



Enabling the supply chain of the future

Peel Ports Group - Whitepaper | September 2020



Foreword

Mark Whitworth, CEO

How the World has changed for good

Now, more than ever, businesses need the confidence that their supply chains can cope with whatever the economy and the world throws at them.

COVID-19 and the Brexit transition have each brought the essential work of ports into sharper focus.

Over the last few months, ports have played a pivotal role in ensuring the UK remains fed, fuelled and supplied with key medical products.

As the primary gateways for goods entering and leaving the country, ports understand first-hand the immense challenges ahead.

Forward-thinking operators also understand the importance of building supply chain strategies that are agile and resilient enough to withstand whatever comes their way, including adopting more sustainable practices to reduce CO2 emissions and costs.

While the full economic effect of the pandemic and the impact of our future relationship with the EU is yet to be realised, the one thing we know for certain is that it will irrevocably change the UK's role in the global economy and global trade.

We are determined to enable this change and in response, we are investing in our port estates and infrastructure to ensure we can arm businesses with the tools they need to drive forward change and meet new levels of demand for their products and services.

We're encouraged by signs that businesses are looking ahead and building new, agile, resilient and greener supply chain strategies, which have ports at their very heart.

While we don't know exactly what the future holds for supply chains, what we do know is there is an abundance of potential for the UK to harness the enormous capabilities of the nation's ports as uniquely placed economic powerhouses – both its businesses and the communities in which they are based.

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How Ports enable the supply chain of the future

The last 12 months, will have been a turning point for many supply chains. Whilst initially presenting supply-side problems with the early lockdown in China and the threats posed by Brexit at the end of 2019, it was the demand-side volatility that resulted in empty shelves in our supermarkets.

The logistics sector is so finely tuned that just a relatively small shift in the supply-demand balance caused significant challenges. While many were able to adjust quickly and demonstrated resilience, demand far outstripped supply in many areas. From supermarkets running out of toilet roll, to building products manufacturers having to hold goods until construction sites reopened, but then struggling to keep supplying the boom in home renovations, demand changes created huge ripples for the supply chain.

In a post-COVID world, operators and cargo owners will be seeking to understand how best to adjust their globalised business models to better safeguard themselves against similar challenges in the future – with obvious pressures to change coming from Brexit and decarbonisation as well. Of course, COVID-19 shouldn't simply be treated as a challenge by itself.

It adds to a list of pressures that industry has had to deal with over the past five years.

The EU referendum, the Brexit Deal, and multiple UK general elections have each forced questions and halted decisions in the market. At the same time, there's a desire to 'build back greener' – ensuring that recovery in every form is tied with enhanced sustainability. These are potential opportunities that also bring new and uncertain challenges.

Alongside the pandemic and Brexit challenges is the growing shortage of HGV drivers in the UK.

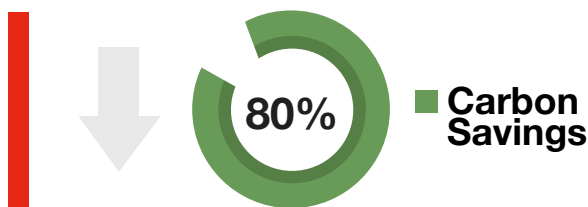
An industry that once equated being 'on the road' with glamour and adventure, is now one of traffic and delays, and lacking in facilities, populated by drivers nearing retirement and those from the continent.

Older drivers are not being replaced with new blood, and any Brexit-related border friction and/or restrictive legislation will mean that many continental drivers – who account for the vast majority of trucks crossing the Dover Straits – simply won't want to come to the UK anymore.



Who will do the long-haul from southern ports to the Midlands and farther north, as more retire or choose to stay on the continent?

Using ports close to the origin or destination of the cargo delivers significant benefit. Clearly, fewer road or rail miles means less fuel is consumed on the land leg of the journey. This does not just reduce cost, but also removes carbon from the supply chain.



