



House of Commons
Transport Committee

Ports

Ninth Report of Session 2002–03

Volume I



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Report, together with formal minutes

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Transport and its associated public bodies.

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Contents

Report	<i>Page</i>
1 Introduction	3
2 The Port Industry	4
Port Ownership	5
Future Prospects	6
Conclusion	9
3 Statistics	9
Introduction	9
Available Information	10
Employment Statistics	11
Maritime Statistics Directive	13
4 Making Ports Safe	14
Employment Practices	14
Safety and Training	15
Accidents and Injury Figures	16
Health and Safety Improvements	16
Regulations	16
Port Skills and Safety Organisation	17
Training	18
The Passport Scheme	19
International Safety Regulation	20
ILO Convention 152	20
Market Access to Port Services Directive	20
5 Capacity	21
Future capacity	24
The Government position	27
Landside Links	29
Rail Links	29
Specific Infrastructure Requirements	31
6 Environment	33
Introduction	33
Government Policy	33
Port Efficiency	34
Environmental Performance Indicators	35
Directives and Regulations	35
7 The Planning Process	38
Introduction	38
Gaining Consent	40
Decisions	41

8	Competition with Continental Ports	43
	EU Market Access to Port Services Directive	44
	State Aid	46
9	Light Dues	46
	Economic Factors	48
10	Summary of Recommendations	51
	Appendix 1: Major Ports	56
	Appendix 2: Leading Ports by Cargo Category	57
	Formal Minutes	59
	Witnesses	60
	List of written evidence	61
	Reports from the Transport Committee since 2001	63

1 Introduction

1. This Report is based on work carried out by our predecessor committees, the Transport sub-committees of the Committee on Environment, Transport and Regional Affairs and of the Committee on Transport, Local Government and the Regions. Each of those committees took substantial evidence from many groups, including the Government and its agencies, the European Commission, industry groups, individuals and companies, the Health and Safety Executive, industry safety and training bodies, unions and professional associations, English Nature and the RSPB. When the Transport Committee was formed in July 2002 the bulk of the work had already been done, and ample evidence had been assembled. We decided that we should bring our predecessors' work up to date by inviting any organisation which wished to do so to submit a supplementary memorandum, and by holding a single evidence session to cover any points which needed clarification, but that we would otherwise rely on the information already provided. We are extremely grateful to all those who gave evidence to us and to our predecessor committees in what has been an important and long-running series of inquiries. We are also extremely grateful to all the organisations which hosted visits by our predecessor committees, and by us. In the course of these inquiries the Committee and its predecessors visited the Port of London, Grimsby and Immingham, Japan and Hong Kong.

2. We would particularly like to thank our specialist advisers, Professor James McConville and Dr Heather Leggate. Their expertise and assistance has been invaluable in drawing together vast amounts of evidence and drawing up this report.

3. *Modern Ports: A UK Policy*¹ set out a United Kingdom policy, but recognised that responsibility was both devolved and reserved. "Ports, harbours, piers and boatslips" are not reserved under the Scotland Act, but shipping policy and marine safety are reserved.² This report deals largely with matters of interest to United Kingdom as a whole, although in some cases the detail of our recommendations will be most directly applicable to England. We note that the Welsh Affairs Committee has looked at ports during its inquiry into *Transport in Wales*.³

4. The Government has been developing its port policy during the course of our inquiry. In November 2000 it published *Modern Ports: A UK Policy*, a paper on the policy development of the industry. It has published work on container terminal capacity; conducted consultations on light dues, and on appraisal methods for port development and published a new *Project Appraisal Framework for Ports*.

5. This work is driven by the fact that shipping is the main transport method for international trade⁴ and the United Kingdom's ports are a "gate way" to that trade, as well as being drivers of their local economies. More than 388 million tonnes of international

1 Department of Environment, Transport and the Regions , November 2000.

2 Details of competence can be found in *Modern Ports: A UK Policy*, section 2.2. See also Q 518.

3 Second Report of the Welsh Affairs Committee, Session 2002–03 HC 205-I

4 Environment, Transport and Regional Affairs Committee, *Opportunities and Development Prospects at Major Ports*, Minutes of Evidence and Appendices, HC (2000–01) 244 i-iv, p. 217. Evidence from the inquiry by the Transport sub-committee of the Transport, Local Government and the Regions Committee is published in a companion volume to this report, and memoranda are identified by serial number e.g. POR 1.

freight moved through our ports in 1999 – 95 per cent of the country’s international freight movements by tonnage and 75 per cent by value. Another 177 million tonnes of domestic freight moved through the ports system. 32 million international passengers and 38 million domestic passengers used United Kingdom ports in 1999.⁵ As an island, we depend on ports to move both freight and passengers. They are a vital part of the transport chain. They drive both local and national economies.

6. Ports do not simply provide facilities for shipping; their key function is to transfer traffic, passenger or freight, between transport modes. Although the nature of the links to land transport needed will depend on the type of cargo handled, the efficiency of a port is dependent on the quality of the inland transport system that serves it.⁶ Port activity must not be viewed as an end in itself or a separate entity. On the contrary ports are becoming increasingly integrated into the entire system of distribution and movement of commodities and people in the country’s domestic and external trade.

7. Ports are an essential part of the fixed capital or infrastructure of United Kingdom. They are very costly, whether a new investment or an extension to a port, but usually offer large economies of scale. But **ports have little or no alternative use. If there is a mistaken investment or the investment is no longer required they cannot be transferred to another use, and their cost is irrecoverable. Investment decisions are made easier if Government policy is clear and stable, and there is confidence that the Government recognises the importance of the sector.**

8. *Modern Ports: A UK Policy* recognises the dependence of the UK economy on international trade, and that ports support national and regional economies. It states that “It is in the national interest that our ports remain able to handle current UK trade and its potential development efficiently and sustainably.”⁷ Nonetheless, Government policy on ports is largely market-driven. Following the deregulation and privatisation of much of the industry in the 1990s, the majority of the United Kingdom’s key ports are in the hands of private companies, which have been left largely to their own devices in developing their facilities and services. The industry has come under increasing pressure in recent years from overseas competition, deteriorating infrastructure, a poor safety record and external pressures from national and European legislation. This report considers the structure of the industry, Government policy toward that industry and prospects for the future. **Ports are important for the United Kingdom’s economy; Government policy must ensure that our port industry remains healthy and internationally competitive and provide a solid framework for its success.**

2 The Port Industry

9. Few transport industries are so burdened by a past legacy as ports. It is not even clear exactly how many ports there are within the UK. Some sources claim there are some 600 ports or harbours within Great Britain that have statutory powers, but the vast majority of

5 *Modern Ports: A UK Policy*, para 1.1.3; the figure for domestic passengers includes river crossings.

6 HC (2000–01) 244 i-iv, p. 201, p. 208

7 *Modern Ports: A UK Policy*, paras 1.1.1–1.1.2.

these provide facilities for fishing, leisure and tourist industries. The most often quoted sources suggest there are over 300 commercial facilities. If the definition is confined to regular use in the handling of cargo and or to catering for passengers there are approximately 100 ports in regular commercial activity.

10. The Department for Transport is concerned with a smaller number: “We ourselves have defined the major ports in our document as being those ports which handle over 2 million tonnes of cargo each year which gives you a total of 35 or 36 in the UK.”⁸ They added “The Maritime Statistics Directive had a definition of one million tonnes of cargo” and detailed information had now been collected on that basis; “that would give us about 52 major ports in the UK and account for about 97 percent of cargo.”⁹ This report is concerned with the needs of the larger ports, rather than with those used predominantly for fishing or leisure purposes.

Port Ownership

11. The privatisation of several United Kingdom ports in the last two decades of the 20th century changed the structure of the industry. Broadly speaking, port authorities in the United Kingdom are owned and operated by three kinds of authority.

12. Historically, *private ports* (including the company owned ports) were generally developed to serve a particular commercial activity, such as the oil trade, although Felixstowe was founded as a general facility. But between 1992 and 1997 seven former trust ports were privatised.¹⁰ Generally private companies established under the 1948 Company Act run these ports on commercial lines.

13. At present approximately 70 percent of the port capacity in the United Kingdom is privately owned, and companies now operate fourteen of the largest 20 ports by tonnage.¹¹ The private sector is in charge of a port’s land, infrastructure, facilities, and handles virtually all port service and regulatory functions including pilotage, navigational aids, safety and security. The United Kingdom is unusual in international terms in having such a preponderance of private ports, and in giving the private sector such complete control of port activities. In many other countries the port itself is publicly owned, and even where there is some private ownership, many regulatory functions remain in public hands.

14. A large number of ports are not privately owned, even now. Many are *public trusts* or *trust ports* set up by an individual Act of Parliament, controlled and administered by a self-governing independent statutory body. These bodies are often known as Conservancy Boards or Harbour Commissions. Their remit is typically to provide a service for import and export of goods by sea, or for the fishing industry; to provide navigational conservancy and make the best use of their assets. They are ad hoc public bodies established for the purpose of managing harbours and have no share capital. Many trust ports are small, and at present there are only some 20 trust ports which have an annual turnover in excess of £1 million, such as Dover, Milford Haven and Lerwick.

8 HC (2000–01) 244 i-iv, Q 7

9 Ibid, Q 8

10 Clyde Port, Dundee, Forth, Ipswich, Sheerness, Thamesport and Tilbury.

11 *Modern Ports: A UK Policy*, p. 32.

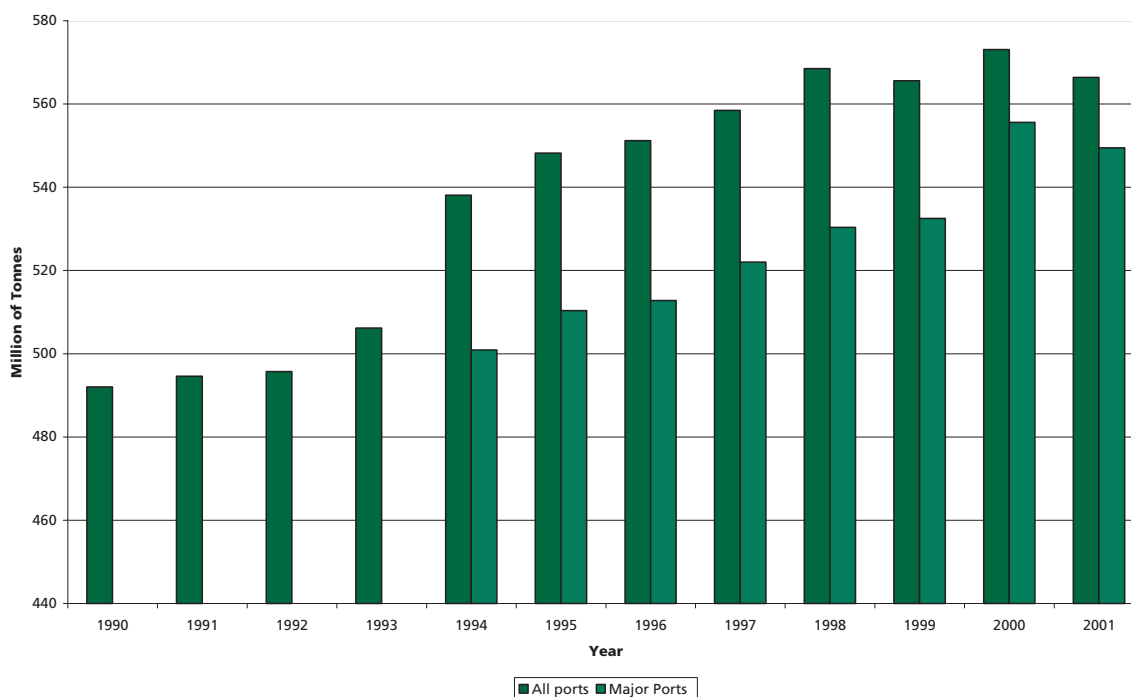
15. Other ports are controlled by a *municipal authority*. In a similar way to port trusts, the local authority may act as a landlord with private terminal operators acting as tenants. Such ports are usually small and commercially insignificant, but there are exceptions such as Sullom Voe and Portsmouth.

