research in this briefing highlights:

- There is significant additional port capacity available around the UK for handling EU-UK freight flows – equivalent to about 60% of all freight units (HGVs, unaccompanied trailers and shipping containers) in 2018 and equivalent to all of the flows passing through the ‘Short Straits’, principally Calais-Dover.

- Maximizing the use of this capacity requires Government and traders to act – the ports themselves are generally highly experienced in border processes and systems.

- Some switching of current EU / UK freight flows should be expected with the imposition of new border controls, particularly if these controls combine with restrictions on the ability of EU HGV drivers to operate freely in the UK. Scenarios of the degree of unconstrained switching range from 22-60%.

- Freight flows moving away from the more congested parts of South East England also offers positive environmental benefits.

*This paper provides the case for maximizing the use of the UK’s additional port capacity to support the resilience of EU / UK trade. If this capacity can properly utilised it would significantly reduce the potential for congestion and disruption, support the development of more resilient supply chains for UK businesses and have a positive impact on the environment.*
Evolution of EU-UK Seaborne Freight Flows

On 1st January 2021, the United Kingdom officially leaves the EU Single Market and Customs Union. The implementation of new border checks, both in the UK and EU, poses different risk profiles to different modes of freight. This is particularly notable for the HGV traffic traversing the Short Straits (Pas-de-Calais / South East Kent) corridor via Roll-On-Roll-Off (“RoRo”) ferries. This corridor has operated as a frictionless ‘road’ with short sea crossings and minimal border infrastructure.

The UK has not always been as reliant on this route. Prior to the UK’s entry into the European Single Market in 1993, the Short Straits corridor held only 44% of the Great Britain - Continental EU market. Today, it enjoys 60% of that market. By comparison, the North Sea corridor held a 41% market share in 1991, reduced to 34% in 2019.

In terms of other modes for transporting freight to and from the EU by sea, the share of unaccompanied modes, such as trailers and containers, has been increasing since 2016, with trailers and containers showing 1.5-2% annual growth in volumes per year 2010-19 vs 0.2% per year for HGVs over the same period.
There is a much greater spread of UK ports handling such unaccompanied freight modes, with significant investment in new or upgraded terminal facilities at ports such as Tilbury, Felixstowe and on the Humber, and new services to new locations, such as Spain - Liverpool.

It is generally the case that the larger port operators handling such unaccompanied freight also efficiently and effectively handle large volumes of ‘Rest of the World’ trade and the accompanying border processes already.

**Additional 'Resilience' Capacity at UK Ports**

Today seaborne freight moves between the EU and UK through a variety of different ports and freight modes. UKMPG commissioned UK transport experts MDS Transmodal to assess the extent of the additional port capacity that the UK could utilise for handling EU-UK unaccompanied freight flows. The analysis of RORO port capacity away from the Short Straits corridor suggests there is significant additional resilience capacity for handling freight flows to / from the Continental EU – around 3.6 million freight units, largely of unaccompanied RORO capacity.

Adding in estimates of 1.2 million units of additional EU-UK container capacity gives potential ‘resilience’ capacity of 4.8 million units. That is relative to 8.15 million freight units that moved between the EU and UK in 2018, of which 4.7 million units traversed the Short Straits. Further additional capacity to that modelled is available from west coast ports unaccompanied trailer capacity and deep sea focused container ports capacity.
Additional Capacity

Millions of freight units – HGVs, unaccompanied trailers or shipping containers

Total additional unconstrained capacity 4.8 million freight units

Source: MDS Transmodal GB Freight Model

Further additional capacity to that shown is available from West Coast ports unaccompanied trailer capacity and deep sea focused container ports capacity.
Based on a number of generic assumptions about capacity throughput per hectare (particularly related to dwell times which will vary between terminals), RORO terminals that have existing scheduled services to the Continent in the range of ports between Plymouth and the Tyne (excluding the Short Straits) could accommodate up to an additional 3.6 million unaccompanied freight units.

RORO terminal capacity is available on the North Sea (East Coast) corridor as a whole, although capacity may be tighter on the southern North Sea corridor.

The South Coast / Western Channel also provides additional RORO capacity and there are longstanding short sea LOLO and new Continental RORO services operating to the West Coast of Great Britain – the West Coast potential is additional to the capacity estimated by MDS Transmodal for the East and South coasts.

Some ports that are not constrained by surrounding urban areas have the potential to expand their land banks to cater for additional trailer storage.

MDS Transmodal judge there is also significant additional short sea container ('LOLO') capacity all around the coast of the UK, estimated to be at least 1.2 million units. Additional capacity at the UK’s deep-sea container ports which handle global flows would increase this number again.
What Needs to Happen So That the UK can Maximise Utilising this Additional Capacity?

Stakeholders need to act so that the UK can maximise utilising this additional capacity.

- Government – Whilst most UK major ports already have experience and facilities for handling the border processes required for global trade, the Government has an essential role in supporting additional infrastructure all around the country so that UK businesses have a range of options. Government also needs to ensure that the new processes it is introducing to facilitate HGV traffic works with, and doesn’t undermine, the existing well-functioning processes at most of the UK’s big ports;

- Traders – Regardless of whether a deal with the EU is reached or not, arrangements for handling goods moving to and from the European Union and the UK will change. The implementation of new border controls will mean new requirements, processes, and checks. It is vital that UK businesses understand their supply chain options and urgently prepare for new requirements and likely disruption in some areas;
• Ferry companies and shipping companies – A short term constraint could be the availability of additional ferries on routes outside the Short Straights for RORO units. Whilst this might be mitigated to a degree by the impact of COVID-19 and suppressed demand, ferry operators, possibly supported by the Government, have an important role to play in matching shifts in demand.

