

SOUTH EAST ENGLAND REGIONAL TRANSPORT BOARD

Date: 21 July 2006

Subject: **National Ports Policy Review – Consultation Response**

Report of: Planning Implementation Director

Recommendations:

It is recommended that the Board agree the response set out in Annex I:

Purpose of the Report

To inform the Board of the recently published Ports Policy Review issued by the Department for Transport (DfT), and to agree a response.

Key Issues:

The DfT published the Ports Policy Review document on the 23 May. The suggested response argues that there is a need for Government to acknowledge the strategic importance to the UK of the ports sector in Greater South East (GSE) as part of a revised national ports policy, which would enable the RSS/RTS to assess the future implications for the region. At the individual port level, the response strongly supports the concept of Port Master Plans, which would set out how major ports plan to grow over time, and how future landside infrastructure requirements will be met. The response concludes with the exploration of different approaches to infrastructure provision, which focuses around a combination of national, regional and port investment and future management.

1. Background

- 1.1 The DfT published the Ports Policy Review document on the 23 May. International ports are a vital part of the region's infrastructure and are a highly visible reminder of the region's gateway role. Investment in the landside infrastructure supporting their efficient operation is an important dimension of the South East Plan and brings benefits to the national economy.
- 1.2 The Review is clear that the Government is not attempting to set up a simple predict and provide model for future port development. It continues to believe that in the majority of cases investment decisions with regards to ports and their infrastructure should be left to the market. This approach is enshrined in current government policy known as 'Modern Ports' which was published in 2000.
- 1.3 The Review is focused on whether the market can capture all the important impacts of port development and in particular, if, how and to what extent, the Government should create a framework in which this can occur. Finally the Review considers the supply and management of land side infrastructure.

2. Summary of Key Issues

2.1 Forecasts

- 2.1.1 The Review contains the first official forecasts of port demand since the 1970s and covers the period up to 2030. Headline findings include :
 - i. economic growth in an increasingly globalised economy which will increase the volume of freight passing through UK ports;
 - ii. structural changes in the UK economy and the growing importance of trade with Europe and Asia will lead to increasing demand, in particular at those ports which have roll-on roll-off (ro-ro) freight and container services (lo-lo);
 - iii. how international freight moves between ports and inland origins and destinations will increasingly impact on transport networks;
 - iv. economic growth will increase demand for the cruise sector, however passenger ferry movements are more closely linked to competition from airlines;
 - v. increased container traffic growth will be seen above tonnage – that is we are likely to see a drop in average tonnage per container due to demand for goods, and just in time practises, which in turn will result in more boxes moving the same load.
- 2.1.2 The Review goes on to consider the spatial policy impacts that the forecasts are likely to generate. In summary :
 - i. deep-sea shipping lines, in the Far East trades, are particularly reluctant to make direct calls outside the Greater South East (GSE) as this adds substantially to voyage time and hence costs for traffic bound elsewhere in northern Europe;

- ii. consequently, if capacity in the deepwater ports of the GSE is constrained, shipping lines will be more likely to omit the UK call than to re-route to a northern or western UK port, with the UK-bound traffic then being transhipped through a continental port;
- iii. greater use of coastal or feeder services may have an adverse impact on rail's share of onward shipment;
- iv. ro-ro traffic growth is likely to continue to be strongly concentrated in the South of England;
- v. the ferry market is expected to continue to decline though there is likely to be continuing growth in the cruise market to the benefit of Southampton and Dover;
- vi. in general terms the GSE will continue to be the focus in absolute terms for port movements. Issues associated with landside infrastructure (i.e. road and rail connections to/from the port) are likely to restrict some of this growth.

2.2 National and Regional Impacts

2.2.1 Government has a Public Service Agreement (PSA) in place to close the gap in regional disparities. The Review considers whether there may be a role for ports policy to assist in this aim, and focuses on three areas:

- i. the extent to which provision should be made for further development of deep-sea terminal capacity in GSE, beyond current outstanding consents and applications and the steer which Government might give for more deep-sea or feeder capacity elsewhere in Great Britain;
- ii. short-sea ro-ro traffic and the scope for attracting more of this to northern ports, potentially producing savings in road haulage within the UK; and
- iii. the balance of costs and benefits to the economy if trade travels via transshipment centres outside the UK.