Future Prospects

16. As Figure 1 demonstrates, there has been a fairly consistent rise in total port tonnage, that is inward and outward movements of cargo, since 1990, although there was a slight fall in 2002.¹² From 1994 onwards the Department for Transport statistics are divided into all ports and major ports, which were defined as those which handled over 1 million tonnes per year (also see Appendix 1). A comparatively small number of major ports move the vast majority of tonnage, and their share of the market is increasing. In 2000, this percentage reached 97 per cent and the trend appears to be continuing. The breakdown of cargo by port is shown in Appendix 2.

Figure 1: Tonnage through major UK ports

Source: Department for Transport



17. These ports handle a variety of cargo; liquid bulk (oil); dry bulk (which includes coal, iron ore, grain, bauxite and phosphates); containerised cargo, and roll on roll off, which includes both leisure traffic, and lorry movements.

18. Figure 2 shows major port traffic by cargo for UK ports in 2001. Liquid bulk is by far the largest sector, followed by dry bulk. However, although container and roll on roll off traffic currently account for a relatively small proportion of cargo, they are a growth area. Containers and container vessels are measured in 'Twenty foot equivalent units' (TEUs).

Over the last 30 years the UK container trade has increased threefold from approximately 1.5 million units (TEUs) to 4.5 million units. Much of this increase has occurred in the last decade, with a growth of 50 per cent (Figure 3).

Figure 2: Major Port Traffic by Cargo 2001

Data Source Department for Transport

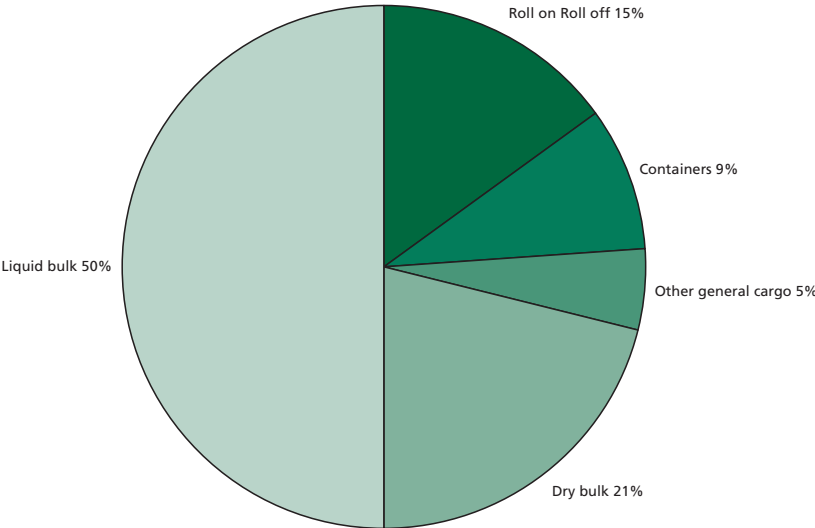
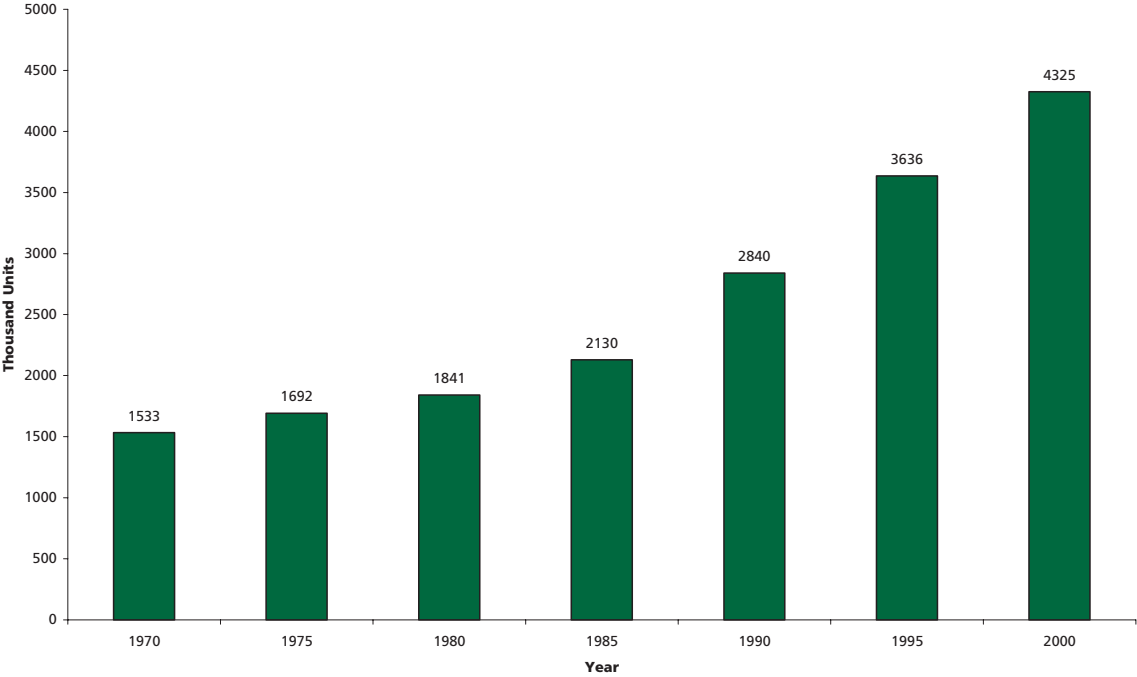


Figure 3: Growth in the Container Trade 1970 to 2000

Data source: Department for Transport



19. All estimates indicate that growth in container traffic will continue as a result of globalisation, and of industry and technological development. Over the last quarter century or more, economic, commercial and technological change has brought fundamental changes to the industry both nationally and internationally. The increase in the size of bulk carriers and the rapid development of unit loads, particularly in the form of containers and roll on roll off tonnage have created pressures to move ports to deep water, downstream to estuary head sites where there is the necessary draft. Such sites often also provide low value land that can be used to service the port. Good road and rail connections can make such sites viable.

20. Before container traffic became widespread, ports handled goods from multipurpose or break bulk vessels. The lack of intermodal transport meant that in most cases ports served, and were of commercial importance in, relatively small areas. Since land transport was costly, a carrier's choice of port to a large extent reflected the desire to keep such costs down. A large number of small ports could flourish, each serving a different geographical area.

21. The standardisation of cargo units or containers created a revolution in long-distance transport. The substantial fall in maritime transport freight rates and the ability to transfer units or containers internationally by many different transport modes brought a reduction in total transport costs. The consequence of this was that port hinterlands were much less protected than under the previous conventional shipping system. Market proximity is no longer a guarantee of stable or permanent traffic. Ports now compete with one another for containerised traffic, and United Kingdom ports face competitors in third countries, since goods can be transhipped from large container vessels.¹³

22. Not only are goods transported over greater distances, ships are also becoming larger.¹⁴ Until recently the size of vessels was determined by the 'Panamax', the largest size of vessel which could go through the Panama Canal. Now ships are being built which exceed this size, and may be more than 6500 TEUs. This will fundamentally affect the shape of the industry in future. Since such massive vessels require deep water, they are handled in transshipment hubs, which have associated feeder ports. Efficient hub ports require cranes able to be used with such large ships, a substantial amount of land for activities associated with the port, and high-quality intermodal connections. They also need a labour force capable of operating and maintaining expensive and highly technical equipment.

23. These changes mean that the nature of ports' growth has changed. In the past ports grew incrementally, a comparatively simple process of capacity increase, achieved by adding to the number of berths. Liverpool is a prime example of this. More recently, ports have expanded in new deepwater sites and by making berth capacity improvements, increasing the throughput of the berth. Such improvement requires substantial capital investment. For example, a single berth container terminal could cost between £80m and £140m.¹⁵

13 POR 1A

14 HC (2000-01) 244 i-iv, p. 223, p. 233

15 HC (2000-01) 422 i-iv, Q 177

Conclusion

24. Substantial, often erratic changes in trade flow and the increasing competitive strategy adopted by ship owners impinge strongly on the way ports and terminal owners have adapted their operations. There is constant pressure to lower costs and provide services for modern fleets of increasingly large vessels.¹⁶ This has caused a vast increase in the requirement for port investment. Most European countries are increasing their capacity.¹⁷ The expansion is driven by a number of pressures, but the greatest is the massive year-on-year increase in international sea borne trade, both in bulk commodities and in container movements. The United Kingdom needs deep water facilities able to deal with modern fleets. The alternative is that goods will be transhipped from continental ports with the necessary facilities, not only increasing costs to business, but threatening the competitiveness of UK exports.¹⁸

25. Government policy on ports, as it is on airports, is that the private sector is best placed to identify and implement new development opportunities. State provision risks inefficiency, and may not be properly responsive to the market. Although there was widespread acceptance among our witnesses that port development was usefully made by the private sector, the problem remains that operators of hub ports need to make large investments, but are vulnerable to the changing policies and fortunes of large shipping companies and alliances. If private sector investment is to continue to sustain our ports, United Kingdom ports policy must ensure that those ports remain attractive to international business. This may mean providing appropriate ancillary support for their activities, such as good road and rail links. But there are other interests which must also be protected; **we need a regulatory framework which both ensures that ports are operated in a safe and environmentally responsible manner and does not put unnecessary barriers in the way of business.**

3 Statistics

Introduction

26. Accurate and reliable information is an essential tool for the development of a strategy for the industry and for assessing and enhancing its role in the wider economic and commercial arena. Unfortunately, there appears to be a remarkable lack of information about the ports industry.¹⁹ We were astonished that many of the statistics we asked for in the course of this inquiry were not available. Where contemporary figures existed they were based on limited, and occasionally questionable, surveys or simply anecdotal material.

16 Ibid, Q 414

17 Q 28, 24 April 2002

18 POR 14

19 HC (2000–01) 244 i-iv, p. 234

Available Information

27. In a supplementary memorandum the then Department of Environment, Transport and the Regions (DETR), under the general heading of 'Gaps in Information', listed six major areas where available statistical data was either ambiguous or incomplete. These were:

- Employment: "no precise data exist on employment at ports";
- Health and safety: "there are no precise statistics available on accidents occurring at ports";
- Infrastructure: "although industry publications provide information on the facilities available at some ports, it is difficult to extract this information meaningfully or consistently";
- Integrated Transport: "no reliable or comprehensive statistics are available on the movement of goods to and from ports by modes of transport";
- Economic data: "there are no readily available statistics on revenue and expenditure at ports";
- Transshipment at container ports: "the Department's port traffic statistics do not allow you to measure the level of transshipment at container ports."²⁰

28. The statistics available now are worse than they were in the past. The DETR noted that data relating to employment, health and safety and infrastructure "were formerly collected by surveys conducted by the National Ports Council and then the British Ports Federation. These provided reasonably comprehensive data by port. Since then however, no systematic collection of information has taken place."²¹

29. As Mr Carr of the TGWU pointed out, one of the chief failings in the present position is "a standard industry categorisation system which fails to pinpoint [sic]. In the port industry, if we want to look at figures on cargo handling, they would be lumped in with the marine and fishing industries and things like that."²² The effect of this is that there are no clear data on what actually happens in ports themselves. **The Standard Industrial Classification (SIC) systems must be modified as a matter of urgency, in order to facilitate the collection of precise data on the port industry.**

30. In March 2001, our predecessor committee was told that the Department of Environment, Transport and the Regions intended to develop better statistics: "There could be a range of aspects from the statistics on aspects like ship turnaround and container movements, statistics on dwell times, statistics on environmental issues and of course, as we have already mentioned, the safety issue which is another aspect of performance efficiency ... The task is first of all in identifying which would be the most

20 HC (2000-01) 244i-iv, p.200

21 Ibid

22 HC (2000-01) 244 i-iv, Q 391

useful and informative, and secondly in agreeing with the industry, the merit of collecting the information and sharing it.”²³

31. Two years later the Department for Transport was saying much the same thing: “There is also a role for Government in the dissemination of facts and figures about the industry, so that those in the industry, and those affected by the operations of the industry are aware of the wider picture. The Department is in discussion with the industry on the best way of collecting and publishing relevant statistics.”²⁴

Employment Statistics

32. There is also a serious lack of systematic information on employment or labour turnover in the various sectors of the industry. In the early 1990s there were adequate, albeit limited statistics on such things as total employment in specific categories. Unfortunately this data is no longer available. There continues to be a variable pattern of demand for labour due to the irregular arrival of vessels and the cycle of trade, but current levels of employment, on a permanent, semi permanent or casual basis are unknown.²⁵

23 HC (2000–01) 244 i-iv, Q 72

24 *A Project Appraisal Framework for Ports: Commentary on Responses to the Consultation*, Para 10 April 2003, p 7.