Even if additional fuel is burnt on a longer maritime journey, emissions from shipping can be up to 80% lower than those from road on a tonne per kilometre basis, demonstrating the fuel efficiency benefits of maximising the use of water and minimising the use of road.

The shorter journey also improves driver productivity – a key factor given the increasing scarcity of long-distance truck drivers.

Drivers of journeys of less than 50 miles can do multiple jobs per day compared to those on long distance north-south hauls who sometime struggle to complete one round trip in a day.

Close proximity can offer other indirect benefits too. The port can be used not only as a strategic gateway, but a facilitator of supply chain activity.

Be it full processing, product finalisation or simple storage solutions, being close by means a port can fulfil a wide range of logistics activities, fully in the knowledge that the close proximity to the market or production plant minimises the risk of disruption as a result of congestion.

Potential delays and hold-ups post-Brexit help bring the need to use the port closest to the origin or destination to light further. Every minute that goods are delayed waiting for border checks limits the haulier's range to drive goods to key locations because of the regulations on driver working hours.

An increase in time to process EU goods through short-sea, even as little as a couple of hours, could force a whole network redesign due to the consequences on driving time regulations.

By making use of ports closer to the origin and destination, and alternative modes of shipping, such as unaccompanied RORO or containers, logistics operators are able to minimise the impact of border control to enable goods to reach their final destination.

There are two reasons:

Firstly, if only the Dover Straits are used, you are overly reliant on drivers being able to make journeys to northern locations in vehicles. You can minimise driver journey times to huge numbers of locations in the UK by adapting your strategy in a way that allows goods to make longer journeys across sea.

Secondly, longer sea journeys allow for much of the clearance process to take place prior to landing in the UK whilst moving cargo in unaccompanied form – containers or RORO – means a driver is not delayed when a unit is put on stop as they can simply divert to another cleared item.

Beyond the proximity-to-market benefits, an evolved port strategy gives logistics providers new opportunities to make other gains too.

Using regional gateways allows those with the need for new industrial developments (for example fulfilment centres, factories and processing plants) the opportunity to take advantage of fluctuating land values and labour availability/labour costs across the country, rather than be stuck in one high-cost region.

Additionally, using ports closer to consumption, the logistics sector can help take trucks off the main long-haul motorway routes, improving energy efficiency and business responsibility as climate change becomes one of the biggest challenges in the weeks and months ahead.



Are ports regional enablers?

Ports are vitally important to supporting and increasing economic activity in coastal regions.

The higher the throughput of goods entering and leaving a port, the more secondary investment in infrastructure, provisions and associated services is required, bringing benefits to the local and regional economy. Crucially, they create jobs beyond the port fence.

Freeports were a key part of the Conservative Party manifesto, and remain a key policy objective of the Government who see them as an important part of their rebalancing agenda – signalling the economic importance of ports in their communities.

Freeports are different in all countries but at their simplest they are designated areas where the normal customs and tariff rules of the country in which they are based do not apply.

They allow raw materials to be imported, turned into manufactured goods within the port estate, and re-exported without being subject to usual checks, paperwork, or import/export tariffs.

The UK Government already plans to create up to 10 freeports across the four home nations after Brexit, and believes they will create jobs in 'left-behind' areas, contributing to its stated 'levelling up' agenda.

These benefits include boosting inward investment, increasing productivity, and generating employment opportunities in the most deprived communities.

The View from Logistics UK

By Zoe McLernon, Multimodal Policy Manager at Logistics UK

LOGISTICS UK

From the uncertainty surrounding the UK's future trading relationship with the EU, to the disruption caused by the COVID-19 pandemic, supply chain managers are facing one of their biggest challenges to date.

This intersection of Brexit and recovery from the COVID-19 pandemic is set to impact UK supply chains across key sectors, and in order to thrive in this ever-shifting logistics landscape, government and industry should look to ports.

ECONOMIC IMPACT

The COVID-19 outbreak and resulting lockdown response brought a deep, sudden shock to the UK's economy and society, and like many other sectors, the impact on logistics businesses has been immense.