2.3 Other Issues

2.3.1 The Review highlights a small number of other issues worthy of reference:

- i. The potential for Master Plans as a means by which a Port considers how it will manage its growth over the medium to long term, thereby assisting in the development of Regional Spatial Strategies, Local Transport Plans and Local Development Frameworks.
- ii. Confirmation that Port developments should be treated like any other major planning application in terms of the need for them to contribute towards the cost of supporting land side infrastructure. However the Review also highlights the need to consider such issues in a wider context, in particular whether there is an alternative way of ensuring landside infrastructure has the capacity to enable efficient and effective port operations;
- iii. The Review summarises the changes brought in by the Planning and Compensation Act, but in doing so it focuses on the developers/applicants point of view. It considers the quality of guidance issued by Government

and its effectiveness, the implications of the Habitats Directive and the proposed Marine Bill.

3. Discussion

- 3.1 Ports are of fundamental importance to the region and the Country as a whole, and handle around 95% of the country's trade by volume. The South East Plan recognises this critical role through the weight placed upon the gateway role of the region. The Plan equally recognises that the ports are reliant upon the quality of land infrastructure providing effective connections to markets.
- 3.2 It is clear from the forecasting work contained in the Review that that the GSE ports will continue to be the dominant ports for the future. This is based on a combination of geographic location in terms of global trade routes combined with the size and magnitude of existing capacity and infrastructure within the region.
- 3.3 It therefore follows that ensuring port owners/operators and statutory planning bodies are able to plan for the future landside infrastructure needs of the strategic ports should be the focus of our response. The current planning approach has failed the ports sector, and by association impacted negatively on the performance of the UK economy.
- 3.4 Decisions on investment in landside infrastructure inevitably have an impact on the attractiveness and operation of individual ports. A clear strategic planning framework at a national and regional level will provide the context for achieving closer alignment of priorities for landside infrastructure with potential growth in port operations in a way that compromises neither the integrity of the planning system nor the scope for the private sector to determine the need for investment in port infrastructure.
- 3.5 The trend towards a reduction in the average tonnage carried per container is in part a response by the logistics industry to concerns regarding the capacity of the landside infrastructure to provide the required level of service. The provision of a clear strategic planning framework will in part help address this worrying trend.
- 3.6 The provision of a clear strategic planning framework for the ports sector will also help network operators to plan for changes in demand arising from intensification of operations within existing ports. Maximising the use of existing facilities will be an important consideration for port owners/operators as the opportunities for port expansion become more limited and as ports strive for greater efficiency in the global market.
- 3.7 The lack of a strategic planning context at the national level forms the focus of our proposed response to Review contained in Annex I. The response supports the need for Government to set the context within which the ports sector should be developed. It argues that the key role of ports in the Greater South East must be explicitly acknowledged. It strongly supports the

need for major ports to be required to prepare Port Master Plans as a means of achieving the closer alignment between the priorities for landside infrastructure and the potential growth in port operations.

- 3.8 The proposed response goes on to explore different approaches to infrastructure provision, which focuses around a combination of national, regional and port investment and future management, and how better engagement might be made with European policy.

4. Next Steps

- 4.1 The issue of ports development is a strategic regional and national concern. Growth within the national and regional economy will lead to increases in passenger and freight use of ports. The current national policy framework has failed the port sector and by association impacted negatively on the performance of the UK economy because it has failed to achieve the necessary alignment of improvements in landside infrastructure with potential growth in port operations.
- 4.2 The approach suggested would result in a clear strategic planning framework at the national and regional level that would address this fundamental weakness.

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06 July 2006

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**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
NATIONAL PORTS POLICY REVIEW RESPONSE**

1. Introduction

- 1.1 The Government's current policy has failed the ports sector, and by association impacted negatively on the performance of the UK economy. This response concentrates on issues at the strategic level and in particular how the interface between the ports industry, national policy and the spatial planning framework can be improved.