25 Qq 549–582, 18 June 2003

Table 1: Employment in UK Ports 1983-1992

Worker Category	1983	1985	1987	1988	1989	1990	1991	1992	% Change ²⁶
Dock Workers and other Cargo Handlers	23,058	19,340	18,001	17,425	17,871	14,421	12,515	11,765	-49
Other Manual Workers ²⁷	5,076	4,051	3,338	3,162	3,404	2,825	2,386	1,995	-61
Craftsmen including apprentices	3,924	3,435	2,948	2,837	3,238	3,113	2,847	2,524	-36
Marine Workers ²⁸	5,059	4,639	4,577	4,581	5,113	5,046	4,951	4,517	-11
Clerical and Administration Workers	7,788	6,823	6,300	5,869	6,455	6,115	5,271	4,769	-39
Foremen/Supervisors	3,211	2,769	2,492	2,611	2,904	2,498	2,302	2,247	-30
Managers ²⁹	2,557	2,404	2,598	2,607	3,005	3,087	2,784	2,720	+6
All Workers ³⁰	51,230	43,956	40,709	39,545	42,492	38,173	34,037	31,487	-38

Data Source: British Ports Federation

33. Table 1 shows that there was a decline in the overall levels of employment within the port industry, which was particularly marked in the decade 1983 to 1992. But within this total, individual groups had differing experiences. The greatest job losses were among the dockers and manual workers groups where the contraction was in excess of 50 per cent. The sole exception was the managerial group where there was a marginal increase. The fact that there is no current data of comparable detail must make it harder to consider what policies would help the industry, and where training is most needed.

34. This is important, since deregulation has created conditions for the return of casual contracts of one form or another. Indeed, it appears that, within the context of the UK port industry as a whole, the majority are now casual workers, with a small minority of permanent or core employees. How far this is applicable to the UK major ports is unclear, but their dependence on temporary or casual workers, particularly at peak times, is unquestionable. We need to know the extent to which dock work is carried out by skilled employees, and the extent to which casualisation has led to a reduction in the skills base.

35. The data also fails to distinguish between different categories of employees. As the Department for Transport points out, "if someone is engaged in work in the port, they

26 Percentage change 1983 to 1992.

27 Including semi-skilled workers and ancillary workers such as canteen staff, messengers and cleaners.

28 Including pilots from 1990.

29 Including management trainees from 1987.

30 Total including security and police from 1990.

would be classed as a worker in whatever status, temporary or on the payroll or whatever it might be.”³¹

36. In addition, the figures for accidents in the course of employment are collected on what appears to be a largely voluntary basis within the industry.³² These are not generally published at national level. Where accident statistics are available, they are produced on a different basis within specific ports or companies. Furthermore, these differ in practice from other industries, making a cross industrial comparison extremely difficult, if not impossible.

Maritime Statistics Directive

37. Some improvement may be brought about by the EU directive on Maritime Statistics which requires Member States to supply to the Statistical Office of the European Communities (Eurostat) information relating to maritime traffic through its ports. Although the directive was passed in December 1995³³ and obliged the Member States to collect the information from 1 January 1997, it allowed States a period of up to three years to adapt their statistical systems to fulfil the Directive criteria. As the United Kingdom's statistical systems needed considerable adaptation, the Government obtained a derogation until 1 January 2000.

38. The detailed data has to be provided by the shipping lines or their agents for freight movements through major UK ports (i.e. those handling more than one million tonnes of freight per annum). In addition, port authorities at major ports have to provide quarterly aggregated data to confirm the completeness of the data collected from these shipping or lines agents.³⁴ The data will be used by the European Commission to assist in policy development at community level and to monitor the impact of general policy measures.

39. Additional analysis may be possible using the extra data collected - for example, the publication of quarterly statistics in addition to traffic flows may also be made available as a result of the Directive. However, the Department will continue to respect the confidentiality of individual operators' information when disseminating data.

40. Although implementation of the Directive will clearly increase the amount of information available, it has an essentially limited base covering only commodity,

31 Q 550, 18 June 2003

32 HC (2000-01) 244 i-iv, p. 233, Q 429, 18 June 2003

33 Council Directive 96/64/EC.

34 The Directive requires the collection of statistics on freight traffic, vessels and passenger traffic through ports throughout the European Union. Data relating to freight traffic is only being collected in detail for UK ports handling more than one million tonnes of freight per annum ('major ports'). This detailed data includes: The reporting port; The Lloyds Register Number (or IMO Number) for the vessel (or name, flag and deadweight); The direction of movement (inwards or outwards); Port of loading for inwards cargo or unloading for outwards cargo; For unladen traffic: The type of units (container, accompanied trailer, unaccompanied trailer etc.); Whether they are loaded or empty units; The number of units and the freight tonnage; For other traffic: The broad product group and freight tonnage. This data has to be provided at least quarterly and is being collected primarily from shipping lines or their agents. In addition, the 'major' port authorities (where traffic exceeds one million tonnes per annum) are providing the following information on a 'retrospective' quarterly basis: The names of all shipping lines and agents using their port; The identity of all vessels using their port; and The gross weight and number of units of goods in and out of their Port. Data for other ports, handling less than one million tonnes a year, is being provided only annually in summary form by port authorities.

passenger movement and vessel characteristics. Far more wide-ranging and better quality information is needed to underpin a coherent and effective policy for ports.

41. The existing statistical information on ports falls seriously short of what is required by a modern industry. Although the Department for Transport acknowledges this, there appears to be no sense of urgency in addressing this need for accurate statistics. It is a disgrace that there is so little statistical information on an industry so vital to the United Kingdom's economic and commercial prosperity. We are astonished that so little progress has been made in developing the statistical base necessary to inform policy. The Department for Transport must produce regular statistics on port activity in collaboration with industry. This should cover in detail employment, health and safety, infrastructure and general economic data. Statistics on the accidents, injuries and illness to dockworkers are particularly important and must be made available on a national basis.

4 Making Ports Safe

42. Even though recent statistics are lacking, it is clear that the port industry has been shedding labour for the last half-century. The overall decline in the levels of employment within the port industry is in no way related to a decline in the demand for port services. The core factor has been the changes in maritime technology combined with fundamental restructuring of working arrangements.

Employment Practices

43. One of the central characteristics of the port industry is the irregular arrival of vessels and, as a result, extremely variable levels of demand for labour. The traditional response to this was casual employment, the result of which was a casual attitude on the part of management to labour, a reciprocal casual attitude on the part of labour and ensuing insecurity because of uncertain earnings.

44. The National Dock Labour Scheme, established in 1947 following the Dock Workers (Regulation of Employment) Act 1946 was an attempt to deal with these problems. The Scheme was a radical change for dock labourers. Registered Dockers were on a permanent basis, employed by operating companies. National and Local Dock Labour Boards were instituted on which employers and unions were equally represented. Uniquely the unions had rights to participate in recruitment, dismissal and disciplinary procedures. The aim of registration was to provide a stable supply of experienced labour for employers and regular employment for dockworkers, in addition to medical welfare services and training through a financial levy on port employers. 76 ports were required to employ registered labour for the purpose of carrying out dock work. The scheme was abolished in 1989.

45. In ports to which the scheme applied, dock workers were permanently employed and had access to benefits such as training, rather than being the casual day labour they had been before. But even in the days of the Dock Work scheme, the introduction of new technology in the form of unitisation and containerisation meant that the industry experienced a prolonged decline in employment. Shippers were also able to move much of

their work from the docks to other sites where containers and other units could be filled and emptied, but where the scheme did not apply. The rapidity of these changes created an increasing number of workers who were termed ‘surplus to requirements’. This became a particular problem for the industry as a number of registered dock workers could only be adjusted under a voluntary severance agreement known as the Aldington Jones Agreements.³⁵ Even so, the total number of registered dockworkers, which stood at 65,128 in 1965, contracted to 12,193 two decades later (1985) and immediately prior to the scheme’s abolition in 1989 the total was only 9,390, a decline of 86 percent over the 20 year period.

46. The ending of the dock work scheme was seen by some as an important way of increasing customer service. For example, the Department of Employment Gazette asserted: “Abolition of the National Dock Labour Scheme was one of the most momentous changes ever seen in the port transport industry. The evidence is clear that considerable achievements in customer service are now been achieved through a variety of innovations and flexible work systems”.³⁶

47. Nevertheless, even with the introduction of new technology which requires skilled workers, labour demand still fluctuates to such extent that many employers prefer to engage a core labour force of highly skilled regular workers, supplemented by temporary or casual workers from a labour pool to cater for any upturn in demand. It has been argued that this return to unregulated casual workers within the industry has recreated many of the labour problems and economic inefficiencies of the past.³⁷

Safety and Training

48. Modern ports are hazardous; they contain a wide variety of highly sophisticated equipment and dockworkers are constantly exposed to many technical risks stemming from the operations undertaken in working a ship’s cargo and using highly mechanised and dangerous equipment. It is the overriding duty of the employer to ensure the health, safety and welfare of their employees.³⁸

49. There are obvious difficulties in ensuring adequate training if a large part of an industry’s workforce is casual. But training is essential not only to ensure that a person possesses the knowledge and experience required to perform a specific task but to ensure that it is done as safely as possible. If ports are to be operated safely and efficiently, there needs to be high-quality training, and since the equipment used in the industry evolves rapidly, that training must be kept up-to-date. The modernisation process has meant that dock work has become increasingly sophisticated since modern vessels are complex and expensive pieces of capital equipment.

35 The agreement which developed out of the Joint Special Committee On The Ports Industry, final report in April 1974.

36 See P Turnbull and S Watson, *British Ports Industry (Part 1 and 2)*, Maritime Policy and Management, Volume 20, Numbers 2 and 3, 1993, part 2, p. 181.

37 HC (2000–01) 244 i-iv, p. 233

38 *Modern Ports: A UK Policy*, para 4.1.2.

Accidents and Injury Figures

50. As the Department of Environment, Transport and the Regions itself pointed out: “There are no precise statistics available on accidents occurring at ports”.³⁹ However, even with the poor statistics available, the Health and Safety Executive considered that port work:

“is the most dangerous land-based industry in the United Kingdom with a rate of nearly 3,000 accidents per 100,000 workers, the exact figure is 2,933. If I can use one or two comparators, that figure is higher than coal mining and quarrying, which is 2,732; it is higher than construction which, as you are probably aware, is an area of major concern to HSE, where the figure is 1,290. The provisional figures for last year showed that there were three deaths, there were 115 major accidents and 591 three-day accidents. I believe, subject to correction, there has already been one death this year.”⁴⁰

Health and Safety Improvements

51. The Government has national targets to improve health and safety. The targets are as follows:

- “to reduce the number of working days lost from work-related injuries and ill-health by 30 per cent by 2010;
- to reduce the incidence of people suffering from work-related ill-health by 20 per cent by 2010;
- to reduce the rate of fatal and major injury accidents by 10 per cent by 2010; and
- achieve half of each improvement by 2004.”⁴¹

However, there are no such clear targets for dock work, even though its danger is clearly recognised.

52. We expect the Government to set identifiable national targets on health and safety in ports, together with a timetable for their implementation.

Regulations

53. The HSE were at pains to stress that they were not responsible for safety but for regulating safety. Their aspirations are limited; as they state: “It is fair to say, we have to say, across all industry there is a degree of under reporting.”⁴²

39 HC (2000–01) 244 i-iv, p. 200

40 HC (2000–01) 244 i-iv, Q 488

41 *Modern Ports: A UK Policy*, para 4.1.7, November 2000.