The UK is emerging from COVID-19 into a different political, social and economic climate; supply chains managers will have to adapt to new patterns of production and consumption.

EU Exit represents a further significant change in process and supply chain configurations, with the extent of changes dependent on trade negotiations with the EU.

As an enabler of economic and social activity, logistics has been critical to maintaining our everyday lives during the COVID-19 crisis and will be vital to economic

In addition to providing ongoing financial support for businesses, government investment into infrastructure is vital to support long-term economic recovery and to attract new trading partners post-Brexit.

INFRASTRUCTURE INVESTMENT

Effective transport infrastructure is vital to economic and societal functioning, in addition to the international competitiveness of the UK, and ports provide a means to attract new trading partners and in turn, provide economic boosts to regional economies.



While the UK's major ports continue to grow, lack of poor onward rail connectivity is limiting these efforts.

For example, we need to see end-to-end freight paths developed on east-west routes to allow access between the north-west coast ports and north-east coast ports; we are pleased to see Transport for the North has recognised the need for a high-speed east-west rail corridor in its Northern Powerhouse Rail programme.

And, as the UK looks to replace European trading opportunities with economies further afield after Brexit, ports will play a key role in maximising these new relationships.

Planning freedoms at ports remain vital for investment. Flexibility and planning opportunities for new premises and supporting the provision of infrastructure will boost economic activity and enable growth in key areas such as the provision of Freeports.

SUPPLY CHAIN RESILIENCE

Changes in consumer behaviour during the pandemic are likely to continue for the foreseeable future; logistics businesses must ensure they are reviewing how these trends could impact their supply chains. For example, we expect to see consumer uneasiness around international travel and quarantine measures continue in the short to medium term.

While air freight will always be an important part of the supply chain, this will present an issue for air freight as 60% of UK's air cargo imports and exports are transported in the belly hold of passenger planes; sea freight could step in here as an alternative.

Logistics businesses will undoubtedly review their supply chains to determine how best to protect from future disruption; this is likely to manifest in practises such as on-shoring or near-shoring of supply. A focus on supply chain reliance and risk management – perhaps over speed of processing – could be a permanent legacy of the pandemic.

EU EXIT

The failure to reach an agreement with the EU to guarantee continued access for UK hauliers would place pan-European supply chains at great risk. Logistics UK is urging the government to keep pressing for a deal with their European counterparts.

We are hopeful that a compromise can be reached in negotiations – without one, the situation for both UK and EU hauliers is very bleak, as the alternative permit system provides very little access for on either side of the border, and the resulting slowdown in traffic across the border would put the nation's interconnected supply chain at risk.

The intersection of the COVID-19 pandemic and Brexit will force logistics businesses to review their supply chains, not just to make them as resilient as possible, but to cater to evolving consumer behaviour.

The logistics industry is agile, tough, and used to constant change; with a flexible approach and the right government support, supply chain managers should be able weather this next challenge.



Liverpool City Region

The Port of Liverpool is one of the largest, busiest and most diverse ports in the UK, sitting on both sides of the River Mersey. It is home to Liverpool2, a £400m deep-water container terminal, which opened in 2016, doubling Liverpool's container capacity and making it one of the country's best-equipped and connected terminals.

A report by the Cebr found that the maritime sector in 2017 was directly responsible for 7,889 jobs in the Liverpool city region and supported 52,000 jobs total. It also directly drove just under £2.0 billion in domestic output and indirectly supported a total of approximately £4.2 billion.

Further, the report found that the transport of international freight was becoming increasingly important to the Liverpool region, due to the 'large sums of investment being pumped into the local ports to support the expansion of container shipping'.

It specifically mentions the £400m Liverpool2 project, and £1.4 billion investment across the Liverpool and Manchester Ship Canal.

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Port of Liverpool leading the way with new services

CLdN Case Study



CLdN
CARGO

BACKGROUND

CLdN is a Luxembourg based company, founded in 1928. Formerly known as Cobelfret, they are mainly involved in worldwide bulk shipping, European RoRo shipping and European door-to-door services.