2. Forecasts

- 2.1 Forecasting port demand is in itself a difficult task. There are numerous variables all of which can impact on the overall outcome and this is appreciated. What is clear, however, is that the demands for port capacity will remain high, particularly with regards to capacity for deep-sea services. The ports in the Greater South East (GSE) are likely to continue to be the dominant ports in terms of meeting the needs of the UK due to their geographic location and the markets they serve.
- 2.2 One aspect of forecasting that requires further consideration, and which has yet to be factored properly into them, is that of increased efficiency particularly in respect of facilities for deep sea containers. At present the forecasts for capacity of these facilities appear to be based solely upon a fixed relationship between quayside and port capacity. There is increasing evidence available that suggests this assumption is fundamentally flawed. The National Ports Policy should emphasise the importance of pursuing increases in efficiency of existing port facilities, over and above expansion of facilities either within existing ports or as new ports.
- 2.3 The analysis in respect of the potential for the cruise and passenger ferry sectors is supported however the National Ports Policy should acknowledge that these sectors may give rise to more localised impacts that in themselves are significant.
- 2.4 The Government is urged to review its current approach to intensification of existing sites. Further consideration must be given as to how this may impact upon the forecasts which provide the evidence base for the Review, and how this may interface with colleagues in the Department for Communities and Local Government. However it is acknowledged that any adjustment in the forecasting methodology is likely to simply delay the need for increases in port capacity rather than obviate their need in the future.

3. Regional Balance

- 3.1 The distribution of current ports is based upon a combination of geographic location in terms of global trade routes and/or minimising crossing times to mainland Europe. The Assembly supports the view that operators of deep-sea shipping services are particularly reluctant to make direct calls outside the GSE, as this adds substantially to voyage time and hence shipment costs. Due to the nature of the industry additional costs incurred to shippers is a major determinant of port of call.
- 3.2 The Review poses the question as to whether the national PSA on reducing the gap in economic performance between the northern and southern regions should be used as a basis for determining the National Ports Policy. Based on its own evidence, the Review demonstrates that an attempt to use public sector policy on ports in this way will not be successful. The modelling work set out in the supporting documentation to the Review clearly shows that if port capacity is not provided in the GSE operators of deep-sea shipping services will switch to using mainland Europe ports rather than alternatives elsewhere in the UK.
- 3.3 Thus while port facilities might be seen as possible economic regeneration tools, the operation of existing and future markets are likely to undermine any attempt by the public sector to intervene in this way. We therefore support the conclusion set out in the Review that an attempt by the public sector to intervene by promoting additional port capacity in the north of the country against the clear market drive for capacity in the south runs the risk of over crowding ports in the GSE. This would ultimately increase the pressure on landside infrastructure, giving rise to increased costs of distribution which in themselves will have an adverse impact on the UK economy as a whole.
- 3.4 The National Ports Policy must therefore acknowledge the critical role of the ports in the GSE in serving the whole of the UK economy. The acknowledgement of this role should in turn be reflected in the allocation of public sector funds to invest in landside infrastructure serving the gateway ports in the GSE.

4. Clarity of Planning Framework

- 4.1 Regional Spatial Strategies provide the statutory planning framework within which the development of port facilities and their supporting landside infrastructure are identified. The lack of a clear strategic planning framework at the national level means that the Regional Planning Bodies are required to undertake their statutory role in a partial policy vacuum. The National Ports Policy should provide the strategic planning framework.
- 4.2 It should set out the broad direction and quantum of port capacity needed to be catered for over a period of time on a regional basis. Where practical this should be broken down into broad areas. This would not be a target

drive approach, but would provide greater clarity on which Regional Planning Bodies could then take forward the development of Regional Spatial Strategies.