42 HC (2000–01) 244 i-iv, Q 500

54. Currently risks are regulated under the Dock Regulations 1988, and associated codes of practice. When *Modern Ports: A UK Policy* was published in 2000 it announced a review of these regulations and said that the Health and Safety Commission was “determined to use this opportunity to do something about the unacceptable accident rate in docks.”⁴³ Progress has been slow; in July this year HSE told us:

“we are actually reviewing the Docks Regulations 1998 and the associated codes of practice and guidance and that work is well underway and it is certainly our intention that it should be completed in the Spring of next year.”⁴⁴

55. The current review of Dock Regulations 1988 has taken an inordinate time. The revised codes must give clear and practical guidance including an explicit definition of the term ‘adequate training’.

56. However good the guidance, safety needs enforcement. The HSE intends to deploy more inspectors at docks, but there are currently only a limited number, and no inspectors are dedicated to dock work. In June this year we were told:

“we do not have inspectors who are dedicated to docks and only docks” and “the number of inspectors dealing with docks, who cover docks as part of their responsibilities, has remained relatively stable at about 25 or so.”⁴⁵

We do not consider 25 inspectors enough to deal with such a dangerous industry, particularly since none of these is dedicated to dock work.⁴⁶

57. There is an acute shortage of dedicated port inspectors to fulfil the obligations of the Health and Safety Executive (HSE). We expect the HSE to set a timetable for the recruitment of a sufficient number of inspectors together with the provision of an effective training programme.

Port Skills and Safety Organisation

58. Safety and skills go together. When this inquiry opened the industry possessed two individual and distinct organisations dealing with safety and training. These developed following the break up of the British Port Federation. The Port Safety Organisation (PSO) was established in 1992 to represent ports and assist in the improvement of safety matters. The training function was taken by the British Port Industry Training Organisation (BPIT) also established in 1992. These organisations represented some 78 per cent of the industry with varying membership bases. The primary aim of BPIT was to develop what was termed ‘job competency’, this being its accredited function for which it was in receipt of Government grants. Such funding ceased when the Government changed its policy with regard to the National Training Organisation (NTO) in the Spring of 2002.

59. During the initial phase of this inquiry, it was strongly suggested not only by the Committee, but also from other quarters that safety and training should be dealt with by a

43 *Modern Ports: A UK Policy*, para. 4.1.2. There has been a revision of the Port Marine Safety Code.

44 Q 412, 18 June 2003

45 Qq 414–5, 18 June 2003

46 See Q 414, 18 June 2003

single organisation. As a consequence, in 2002 PSO and BPIT were replaced by the new Port Skills and Safety Limited (PSSL). Although it is not a training provider, this organisation combines the core functions of its two predecessors. PSSL sees its role as representing the industry to Government, its departments and the relevant European and international bodies. It does not cover the whole industry, but about 70 per cent of medium to large ports are involved. “Our members cover about 19,000 employees in the ports industry and the statistics we gather represent some 15,500 to 16,000 of those employees. We estimate the total number within the industry is 25,500. Our statistics are not fully representative of the whole of the industry, they are representative of the majority of our membership.”⁴⁷

60. The PSSL has set an initial target for accident reduction, which is considerably more ambitious than that of the Department, “We certainly do want to reduce the figures: the major injuries and fatalities by 10 per cent by the end of 2005 and the other reportable three-day accidents by 20 per cent by the end of 2005.”⁴⁸ The question must arise as to how this target will be achieved and confirmed, given the limitations of the organisation’s membership and the general lack of adequate statistics.

Training

61. Training leading to recognised qualifications will necessarily have an impact on the supply of labour and the turnover of those already working in the industry. It also serves to prepare the workforce for the many technological, managerial and organisational changes currently taking place and likely in the future. There is not only an essential requirement for basic training but also the need for a higher level of training for those personnel required to be versatile and familiar with modern and sophisticated management techniques.

62. The present training arrangements for port workers reflect the complex structure of the industry. There is a recognised programme of training for different grades of work, but this does not appear to follow any standard pattern. Apart from a few relatively short courses, much training is not compulsory.

63. It is essential that the syllabuses for training of dockworkers and testing their competency include sections on safety. Witnesses suggested that the practice of leaving new entrants to the industry to pick up their knowledge and skills from those already employed is still widespread. But it is by no means certain that some experienced workers will not pass on malpractice or careless and dangerous working habits. A systematic scheme of on the job training, supplementing the present induction scheme, should be introduced to ensure that all initial training is carried out by experienced workers who are proficient themselves and have the capability to teach others.

64. Port employers have adapted a variety of attitudes towards training, some of which are very negative. Indeed “some companies seem unaware of the training obligations.”⁴⁹ Such obvious delinquency should not be tolerated by the Department for Transport and is

47 Q 427, 18 June 2003

48 Q 432, 18 June 2003

49 *Modern Ports: A UK Policy*, para 4.3.1.

totally unacceptable to this committee. Positive action must be taken to ensure that such offending employers conform to the law. **We expect the HSE to take immediate action against employers who fail to fulfil their training obligations.**

The Passport Scheme

65. The PSSL is encouraging the development of a voluntary code of practice, introduced by their predecessor the PSO and administered under what has been termed the Safe Ports Initiative. The aim is to have a document which actually demonstrates an individual level of competency. Initially it is targeted specifically at non-permanent employees but it is expected that it will eventually involve everybody employed in cargo handling. Associated British Ports (ABP) has been in the vanguard of developing this into a broader 'passport scheme' and expects all stevedoring companies operating within its facilities to adhere to the scheme. At present, where the scheme is operational, it appears to function mostly for casual workers.

“The voluntary code is in widespread use for induction training for non-permanent employees; that is in widespread use and there is a card associated with that to say that the non-permanent employee has adequate induction training. Above and beyond that, the ABP type passport system is for all employees within its ports and that scheme is about to be introduced and will be available to other port operators to tap into it if they so wish. We have not fully discussed the implications of that within PSSL because it is something which is just being evolved.”⁵⁰

66. The Passport Scheme is encouraging, but we are concerned that even though the Code of Practice was introduced in 2000, its adoption appears to be limited to particular ports. We are convinced that high-quality training is particularly important to the port industry. Because of the massive amounts of capital invested in the industry it is essential it employs high-quality personnel to run it as safely and efficiently as possible. Further, as the industry becomes even more sophisticated and capital intensive so the quality of the training will become of increasing importance. Mr Galloway of the HSE told us:

“I would want to see that passport scheme extended beyond the membership of PSS. I would want to see it extended beyond just non-permanent employees to include all dock workers, indeed I would want to see a scheme which enabled anyone to tell whether a dock worker was able to drive a gantry crane, whether that was something they had been trained and were competent to do. That would be a good step forward and would build confidence. I would want to see dock workers being in a position that they could claim to have professional qualifications such as NVQs.”⁵¹

The HSE, the Department for Transport and Port Skills and Safety Limited (PSSL) must monitor levels of safety and training for port employees to ensure adequacy. Particular regard should be given to safe working practices in this most hazardous of United Kingdom industries. The Port Passport is a voluntary scheme to demonstrate the attainment of basic dockworker skills. We recommend that this scheme be energetically pursued and used as the basis for a standard and rigorous training

50 Q 469, 18 June 2003

51 Q 408, 18 June 2003

programme. A high level of professional training in all port related activities is essential to maintain safety in the “most dangerous land-based industry in the United Kingdom.”

International Safety Regulation

67. There are two international agreements which may impact on safety in ports. The first is the ILO Convention 152; the second is the EU Market Access to Port Services Directive, which is currently being negotiated.

ILO Convention 152

68. ILO Convention 152 requires national laws to ensure the safety and health of dockworkers. The HSE agreed that a major part of UK dock regulation was based on ILO criteria. When it first appeared before the Transport Sub-committee, the Health and Safety Executive told us “the previous administration had decided, for a variety of reasons, not to ratify that Convention. The current Government is very keen we should actually demonstrate our commitment to international issues concerning health and safety and we should consequently ratify the Convention where possible.”⁵²

69. Two years later we were told:

“The Health and Safety Executive is committed to report to the Health and Safety Commission and to Ministers later this year, recommending whether the UK is in a position to ratify this Convention. However, this work is not currently a high priority because, although we recognise the value of being seen to support the aims of the Convention, ratifying it would not contribute to improving health and safety in dockwork in UK ports. We are therefore concentrating our efforts in those areas where we believe there will be a greater return in terms of improving health and safety in ports.”⁵³

70. The HSE explained that difficulties had arisen because the ILO did not consider that some of the detail of UK law conformed to the Convention, although the HSE believed that it offered equivalent protection. Even so, ratification of the Convention sends an important message, and dialogue with the ILO might resolve these difficulties.⁵⁴ We are astonished that it has taken two years to do so little. **ILO Convention 152 is concerned with the health and safety of dockworkers. We were disturbed by the changing and ambivalent attitude to this important convention and strongly recommend that it be ratified by the Government as soon as possible.**

Market Access to Port Services Directive

71. As originally drafted, the Market Access to Port Services Directive would require self handling to be allowed in the ports to which it applies. This describes a situation where the port user, generally a ship owner or operator provides for themselves one or more

52 HC (2000–01) 244 i-iv, Q 512

53 POR 06B

54 POR 06B

categories of port services. Most commonly, it is a situation in which members of the ship's crew are involved in loading and unloading the vessel. The original directive was extremely broad in its definition: "self handling' means a situation in which a port user provides for itself one or more port services and where normally no contract of any description with a third party is concluded for the provision of such services."⁵⁵

72. A substantial section of the industry, that is ferries and ro-ros (roll on-roll off) vessels are self handling as part of their normal system of operation, and self handling is not an issue for such operations. However self handling in break bulk vessels that convey differing parcels of cargo and in the container trades is more contentious. Opponents fear that the crews will not be competent or safe, particularly in their ability to use modern equipment such as cranes and fork lift trucks.⁵⁶ There is also the question of the different languages used by the crew, which can sometimes make communication with port workers extremely difficult if not impossible.⁵⁷

73. A further complication with such activities is that the regulatory authority within the dock system is HSE but in the case of self handling by crews on board the vessel, the regulatory body is the Maritime and Coastguard Agency (MCA), whose basic function is somewhat different. It should be noted that anecdotal evidence suggests that approximately 30 per cent of accidents take place on board ship with the remaining 70 per cent within the dock area.

74. The Minister was aware that this is a highly contentious issue when he stated: "What we have to say is that what is most important is that we maintain safety, some amount of self handling should be permitted, where it is clear that those people who are doing the handling meet all the safety standards laid down by the port, but if there is a free-for-all in this area, that is an area where I would be very concerned."⁵⁸

75. During the evolution of the draft Directive on Market Access to Port Services it has been made clear that "professional qualifications and environmental matters might be among the criteria to authorise self-handling."⁵⁹ We strongly support this. We believe that these issues *must* be among the criteria to authorise self handling.

5 Capacity

76. The United Kingdom handles more goods through its ports than any European competitor. An analysis of the throughput of European ports 2001 (Figures 4 and 5) show the UK at over 566 million tonnes is 33 per cent ahead of the Netherlands, its nearest competitor. The United Kingdom has a still stronger position in regard to container traffic; its ports move twice the number of containers than ports in Spain or the Netherlands.

55 2001\0047 (COD).