Existing unaccompanied freight modes already carry ‘Just In Time’ goods to UK factories, such as car parts from Japan, and perishable food stuffs to supermarkets. End customers frequently report that they require reliability and consistency of service rather than simple speed. For some goods and customers, accompanied RORO will continue to be the right supply chain option. However, there are fewer limitations on types of freight that can be carried by unaccompanied modes than is often assumed.

How might freight flows change due to new border controls?

Customers will make their own decisions about what is the correct balance of cost, risk and operational requirements for their supply chain. However, a number of external factors could affect the costs of the international freight operators on the Short Straits and encourage them to switch more of their traffic to longer sea-distance / shorter road distance unaccompanied RORO and LOLO services in both the short and long-term.
Potential changes to freight flows to and from continental EU after the end of the Transition Period

Millions of freight units – HGVs, unaccompanied trailers or shipping containers
Total in each scenario 8.15 million freight units
Source: NDS Transport GB Freight Model

Freight routes will also be influenced by other factors such as supply chain strategies, environmental considerations, availability of Government infrastructure and shipping.
To mimic what these factors might be and how they might alter freight flows entering or leaving the UK, MDS Transmodal have modelled the following assumptions:

- Additional charges on HGVs levied by the port and terminal operators on the Short Straits. In July 2020 the Port of Dover increased its charge per HGV by £5 and this is assumed to continue.

- Additional costs for hauliers due to delays on the Short Straits routes after 1 January 2021. These delays would not have to be at the ports themselves; As the Government’s scenarios make clear, traffic congestion could occur away from ports. Additionally, the logistics costs would increase on a supply chain for loads that were selected for checking at an inland location regardless of the free flow at ports.

- There could be additional costs and constraints on the flexibility for overseas hauliers, which carry about 90% of the traffic on the Short Straits. This is due to the potential loss of cabotage rights, reducing their ability to secure backloads returning to the Continent.

Under a base scenario, with delays of an hour plus continuation of an infrastructure charge, modelling suggests a 22% switch from Short Straits to other routes. Under a higher impact scenario, including a longer delay (two hours) and a cost penalty (stemming from restrictions on the ability of EU hauliers to get ‘return’ loads towards the South East of England), switching, on an unconstrained basis, could increase to 60%.
### Potential changes to freight modes to and from continental EU after the end of the Transition Period

Millions of freight units – HGVs, unaccompanied trailers or shipping containers

*Total in each scenario 8.15 million freight units*

Source: NOS Transmodal GB Freight Model

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<th>Mode</th>
<th>2018 Baseline</th>
<th>Low Impact</th>
<th>High Impact</th>
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<td>SHORT SEA LOLO</td>
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There would also be wider economic, as well as environmental, benefits from a switch of some traffic away from the Dover Straits.

Each HGV-load that switched would lead to an estimated benefit of £27 assuming ‘normal’ traffic conditions on the M20 and M25. However, this would increase to £45 per HGV in the event that Phase 2 of Operation Brock was required and trucks were parked between Junctions 8 and 9 of the M20.

One cannot of course just look at the transport costs alone. If delays were anticipated on the Short Straits then the freight transport operators and their customers would plan for this by increasing buffer stock levels (perhaps to allow for 12 hours of additional stock). This would require some additional investment in working capital and warehousing capacity, but such storage could provide supply chain resilience and offer broader benefits, while freight modes such as containers are ready made storage opportunities in themselves.
In conclusion

Analysis of port capacity suggests there is significant RORO terminal capacity at ports with existing scheduled RORO services away from the Short Straits that could accommodate more traffic. There is also spare capacity at existing short sea LOLO terminals around Great Britain.

Apart from the logistical requirements of their customers, delays on the Short Straits as a result of the end of the transition period and changes in road haulage cabotage rules could provide the immediate incentives for switching of supply chains. More concern about the environmental impact, and longer term changes in road haulage taxation, might provide longer-term incentives.

Action is required from businesses to utilize the extra port capacity available. Choices are not always easy, and the routes they use today may be the right ones, but change is coming. It is essential that businesses understand their supply chain options and urgently prepare for new processes and checks – both here in the UK but also crucially for goods entering the EU.

Government has a vital role to play. It needs to fully support any additional border infrastructure needs throughout the UK and it must ensure that the existing processes that work well at most of the UK’s major ports are not inadvertently undermined by new systems introduced for HGVs.
About Us

The UK Major Ports Group (“UKMPG”) is a trade association representing nine of the top ten largest port operators in the UK. Our members, via the 40 ports they run, handle three quarters of all the port volumes entering and leaving the UK and invest more than half a billion pounds 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.

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The “Study on demand & capacity in the GB-Continent unit load market” report was commissioned by the UK Major Ports Group and was undertaken on an independent basis by freight and logistics specialists MDS Transmodal utilising either publicly available information or their own proprietary data and modelling.