THE PEEL PORTS SOLUTION

In June 2020, Peel Ports introduced a new call at the Port of Liverpool, opening the first pure ConRo service with CLdN in a triangular route between Santander (ES), Liverpool (UK) and Dublin (IE). The new route was in direct response to increasing demand from trailer, container and project cargo operators for a direct connection from Iberia to the UK and Ireland in certain markets.

Following on from the success of the first booking from the USA with Atlantic Container Line (ACL), through to Dublin, with a transshipment in Liverpool, an additional Porto (POR) service has now been added, further increasing frequency and capacity increase on CLdN's Irish and UK services from continental Europe.

PEEL PORTS IMPACT

Liverpool is a key port for Irish Sea trade, and this new modal route between the two countries will provide UK, Irish and US exporters alike, with a reliable, fast and direct route for their customers. Market uncertainty has presented a number of ongoing issues within the supply chain. Long distance European haulage, delays as a result of increased paperwork and border controls, and restrictive measures put in place by authorities relating to driver or passenger transport, are just some of the recent issues being felt.

The new offering has provided a vital solution to protect and preserve every link in the supply chain. Specifically, it is able to support the reduction of long European haulage legs to deliver a robust and reliable service in the face of COVID-19 restrictions. Previously, this shipment would have gone via the English Channel, however, the newly introduced service provides a more direct route between Iberia and the UK, cutting down on excessive road and sea miles, and by following the shortest, most direct route which will avoid channel and road trips.

WHAT CLDN SAID

Sjors Bosvelt, Head of Sales, CLdN said:

“We have observed an increasing demand from trailer, container and project cargo operators for a direct connection from Iberia to the UK and Ireland in certain markets.

“Opening the first pure RoRo alternative on this route, allows our customers to optimize usage of their assets because of improved lead-times compared to current transshipment or channel tunnel routes.”

“All industries and cargo types can gain advantage from this service.

“The schedule has been set up in such a way, that we are able to execute Landbridge sailings between Liverpool and Dublin also.

“Increasing unaccompanied freight capacity between the UK and Ireland at the same time, proving freight routes can flourish without any governmental aid and add another route which is Brexit resilient”.



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A port-centric approach to help supply chain efficiencies

Character World Case Study



BACKGROUND

Character World is the UK's leading manufacturer and distributor of licensed home textiles and accessories. The firm's distribution network across EMEA, services retailers with bedding and textiles from all major entertainment companies. The focus is on high-quality and localised products, as well as innovation and service delivery.

THE PEEL PORTS SOLUTION

The Port of Liverpool has been part of Character World's supply chain for nine years. The firm utilises a 100,000+ sq ft multi-user warehouse for B2B and B2C distribution of its products including bedding and bean bags. The port facility also offers value-added services including rework, rebranding and bean bag filling on-site. capacity increase on CLdN's Irish and UK services from continental Europe.

THE PEEL PORTS IMPACT

A base at the Port of Liverpool offers various advantages to Character World, allowing it to bring its product round to Liverpool from Felixstowe or Rotterdam on the port's feeder vessel service. This enables the firm to reduce its carbon footprint as well as avoiding potential issues with road / rail haulage and it is significantly cheaper.

An increasing part of Character World's business is its direct to consumer model, which was already growing prior to Covid-19 but accelerated as a result of the pandemic. To meet growing demand, the business takes advantage of Peel's partner Denholm Logistics to provide efficient and cost effective pick and pack capabilities. The ability of Denholm/Peel to be able to handle this increasing part of Character World's business has been essential for the company during lockdown.

WHAT CHARACTER WORLD SAID



“We have worked closely with the Peel Ports team at the Port of Liverpool over the last nine years. They have been really flexible and always identify new ways to support us, and in turn we have significantly improved the efficiency of our supply chain and the speed at which our customers receive their orders.”

Adam Howarth, Supply Chain Director
at Character World



Interested in finding out more?

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