56 Q 418, 18 June 2003

57 Q 420, 18 June 2003

58 Q 489, 18 June 2003

59 Com 2003/0208 Final.

Figure 4: Total Throughput of European Ports 2001 ('000s of tonnes)

Data Source: European Sea Ports Organisation

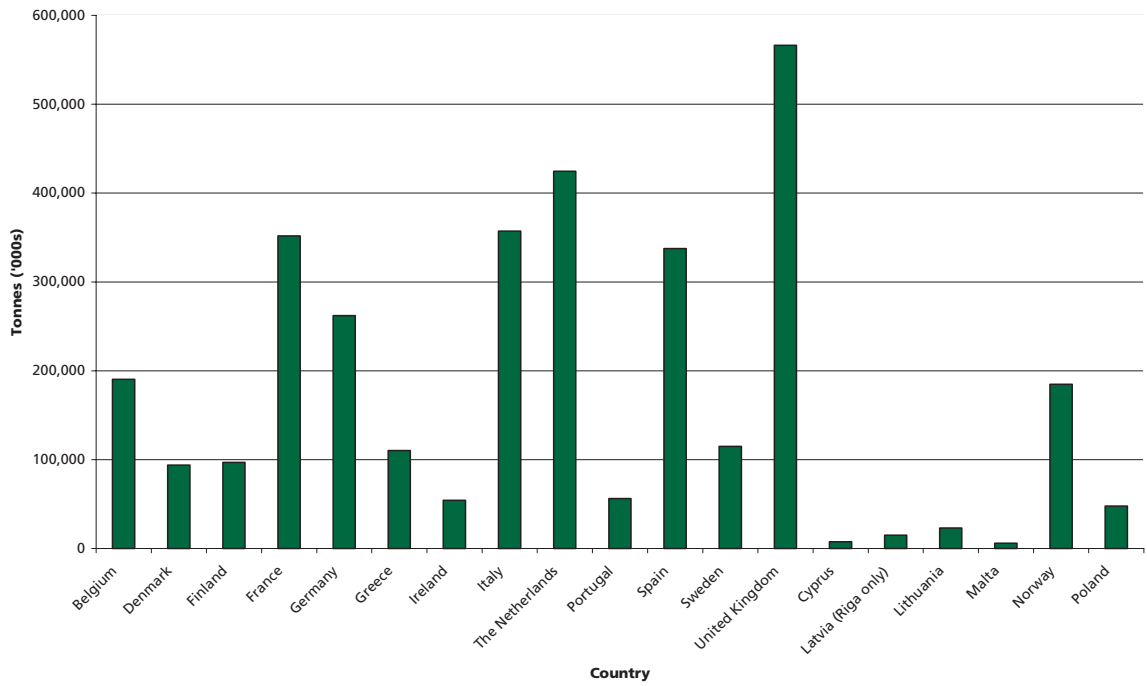
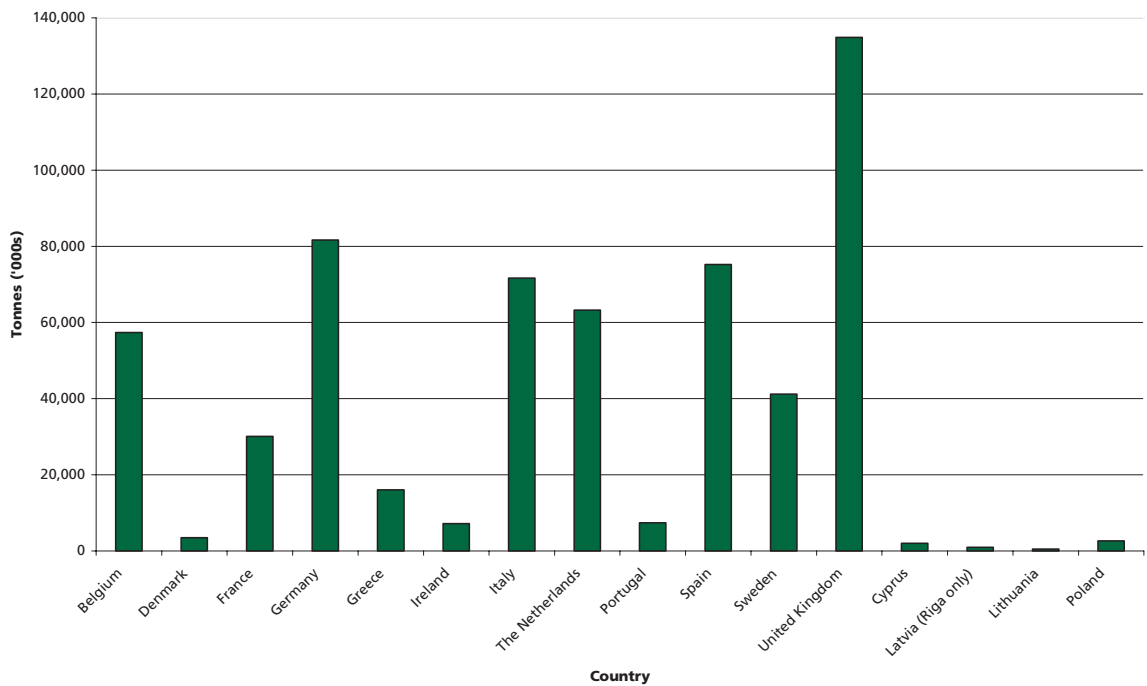


Figure 5:: Total Throughput of Containers in European Ports 2001 ('000s of tonnes)

Data Source: European Sea Ports Organisation



77. Throughput is only one indicator of port performance. It does not necessarily reflect efficiency. But UK ports are also among the most efficient in Europe. Table 2 illustrates measures of utilisation of facilities at the major container ports of Northern Europe. It is clear that, in terms of volume handled per metre of quay and per hectare of container storage that the UK ports of Felixtowe, Thamesport and Southampton compare favourably with their Continental European competitors.

Table 2: Ports: Comparative Terminal Productivity

Port	Quay length (m)	Terminal area (Ha)	1999 throughput	TEU per m of quay	TEU per Ha
Felixtowe	2523	137	2696659	1069	19684
Rotterdam	6800	362	6343020	933	17522
Thamesport	650	27	492112	757	18059
Bremerhaven	3000	167	2180995	727	13060
Southampton	1357	62	921242	679	14859
Hamburg	5700	265	3738307	656	14107
Antwerp	7918	366	3614246	456	9875
Zeebrugge	2350	146	850164	362	5823
Le Havre	5241	190	1378379	263	7255

Source: Institute of Shipping Logistics. Bremen/Port Development International

78. Despite this positive performance, the ports industry accepts that there is scope for UK terminal productivity to increase. By 2015 the capacity per quay metre is expected to reach 1400 TEU per annum - an increase of approximately 1 per cent per annum.⁶⁰

79. However, there is no simple relationship between efficiency and capacity. High utilisation can lead to a reduction in operational efficiency, increased congestion and reduced service levels on both shipside and landside. As ABP and the Port of Southampton pointed out, “increasing the throughput of a berth by quickly transferring cargo to a separate area for subsequent sorting” may maximise the port owner’s use of their assets, but will have “inevitable adverse implications for land use needs” further down the logistics chain.⁶¹

80. Associated British Ports told us “New capacity will be needed if the UK is to retain its position in the world shipping markets, extract the maximum value from international trade and maintain low prices for end consumers.”⁶²

60 POR 13D

61 POR 19, see also POR 23

62 POR 13D

81. *Modern Ports: A UK Policy* recognises that the pressure for expansion at UK ports is greatest at those handling containers and ro-ro traffic.⁶³ The number of ultra large container ships in service is growing rapidly. We were told that an increased berthing requirement is essential to retain direct calls to the UK by these vessels. As ship sizes substantially increase, the availability of slots becomes more limited. **Suitable berths are essential if the United Kingdom is to retain direct shipping services, rather than being served by transshipment from Continental ports.**

Future capacity

82. There are currently three major container port developments at various stages in the planning process. These are at London Gateway (Shell Haven) in the Thames Estuary (3.5m TEU), Harwich Bathside (1.7m TEU), and Dibden Bay near Southampton (2.4m TEU). In addition, a new berth is planned for Tilbury in Essex (0.3m TEU) and two further berths at Felixstowe in Suffolk (0.5 TEU). The developments at Dibden Bay and Shell Haven have been the subject of public inquiries. Bathside is expected to go to public inquiry. The Minister of Shipping expected to have reports from two of these inquiries by the end of 2003 and told us decisions would be taken “after weighing up all the relevant factors in the balance.”⁶⁴ However, the Inspector’s report on London Gateway is not now expected until next February.

83. Various independent studies into the demand for and supply of container terminal capacity in the UK have been commissioned by the proposers of new developments to establish the ‘need’ for their developments during the planning process. These studies are summarised in Table 3.

Table 3 : Independent Studies

Development	Proposer	Study Consultant	Date
Dibden Bay (Southampton)	Associated British Ports	MDS Transmodal	September 2001
Trinity Extension (Felixtowe)	Hutchison Ports UK	Ocean Shipping	May 2002
London Gateway (Shellhaven)	P&O Ports	Drewry Shipping	February 2003

84. The consultants considered the following common factors in formulating their conclusions:

- Total tonnage of trade goods moving via UK ports and its growth (container and non container)

63 See also Q 429, 3 July 2002

64 Q 476, 18 June 2003

- The correlation between changes in GDP and changes in the growth of overall trade via UK ports
- The container volume of cargo transhipped at UK ports to UK and non UK ports
- Specific container volume growth in exports, imports, and transshipment via UK ports
- Productivity at UK facilities by berth, utilisation, capacity utilisation and throughput
- Trends in vessel size
- Terminal capacity utilisation

85. Each study has forecast demand and supply as summarised in the following tables:

Table 4: Demand

Consultant	Historical growth rate by volume of containers	Forecast growth
MDS Transmodal	4.5% p.a. (short sea and deep sea combined) 6.9% p.a. (deep sea) Period: 1988-1999	5.2% p.a. (deep sea) Period: 1999-2015
Ocean Shipping	3.7% p.a. (Intra European) 8.6% p.a. (deep sea) Period: 1990-2001	4.97% p.a. (base case) 4.00% p.a. (low case) Period: to 2010
Drewry Shipping	8% p.a. (deep sea) Period: 1990-2001	3.9% to 4.4% p.a. (base case)

Table 5: Supply

Consultant	Forecast	Factor considered in establishing findings
MDS Transmodal (Based on 90% berth utilisation)	2002: shipping lines lose ability to switch ports to maintain competitive environment Trinity extension will provide capacity to 2004 Further capacity required for 2005 If 'major' increments in capacity are not delivered than a shortfall in 2006 will increase to a major shortfall (1968 quay metres) by 2012 Shortfall 6896 quay metres by 2030 even if Dibden, Shellhaven and Bathside Bay are fully developed	Port productivity to increase at 1.5% p.a. through to 2011 Shellhaven not fully developed before 2011 Bathside Bay not completed before 2011 Landguard redevelopment potential not included Incremental increases at Thamesport, Felixtowe (Trinity extension 2004), and Tilbury (extension 2002) achieved
Ocean Shipping	Urgent medium term requirement if trade is not to be constrained High utilisation of capacity from 2003-2006 such that shipside and landside congestion will incur severe difficulties on the UK economy Easing of utilisation post 2006 only if major developments come on stream subject to timing	Port productivity to increase at major ports through to 2010 though not contributing significant capacity Trinity extension completed 2004 Bathside Bay to undergo public inquiry delaying development Dibden Bay phase 1 earliest 2006 Thamesport increases not before 2008 Shellhaven phase 1 earliest 2007
Drewry Shipping	Capacity shortfall will occur within the next 'few' years Significant capacity is required to be in place by 2008	Port productivity increases at major ports though not contributing significant capacity Tilbury extension 2002 Trinity extension 2004 Timing of major 'new' developments at Dibden, Shellhaven, Landguard, Bathside is subject to considerable uncertainty and even with approval will only be developed in response to market demand

Data Source: compiled from various sources by Maersk Sealand

86. We note that the predictions of forecast growth in demand are consistent and all the studies conclude that significant capacity increases are needed. The consultants agree that carriers have already lost the ability to switch ports in the UK, necessary to maintain a competitive environment. Capacity constraints in the short term may lead to rising handling charges. There will also be extremely high utilisation of existing capacity until new developments come on stream. Given the progress of the planning processes, this is unlikely until 2006 at the earliest.

87. The shipping lines are becoming increasingly concerned about the delays in the provision of deep-sea container capacity in the UK. Maersk Sealand told us:

“the UK already has a shortage of deep sea container capacity and peak handling difficulties are increasing, causing potential inefficiencies to the supply chain. The serious congestion that occurred in the final quarter of 2002 provides undeniable

evidence of the lack of capacity. We maintain a similar view for both 2003 and future years and until substantial competitive capacity is actually available.”⁶⁵

The Government position

88. The Government recognises the growth in container trade and the need for container ports to meet the future demand of the global shipping alliances, “If they were to lose this business it would have correspondingly substantial adverse consequences. This consideration is of national interest.”⁶⁶

89. The Government does not identify the ports where expansion should be authorised, but accepts that:

“If the port industry fails to meet demand – or is prevented from doing so, shipping lines may divert primary services to overseas ports. This would make it harder to meet some objectives of integrated transport policy. The primary services would no longer collect and deliver UK trade to UK ports, adding the cost of transshipment in a foreign port to UK trade. A higher proportion would arrive in or depart from the country on road trailers. There would be a significant effect on the cost of UK trade, and thus on the competitiveness, as well as on the volume and pattern of road traffic.”⁶⁷

90. The Royal Society for the Protection of Birds (RSPB) told us that

“forecasts of both demand for and likely supply of port facilities are possible and should be carried out by Government to inform a strategic planning framework for the ports industry.