- 4.3 Such a framework would provide the basis for a positive dialogue between the port owners/operators and Regional Planning Bodies. One that would enable the principles underpinning the need for expansion of port facilities to be established at an early stage in the planning process. This would in turn provide port owners/operators with greater certainty and clarity in taking forward proposals to develop their existing facilities. It would also provide the opportunity for the Regional Planning Bodies to achieve closer alignment of priorities for landside infrastructure with the potential for growth in port operations.
- 4.4 The combined effect of this approach would be to support the efficient and effective operation of ports as international gateways through timely investment in landside infrastructure. By introducing certainty and clarity to the delivery of major investment in port infrastructure such an approach would have the added benefit of reducing the time taken to deliver investment in port infrastructure.
- 4.5 The National Ports Policy should require strategic ports to prepare a Port Master Plan as a means of reinforcing the need for a closer dialogue between port owners/operators and the planning authorities. Experience with the preparation of the Port of Dover Master Plan has been extremely positive. It provides a clear basis on which the Regional Planning Body has been able to engage in discussion with the Port as to how to ensure the landside infrastructure needs to be developed in response to increases in throughput through the port. The Master Plan provides a flexible framework within which detailed proposals can be brought forward in response to changes in market conditions. It also provides a framework within which it is possible to begin to identify the apportionment of costs for investment in landside infrastructure between public and private sectors.
- 4.6 In terms of ports within South East England the requirement to produce a Port Master Plan should only be made of the major ports, namely Southampton, Portsmouth, Thamesport and Dover.
- 4.7 The Review should give further consideration as to how the issue of intensification of existing port facilities is taken into consideration as part of the planning system. The National Ports Policy should emphasise the importance of extending the “manage and invest” approach that underpins the Regional Transport Strategy to the area of ports policy.

5. Land Side Infrastructure

- 5.1 The issue of land side infrastructure provision to support and enable ports to continue to operate is one of national importance. The absence of sufficient capacity in both road and rail links connecting major ports will have serious

repercussions not only for local communities, but also for the UK economy as a whole.

- 5.2 The wider economic benefits of efficient and effective port operations should be reflected in the allocation of public sector funds to support investment in landside infrastructure. In particular the National Ports Policy should provide the basis for increasing the amount of funding available to authorities within the GSE to invest in landside infrastructure supporting the role of the major ports as international gateways.
- 5.3 The Review should give further consideration as to whether current appraisal techniques give sufficient weight to the wider economic benefit of investment in landside infrastructure supporting port activities.
- 5.4 We support the view that planning applications for port development should be treated in the same way as any other development. In particular the principle that a port developer should contribute to the cost of any consequential landside infrastructure needs to be explicitly acknowledged. However there may be scope to explore innovative ways in which such a contribution is made. For example capital investment in enhanced capacity for freight movements by rail might be reflected in reduced freight access charges for movements whose origin/destination is the proposed port facility.
- 5.5 The Review should give further consideration as to how the need for investment in additional landside infrastructure arising from intensification of port operations is funded.

6. Transhipment

- 6.1 The Review appears to down play the role of Short Sea Shipping and the potential for Motorways of the Sea to be developed. The current UK policy of non market interference is resulting in a barrier to pursuing funding opportunities through TENS which would enable port operators to bring forward facilities that support such services.
- 6.2 By providing a clear strategic planning framework at a national level, the National Ports Policy should provide the basis for the UK to engage proactively with partners in Member States with a view to realising the full potential of shipping as part of an integrated transport system. The approach followed by other Member States has focused on identifying sections of the coastline which should be afforded a high priority for the development of facilities that support Short Sea Shipping services as part of the Motorway of the Seas concept. This would not involve the identification of specific ports. For example such a relationship could be between South Coast ports and those on the Iberian coast. This approach would enable partnerships to form that do not distort the market, but which provide an avenue to gaining access to investment through European funding streams that would support the development of shipping services.

- 6.3 There is undoubtedly some potential to reduce the pressure on landside infrastructure in the GSE through the use of transshipment services operating along the UK coast. At present there is no apparent advantage for the logistics industry to develop such services. The National Ports Policy provides the opportunity to take forward such an initiative possibly supported via a time limited Cost Neutral Revenue Support system, similar to that for rail, which may assist in pump priming.

7. Environment

- 7.1 Regional Planning Bodies and local planning authorities are required to undertake an appropriate assessment of the effects of development plans (including RSS) on Natura 200 sites. This must include an assessment of the in-combination effects of other plans and projects. In addition to the potential effects of dredging operations on Natura 2000 sites, other potential impacts of ports operations need to be considered. For example the potential effect of emissions from shipping to air and the impacts of this on sensitive terrestrial habitats. The Review should acknowledge and provide guidance on the consideration of these wider impacts and the implications for assessment of in-combination effects.

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