Taking a stronger lead and providing a strategic planning framework for ports in order to achieve wider sustainability objectives requires a clear understanding of the supply of port facilities and demand for them”.⁶⁸

91. The importance of assessing the potential need for port development is recognised by *Modern Ports: A UK Policy*.⁶⁹ However the Government does not make or endorse forecasts of port traffic as it does for roads and airports⁷⁰, even though *Modern Ports: A UK Policy* acknowledges that there is a prospective shortfall in freight ferry and container port capacity⁷¹ and that increased capacity will be necessary in some ports to meet future demand⁷² and notes that “It is important to have a clear overall picture of trends affecting the ports industry, and especially of the potential need for new port development.”⁷³

65 POR 05A

66 *Modern Ports: A UK Policy*, para 2.1.4.

67 *Modern Ports: A UK Policy*, para 2.4.9.

68 HC(2000–01)244i-iv, p. 106

69 *Modern Ports: A UK Policy*, para 2.4.10.

70 *Ibid*, para 2.4.16.

71 *Ibid*, para 2.4.6.

72 *Ibid*, para 2.4.7.

73 *Ibid*, para 2.4.10.

92. In essence, although the Government appears to accept that capacity planning and forecasting is essential to any integrated transport strategy, it is not prepared to be proactive in this area. Instead, the Government expresses faith in the ‘market mechanism’ to ensure that demand and supply are equated. It stresses the difficulty of forecasting demand and supply for ports ‘because it is very much a market’. The Government expects the proposers of new facilities to assess whether existing facilities and increased efficiency could cater for expected demand. “They will also have to demonstrate that the new capacity will produce significant additional benefits.”⁷⁴ It is not clear on what basis the Government will be able to decide whether the commercial studies of the need for new facilities are accurate and unbiased.

93. The Government’s position may be tenable because there are significant proposals for new capacity already in the system. David Jamieson MP, the Minister for Shipping told us that “had these proposals not come forward, then we would have had to have a different view.”⁷⁵ Even so, the lack of a strategic view of what is needed must surely hinder proper consideration of the planning proposals currently under review.⁷⁶ New port facilities may have significant environmental impacts, and facilities to handle freight will not only affect existing land based transport infrastructure, but are likely to require extra land based links.⁷⁷

94. The RSPB argues that because the port industry creates such pressures on the environment and the wider transport network, capacity planning is essential despite the inherent uncertainties. “It cannot be any more difficult than modelling aviation trends. Such modelling would allow an assessment of strategic options and the consequences for environmental, social and economic interests. The consultation on aviation provides a basic model that can be followed.”⁷⁸ The Ten Year Plan Progress Report makes it clear that airport and port facilities are being considered in the same way:

“The investment plans [the 10 Year Plan] contains do not incorporate investment in ports and airports, the majority of which is brought forward through the private sector. The Government’s role here is to ensure that an effective policy framework exists within which the necessary infrastructure can be planned, provided and operated, fairly and efficiently, taking proper account of their environmental impacts.”⁷⁹

95. On 20 July 2001 the then Secretary of State said

“We propose that up-to-date statements of government policy should be in place before major projects are considered in the planning system. This will help to reduce unnecessary debate at inquiry and has the potential to save a significant amount of inquiry time. The nature and approach of policy statements may vary from case to

74 *Modern Ports: A UK Policy*, para 2.4.11.

75 Q 478, 18 June 2003

76 HC (2000–01) 244 i-iv, p. 244

77 *Ibid.*

78 POR 18A

79 *Delivering Better Transport Progress Report*, December 2002, p. 104.

case. There would normally be prior public consultation on them so that people have the chance to comment and make an input to the policy proposed.”⁸⁰

96. It is necessary to know how much additional capacity is needed together with the environmental costs of development in order to make effective economic decisions about meeting future demand. The Government must undertake such forecasts to ensure adequate port planning at a national level.

Landside Links

97. Decisions about the expansion of particular port facilities need to be taken together with decisions about the land based infrastructure which serves them.⁸¹ Reliance on intermodal links to the port hinterlands has become even greater with the advent of containerisation. Since few ports have the specialist equipment and accommodation for the larger vessels, consignments now have to travel further to and from the port. *Modern Ports: A UK Policy* makes clear that

“Apart from provision for railways and road safety, the [10 Year] Plan focuses on land transport in England, including improvements in surface access to ports and airports. It does not ... look in detail at private investment in the ports industry. It does, however, take account of likely future trends in the use of ports when considering surface access issues.”⁸²

98. The 10 Year Plan Progress Report stresses that whilst investment in ports is a matter for the private sector, the Government is committed to providing the necessary access on the landside. As *Modern Ports: A UK Policy* noted: “Integrated transport policy recognises that Government cannot treat any element of the transport network in isolation.”⁸³

99. The operation of a port is dependent on intermodal links, which must form part of any United Kingdom ports policy. Whilst the Government is keen to allow market forces to determine port investment and operation, landside links cannot be funded on a commercial basis. The Government must therefore be directly involved in planning, funding and development of road and rail infrastructure to UK ports and set a timescale for such development.

Rail Links

100. Maritime traffic is well suited to rail transport, both for bulk commodities and containers. Ports already provide about half of the total rail freight traffic and have potential for additional volumes.⁸⁴ In 1999 Railtrack commissioned its own market analysis on the prospects for rail growth. The study forecast that rail’s share of Britain’s freight market could grow from 7 per cent to 21 per cent by 2010-2011. This forecast was

80 HC Deb, 20 Jul 2001, c 523 w.

81 HC (2000-01) 244 i-iv, p. 87, p. 207, p. 213

82 *Modern Ports: A UK Policy*, para 1.1.12.

83 *Ibid*, para 2.2.2.

84 HC (2000-01) 244 i-iv, p. 230

dependent on the strength of the economy, freight transport policies, and continued efficiency and service improvements from the rail industry.⁸⁵

101. We were told that the benefits of rail freight are considerable in terms of reduced congestion and pollution. “Since 1997 rail freight has kept 600m cargo tonnes off the roads, cut 31.5 million lorry journeys and saved £800m in congestion costs, plus £1.2 billion of environmental cost in pollution, noise and accidents.”⁸⁶ We are currently examining rail freight as part of our inquiry into the Future of the Railways.

102. Although the number of ports into which rail freight runs on a regular basis is relatively limited, the potential is great. Many ports are physically connected to rail⁸⁷ and there could be scope for increased rail traffic to and from these UK ports.

103. The Government’s 10 Year Plan set out a strategy for a large increase in the use of railways for both passenger and freight traffic in order to reduce current and projected levels of road congestion:

“delivering better access to ports and airports, especially those where demand is expected to grow, is an important objective of the Plan, and is reflected in each of the main investment programmes it contains. Major ports and airports are important transport hubs in their own right, and need to be better integrated with the rest of the transport network.”⁸⁸

104. The SRA told our predecessor that securing a greater proportion of port traffic was a key part of their efforts to achieve the 80 per cent growth target laid down by the 10 Year Plan.⁸⁹ They stated: “We shall be addressing, in particular, the issues of gauge and capacity on key routes in order to enable operators to run bigger, faster, heavier and longer trains on a high quality, 24 hours per day, seven days per week network.”⁹⁰ Their memorandum set out an impressive number of infrastructure improvements already planned, or under active consideration.

105. Despite such commitment by the Government and SRA, the ambition of the plans presented two years ago have not been fulfilled. Rail freight has always had a lower priority than passenger rail and this is reflected in the funding figures for 2003-2004. Rail freight revenue support and facilities grants commitments were allocated some £40 million out of a £3.8 billion total rail spend. This potential investment has further fallen victim to the overspend in other areas, not least the West Coast Main Line upgrade. Consequently the Freight Facilities grant has been suspended and, while existing commitments will be honoured, no new projects will be considered in the current year because of budgetary pressures.

85 *ibid*, p. 188

86 Graham Smith, Planning Director of EWS, the UK’s largest freight train operator, *Lloyds List* 16 June 2003.

87 HC (2000–01) 244 i-iv, p. 216

88 *Delivering Better Transport: Progress Report*, para 6.5.

89 Q 191, 3 July 2002

90 HC (2000–01) 244 i-iv, p. 230

106. This lack of investment and commitment has led to deterioration in industry confidence. Maersk Sealand, one of the largest merchant marine carriers, state that the level of investment in rail freight will have serious implication for them in terms of re routing.

“we are increasingly concerned that, in addition to uncertainty about where new port capacity will be built, there is now delay and uncertainty regarding road and rail infrastructure improvements to the principal UK deep-sea container ports.

It follows that we may have to delay investment decisions, or worse, may ultimately be forced by our customers to consider alternative North European routing. This is not something we would wish to happen.”⁹¹

107. Without rail infrastructure and gauge enhancements to ensure direct call by the international shipping lines, ports cannot function effectively. Physical rail links to many UK ports exist but are underutilised. The Government should produce a programme and timetable for expanding their use as part of an integrated transport policy. The failure of the Government to deliver on its promises for better port access is threatening the competitiveness of UK ports. The strategy for rail freight is currently low priority in terms of funding, falling victim to overspending in other areas. The Government should therefore ring-fence funding for rail freight within the overall rail budget.

Specific Infrastructure Requirements

108. The rail network capacity problem is exacerbated by the switch by many of the shipping lines to 9' 6" high containers, which cannot be transported on the majority of rail routes. The physical dimensions of a railway vehicle and its load are determined by a number of height and width profiles known as loading gauges. The gauges available on the different rail routes depend on lineside and overline structures. The smaller loading gauges (W6) are capable of operating on virtually any route on the UK network. The larger gauges however have greater headroom to enable them to carry taller containers. Currently the maximum size of containers that can be carried by rail on standard height wagons is 9'1" on W9 routes. These containers can be conveyed by rail without gauge enhancement using purpose built 'well' wagons (wheels at end of wagon with a lowered deck area). However, such trains carry 30 per cent less than standard wagons, and this imposes extra costs on customers. In recent years, containers have got bigger: 'high cube' 9'6" boxes now account for approximately 20 per cent of the market, and is expected to reach 40 per cent by 2010, as the older containers are replaced. Such containers require a higher W10 or W12 loading gauge, and have major infrastructure implications.

109. The SRA has to date only committed to upgrading the access to Felixstowe, and has recently indicated that it cannot guarantee to provide gauge enhancements and capacity to serve the proposed new developments at Dibden Bay or Shell Haven. Promoters of the projects have been approached for contributions but the costs of such investment are well beyond their reach and could not be funded on a commercial basis.⁹²

91 POR 05

92 Qq 242–248, 3 July 2002

110. Mr Graham Smith, Planning Director of English, Welsh and Scottish Railway, told our predecessors:

“ports need to have an even-handed approach to roads and rail. At the moment a road system seems to be a free good, but the provision of a rail system involves endless arguments about who pays, who invests and who maintains.”⁹³

His view was echoed by the Freight Transport Association.⁹⁴ At the time, the SRA conceded “we would expect to pay the lion's share of the costs on the main routes” for access to ports,⁹⁵ but it was clear that private contribution to rail links was a matter of negotiation.⁹⁶

111. In contrast, investment in rail infrastructure is proceeding at a faster rate in Continental Europe. Ports such as Rotterdam and Antwerp have their rail facilities provided, maintained and operated by the national rail companies. Further, the provision of rail facilities at ports is funded entirely at national government level. This must increase such ports’ competitiveness with the UK.⁹⁷

112. The Government’s view is that it is premature to start improving railway lines before the Department for Transport has approved the projects. Even if Dibden Bay were to obtain approval now, the Department for Transport claim that there is no immediate necessity for improvement of the gauge since the port will not be fully operational for some considerable time.⁹⁸ **The Government should appreciate that rail enhancements take time to programme and deliver. As soon as any planning consent for a major port development has been given, steps should be taken to ensure that the infrastructure it requires will be in place as soon as it is needed. Where physical rail links exist, the Government should examine the potential for developing and increasing their use as part of an integrated transport policy.**

113. Clearly intermodal links are vital in maintaining the competitiveness of UK ports and contributing to the UK economy. Government strategy and policy should strongly reflect the importance of investment in this area. “Integrated transport policy recognises that Government cannot treat any element of the transport network in isolation.”⁹⁹ **The failure of the SRA to deliver its promises for better port access is threatening the competitiveness of UK ports. It is imperative that rail infrastructure and gauge enhancements are made in order to ensure direct call by the international shipping lines.**

93 Q 143, see also Q 183, 24 April 2002

94 Q 237–8, 3 July 2002

95 Q 249, 3 July 2002

96 Qq 244–248, 3 July 2002

97 POR 3

98 See Q 511, 18 June 2003, but see also HC (2000–01) 244 i-iv, p. 213

99 *Modern Ports: A UK Policy*, para 2.2.2.

6 Environment

Introduction

114. Ports have both positive and negative environmental effects. On the positive side, they are central to an integrated transport policy which through the use of coastal shipping and rail links can reduce the congestion on the roads and the associated pollution. On the negative side, port expansion and maintenance programmes can threaten the habitats of the numerous species around the UK coastline. While environmental groups recognise the mixed impact of port activities, they are concerned that not enough is done to mitigate the adverse effects, in spite of Government commitment to sustainable development.

Government Policy

115. *A Better Quality of Life*¹⁰⁰ sets out a strategy for sustainable development in the UK. This policy framework includes appropriate safeguards and regulation for sensitive sites around the coastline.

116. *Modern Ports: A UK Policy* sets out a framework for minimising environmental damage as a result of port development and expansion. New infrastructure which affects designated sites must be in the ‘overriding public interest’. Proposals will only go ahead where the net benefits are greater than environmental disadvantages. Further, they will have to show that there is no other better option and that all reasonable steps have been taken to mitigate the effect.¹⁰¹

117. The Government stresses that each case will be considered on its merits taking into consideration:

- Importance of the site;
- Seriousness of the effect on it;
- Better alternatives to avoid an impact (including not carrying out the project);
- A consideration of whether the alternatives serve the purpose at a ‘reasonable cost’;
- Whether mitigation or compensation measures are feasible;
- The likelihood of success and reasonableness of costs in the circumstances.¹⁰²

118. The Government also told us that it was committed to the various EU environmental Directives:

“As part of our commitment to the environment, the Government will carry out its full legal obligations to implement EU environmental directives. These do not rule out developments, but apply demanding tests which reflect the importance of the

100 May 1999, cited in *Modern Ports: A UK Policy* para 2.4.12.

101 see *Modern Ports: A UK Policy*, para 2.4.19.

102 *Ibid*, para 2.4.20.

sites they protect. If there is no alternative to a particular development, the developers will have to show imperative reasons of overriding public interest before it is allowed to go ahead. If a development is then permitted, notwithstanding a negative assessment, the developers must take compensatory measures to ensure the overall cohesion of the network of protected sites.”¹⁰³

119. However, although the Government appears to recognise both that there may be a national need for development in sensitive areas, and that the impact of development should be mitigated as much as possible, it is not easy to balance the need for development and the need for environmental protection.

Port Efficiency

120. *Modern Ports: A UK Policy* argues that existing sites should be used to their full potential, that steps should be taken to improve efficiency at those sites, and that future developments should be as ecologically friendly as possible. This view is fully supported by the environmental groups. The argument is over the extent to which it is possible to expand activity at existing sites.

121. As we have seen, there is general agreement that UK ports are operating efficiently. Dr Duncan Huggett, Senior Policy Advisor of the RSPB claimed this efficiency had been enhanced by privatisation:

“Ports privatisation has had a significant impact on the ports industry. The most important effect with respect to our interests is that it makes ports more efficient. More efficient ports make better use of their existing facilities. There are strong pressures to avoid expensive expansion when it is not necessary. Port privatisation has had and continues to have a beneficial effect in terms of the environment.”¹⁰⁴

122. However, environmental groups believe that further efficiency measures can be taken.¹⁰⁵ Although UK ports are efficient compared to their European competitors, they are not achieving the same level of reported efficiency as the Far Eastern ports. The UK industry would dispute this on the grounds that the regional statistics are often inconsistent and misleading.

“Comparing these regions is effectively comparing apples and pears. Even within regions it is possible to find examples of high and low performers and everything between. These so-called key indicators are typically used as the data is relatively available but it should be noted that not all of it is accurate and often land areas, quay lengths and annual terminal throughputs are not disclosed accurately by international terminal operators. ... Comparing the UK with the Far East only serves to prove that the UK operates in a very different market than that of the Far East.”¹⁰⁶

103 *Modern Ports: A UK Policy*, para 2.4.21.

104 HC (2000–01) 244 i-iv, Q 559

105 HC (2000–01) 244 i-iv, p. 95

106 POR 13

Those of us who participated in our predecessor committee's visit to Japan saw the efficiency of Far Eastern ports at first hand, but we do not believe that efficiency increases will do away with the need for more port capacity.

Environmental Performance Indicators

123. We have already drawn attention to the lack of sound statistics to underpin port policy. Here too, more information would be helpful. English Nature welcomes the messages provided by the White Paper in relation to ports and sustainable development¹⁰⁷ but would like to see the construction of performance measures.

“We would like to see greater consideration given to the use of environmental and other performance indicators for measuring progress towards the delivery of strategic objectives. To this end we are encouraging the trade associations to develop appropriate indicators.”¹⁰⁸

124. The European Sea Ports Organisation (ESPO) published a Code of Practice in 1994 which sets out the basic principles of environmental management. The Code was primarily intended to encourage ports to write their own environmental plans tailored to their individual needs. The Code discusses the role of management in promoting sustainable development and contains a number of operational recommendations. These cover environmental monitoring, waste management, port planning and development, hazardous cargo and port preparedness and response to plans. Since then, ESPO have examined ways in which member ports could be assisted in implementation of the Code. The result was a system of environmental assessment by which ports could carry out an audit of their environmental strengths as part of an Eco-Information project. The growth in interest in environmental monitoring and reporting has highlighted a need to establish easily measurable environmental indicators. “It is ESPO's policy to recommend to every port that preparing a plan, setting targets, monitoring progress and providing annual reports should be the basis of the sector's approach to the environment.”¹⁰⁹

125. It is interesting to note that the work in this area is being done on a voluntary basis by interested organisations. **Given the Government's commitment to the environment, it should take a more active role in the development and monitoring of environmental performance indicators. Ports must take account of environmental plans and performance indicators and the Government should monitor such statistics.**

Directives and Regulations

126. The protection of the environment has elicited substantial regulation at European level. The Habitats Directive includes lists of 169 habitat types and 623 species for which Member States must consider designation of Special Areas of Conservation (SACs). The UK SACs comprise 598 sites covering a total area of over 2,424,000 hectares.

127. The main objectives of the Habitats Directive are:

¹⁰⁷ see, *Modern Ports: A UK Policy*, para 2.4.12.

¹⁰⁸ HC (2000–01) 244 i-iv, p. 93

¹⁰⁹ ESPO Environmental Review 2001, p. 18; see also POR 08

“...to contribute towards ensuring biodiversity through the conservation of natural habitats and of wild fauna and flora in the European territory of the Member States to which the Treaty applies” (Article 2.1);

and

“...to maintain or restore, at favourable conservation status, natural habitats and species of wild fauna and flora of Community interest” (Article 2.2).

128. The 24 articles of the Directive specify a wide range of measures relating to conservation. The most stringent obligations however, relate to the selection, designation and protection of the network of SACs. SAC designation requires Member States to establish conservation measures which correspond to the ecological requirements of habitats and species present on the site (Article 6.1), and to take appropriate steps to avoid deterioration of the natural habitats and habitats of species, as well as significant disturbance of species, for which the site is designated (Article 6.2). This includes the appropriate assessment of the implications of any plans or projects that, alone or in combination, are likely to have a significant effect on the site in view of the site's conservation objectives (Article 6.3). If a negative assessment is concluded, a plan or project can only proceed if it is for imperative reasons of overriding public interest and no alternative solutions are possible. We examine the implications of this provision in our chapter on planning. The Member State must take compensatory measures to ensure the overall coherence of the Natura 2000 network (Article 6.4).

129. In the UK the Directive has been transposed into legislation by the Conservation (Natural Habitats, &c.) Regulations¹¹⁰ (as amended) and the Conservation (Natural Habitats, &c.) (Northern Ireland) Regulations 1995.¹¹¹ These are informally known as the 'Habitats Regulations' and apply to the UK land area and its territorial sea (to 12 nautical miles from the coast), and are supported by Government policy guidance.

130. This Directive has caused particular problems to the port industry because the designation of navigation channels and implications for their maintenance. Ports fear that the inclusion of a navigation channel will put them at a disadvantage because they have to comply with the requirements of the Habitats Directive regarding dredging. The treatment of estuary systems and defining boundaries for sites has been inconsistent throughout the EU.¹¹² In certain instances the navigation channel has been omitted from the candidate SAC. This has not been the case in the UK. Associated British Ports told us that they believed these regulations are often overlapping and conflicting.

“In the UK, the designations and regulations directly affect the working port areas and the navigational channels required for a safe approach. ABP is unaware of any European port in any other Member State in which working areas of the port, or the approach channels to the port, have been designated. The way in which European

110 S.I. 1994, No. 2716.

111 S.R. 1995, No. 380.

112 Q 95, 24 April 2002

Marine Sites legislation has been applied in the UK means that it constitutes a virtual veto by ecological interests in relation to sustainable development policy...¹¹³

131. Although the Minister claimed that it is “not unusual for directives to be implemented in different ways in this country to other countries in the European Union”,¹¹⁴ the Department did have some concerns. Consequently English Nature was asked to carry out a review of the way in which these directives were interpreted and implemented across the EU.¹¹⁵ Not surprisingly, the study found that there were substantial differences. This evidence has since been brought to the attention of the European Commission which found it sufficiently persuasive to issue guidance that navigation channels are indeed to be included in all cases. **European environmental legislation relating to the classification of port approaches has been interpreted differently across member states, to the disadvantage of UK ports. The Government must be satisfied that such legislation is applied consistently and ensure that approaches to UK ports remain accessible to commercial traffic.**

132. The Department for Transport considers that the maintenance of channels done in a ‘sustainable way’ is unlikely to cause further environmental impact, because the ports industry has done a lot of work on sustainable ways of dredging. Following discussion with the Department of the Environment, Food and Rural Affairs, the Department is confident that any problems in implementing the directive without imposing undue restrictions on the maintenance of approaches to ports can be solved.¹¹⁶

133. We were also told that there had been problems in implementing the principle that compensatory habitats could be provided for those lost through port development. English Nature told us that although it had entered an agreement to manage compensatory habitat at Kilnsea “in a similar situation today, we would require the developer to do it”.¹¹⁷ They also pointed out that “if we go into discussions with the port, we cannot make cast iron guarantees to the port that what we say will be accepted by the consenting authority, that is the Secretary of State ...we need a degree of a higher Government involvement and strategic guidance”.¹¹⁸ In evidence given this year, English Nature told us that it had made progress and that if ports accepted the need to provide compensatory habitat at the start, many problems could be avoided:

“Given sufficient forward thinking they may be able to secure land suitable for compensatory habitat creation at this stage and avoid inevitable upward pressure on land values as the urgency for a compensation package becomes apparent. The savings in time and legal costs are considerable, whilst the outcome should mean that the development is based on sound principles of sustainability”.¹¹⁹

134. English Nature was more guarded about the progress of a national strategy:

113 HC (2000–01) 244 i-iv, p. 157

114 Q 341, 3 July 2002

115 Q 432, 18 June 2003

116 see Q 573, 18 June 2003

117 HC (2002–01) 244 i-iv, Qq 609–10

118 HC (2002–01) 244 i-iv, Q 610–11

119 POR 12A

“We are disappointed that these issues have not been addressed, but believe that for the time-being, given that the major development proposals are already within the planning process, the need for an overall strategy is no longer a pressing issue for English Nature at this time. However, we will watch with interest how decisions will be made on the three new port development proposals (Bathside Bay, Dibden Bay and London Gateway) and on the re-configuration of the Languard Terminal at the Port of Felixstowe.”¹²⁰

135. While this progress is encouraging, we are concerned that English Nature considers that “rather than considering the UK to be ‘gold plating’ we should be seeking ‘better application of the Habitats Directive across Europe to deliver parity with the UK approach’.”¹²¹ It is clearly appropriate to press for high standards across Europe, but the first responsibility of Government and its associated bodies must be to deal with matters in the United Kingdom over which they have some control, rather than with matters in other sovereign states.

136. It is essential that a workable method of protecting the approaches to UK ports is found. The Habitats Directive should not prevent port development or expansion, but ensure that such development is environmentally sustainable. A more comprehensive strategic framework is required to ensure the integration of port development into a sustainable transport strategy to encourage environmental benefits.

7 The Planning Process

Introduction

137. Even if the Government produces a framework within which there can be a more rational consideration of future port capacity, individual proposals will still have to go through the planning process. It is in the public interest that developments have to go through a proper process. Environmental, social and wider infrastructure considerations must be taken into account in deciding whether development should or should not be permitted; it is reasonable to examine major infrastructure projects carefully, and to reject proposals which are inappropriate. However, the current process is long and complex. The system should not impose undue delay, or allow procedural devices to be used to block development.

138. Consent for major projects takes years rather than months, and the United Kingdom Major Ports Group told us “the port industry is concerned that the time and cost of securing consent for major developments are now potentially so great as to be a potential deterrent for developers, regardless of the merits of the case concerned... Regardless of the pros and cons of individual proposals, it cannot be in the national interest that so much time and money has to be expended before the case for a development is settled”.¹²²

120 Ibid

121 POR 12A

122 HC (2000–01) 244 i-iv, p181

139. Most port development, particularly developments for new deep water berths, will fall within the definition of “major infrastructure projects”:

- (a) Inland waterways, canalisation and flood-relief works where the area of the work exceeds 1 hectare.
- (b) Ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tonnes.
- (c) Trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1,350 tonnes.
- (d) Construction of other harbours and port installations including fishing harbours, where the area of the works exceeds 1 hectare.”¹²³

140. The Government has attempted to address the deficiencies of our planning process by bringing forward legislation and guidance to improve the handling of individual applications, both in the Planning and Compulsory Purchase Bill and in the Planning (Major Infrastructure Project Inquiries Procedure) (England) Rules 2002 (SI 2002 No. 1223). It has also produced *A Project Appraisal Framework for Ports* to help promoters bring forward proposals which adequately address the issues which will be examined in the planning process:

“The Framework is a way of organising and bringing together material on a wide variety of topics relevant to the Government’s objectives for transport and the formal procedures for dealing with applications for, consent to, or approval of, port development. In most cases promoters will have this material in some form or other, or will be required to obtain it, to meet a legal requirement in the consenting process to which the project in question is subject. The Framework should enable all those involved to understand the nature of the proposed port development and its effects. It should also speed up the process of decision making as the amount of coverage and information required for such decisions will be better defined. At the same time, the rights of those affected to question and object to the proposals are maintained.”¹²⁴

The framework is nonstatutory advice, but the Department for Transport recommends that it should be used for those ports in England and Wales which require approval.

141. Although, since our inquiry began, the Government has brought forward new procedures for inquiries into major infrastructure projects, and is proposing new legislation to speed up the inquiry process further by allowing parallel hearings on a number of different issues, much could still be done. We welcome these attempts to improve the efficiency of the planning process, without reducing the rights of objectors. However, we are concerned that they only go a small way to overcoming the problems of those who wish to bring forward proposals for major developments.

123 S.I. 2002, No. 1223, Schedule.

124 *A Project Appraisal Framework for Ports*, Introduction.

Gaining Consent

142. Many of the difficulties and delays facing those who want to develop new port facilities occur outside the inquiry process. The current process for planning applications involves multiple sequences of procedure in which certain bodies have separate statutory power to block proposals by reference to a single issue. We were told that

“A proposed new port development will require some or all of the following:

Grants of power through:

- A Harbour Revision Order;
- An order under the Transport and Works Act;

Project approval via:

- Planning approval from the local authority;
- Consent under the Coast Protection Act;
- Consent under the Food and Environmental Protection Act (FEPA);

Additional approvals such as:

- Consents from the Environmental Agency;
- Approval from the Crown Estate Commissioners.”

As part of this approval process, the project may be “subject to a range of assessment regimes including:

An environmental impact assessment

An appropriate assessment (under the Habitats regulations)

An assessment under the FEPA regulations

A combination of the three assessments above applied to one or more of the approvals referred to.”¹²⁵

143. All interested parties agree that the consents process is inefficient. This is heightened by the fact that individual consenting bodies do not see the project in its entirety. Associated British Ports told us that “every consenting department seeks perfect compliance with both the spirit and the letter of its component of the regulations. Without an overview, judgement is difficult to exercise, even where regulations permit judgement.”¹²⁶ The DTLR told our predecessors that it intended to build on the success of the Joint Consents Unit between its Ports division and DEFRA, and to look at other ways of speeding the development process.

¹²⁵ HC (2000–01) 244 i-iv, p. 181 and POR 4

¹²⁶ *Ibid*, p. 161

144. There was welcome for the formation of joint offices to deal with some aspects of the consents procedure. It is clear much more could be done. The Department for Transport needs to take a lead to ensure that consenting bodies work together, and that they respond promptly.

145. *Modern Ports: A UK Policy* aims to “make regulation add value rather than unnecessary cost, ensuring that regulators co-ordinate their overall demands.”¹²⁷ Whilst a standardised information system may assist the Government in their deliberations, it is not clear how the Project Appraisal Framework will contribute to the general streamlining of the planning process. The Government should therefore give greater consideration to reducing the timescale and complexity of the overall process. A necessary element of this will be to improve interdepartmental co-operation.

Decisions

146. The Department for Transport notes that *A Project Appraisal Framework for Ports* is “intended to be an aid to decision making, but does not and cannot, of itself, lead to a single number or indicator that suggests a particular outcome.”¹²⁸

147. The Framework has been established to assist in the decision making process. The Government does not wish to accept responsibility for port planning per se.

“DfT is not convinced by arguments that they, or some independent body, are in the best position to identify need and pick winners (and losers). It is our belief that the commercial pressure and competition to bring forward projects in time to meet demand, but at the same time meeting environmental concerns through the public inquiry system, is the best approach. However, the nature and scale of the environmental impacts of port developments are likely to be of such importance that ports are a special case. Therefore, there is a need for an appraisal framework tailored to meet the particular situation of ports. This will help developers put forward well argued cases, enable those affected by the development to understand what is proposed, and help those in the planning process make informed decisions.”¹²⁹

148. However, this does not address the difficulties in weighing up the competing claims of different development proposals. The Royal Society for the Protection of Birds (RSPB) noted that despite this drive to standardise information regarding port planning, the Government takes an individualist approach regarding the processing of applications:

“In answer to a question about whether applications for port development at Dibden Bay, London Gateway and Bathside Bay would be determined together, the Minister David Jamieson replied: “there are separate applications running on individual timetables and there is no compelling reason why they should be determined together” (House of Commons, written answer 15 May 2003, Col 340W). It is the

127 *Modern Ports: A UK Policy*, para 1.2.2.

128 *A Project Appraisal Framework for Ports*, para 3.3.

129 *A Project Appraisal Framework for Ports: Commentary on Responses to the Consultation*, para 11.

RSPB's view that there are compelling legal and policy reasons for these applications to be determined together."¹³⁰

149. As we have seen, the United Kingdom's environmental obligations mean that proposals for development which would harm protected sites must be in the overriding public interest, and must be preferable to alternative solutions. Environmental groups consider that proposers should look at a wide range of alternatives, including "alternatives outside the UK where such alternatives could serve the UK, as well as alternatives within existing port developments." On the other hand:

"The port operators feel that there should be no requirement on them to compare alternatives outside of their control. They are not in a position to assess the details of alternatives that do not exist, or alternatives that might be, or are being developed by separate commercial or other bodies. They are also sceptical about the value of any discussion that might arise about alternatives outside of their control."¹³¹

150. The Department's position is that:

"it would be unreasonable to ask port developers to make detailed comparisons of their proposals with alternatives not under their control. But the framework cannot determine the nature of discussion at public inquiries and elsewhere. It is for this reason that we suggest that developers might want to prepare for questions about alternatives, using publicly available information. The framework does cover the appraisal of alternatives that make better use of existing port infrastructure. DfT is committed to making available more information about port traffic and infrastructure to enable an informed discussion to take place."¹³²

151. However, although this is rational in itself, it may not fulfil the United Kingdom's international obligations. According to the Habitats Directive (Article 6(4)), a plan or project that may damage a Natura 2000 site cannot proceed unless there are no alternative solutions. The European Commission interprets this to mean that the competent authority must make comparisons between alternatives. On this basis the Secretary of State must examine all alternative plans for meeting predicted container port demand currently in the planning system in order to select the least damaging proposal or proposals which meet the identified need.

152. Article 5(3) of the EIA Directive requires the developer to provide information that outlines the alternative studies and main reasons for arriving at the chosen outcome taking into account environmental effects. The proposals for Dibden Bay, London Gateway and Bathside all contain this information and again the Secretary of State is required to consider it in full.

153. We also note that in the recent case of *R (Medway Council & Others) v. Secretary of State for Transport* one of the grounds for upholding the judicial review of the decision to omit Gatwick from the consultation process was that "it was irrational to exclude all Gatwick options from the consultation process" because a Gatwick solution might have

¹³⁰ POR 18A

¹³¹ *A Project Appraisal Framework for Ports: Commentary on Responses to the Consultation*, para 14.

¹³² *Ibid*, paras 13–15.

“potential to impact on the question of whether or not there were imperative reasons of overriding public interest in favour of Cliffe”, which is an environmentally sensitive site.¹³³

154. The RSPB maintain “A full comparative assessment of these alternatives [planning applications] will only be possible once the Secretary of State has the planning inspectors’ report before him.”¹³⁴ Hampshire County Council considered there should be a national strategic planning framework in which port proposals could be considered.¹³⁵ Although we understand why the Government wishes to have a market led approach to port development, the case for major infrastructure projects is frequently based on national need. **The Government intends to set out a clear framework to guide the aviation industry in its proposals for new airport capacity. We do not see why it cannot take a similar approach to ports. The Government must consider individual applications in the context of a national policy, and this may mean that it cannot consider single projects in isolation. There are compelling arguments for planning at an integrated national rather than individual level. We recommend that the Government adopt such an approach. The Government should continue its commitment to expansion which can be defended on environmental grounds and engage in adequate planning to determine where compensatory habitats will be needed.**

8 Competition with Continental Ports

155. Competition exists between major ports in the UK and between UK and continental ports engaged in similar trade. The key concern within the industry is an ability to compete on level terms both domestically and internationally. The fundamental differences between port systems in the UK and Continental Europe can distort competition. It might be hoped that common membership of the European Union would act to create a transparent market between United Kingdom ports and their EU competitors; instead it appears that European attempts to regulate the sector fail to address the significant differences between United Kingdom and other European ports.

156. Four basic models of port administration can be identified, ranging from a pure public sector to a pure private sector model. These models are illustrated in Table 6.

¹³³ See R (Medway Council & Others) v. Secretary of State for Transport – the ‘Gatwick decision’. During the consultation on the Government’s aviation paper. Air Transport in the South East, the decision to exclude Gatwick from the options was challenged on the grounds (among others) it might be singly or with other sites an alternative solution within Regulation 49 of the 1994 Regulations to more damaging proposals.

¹³⁴ POR 18

¹³⁵ POR 17. See also POR 20 for a discussion of the need criterion.

Table 6: Four basic models of Port Administration

Models		Port Functions		
		Land Ownership	Regulation	Cargo Handling
1	Pure Private	Private	Private	Private
2	Private/Public	Private	Public	Private
3	Public/Private	Public	Public	Private
4	Pure Public	Public	Public	Public

Source: Baird 1995¹³⁶

157. The Continental European ports fit broadly into the Models 2 and 3 where regulation and or land ownership is in State hands. The UK is characterised by the privatised Model 4 in which market forces are allowed to determine the operations.

158. The UK industry also has concerns about the level of State Aid received by competitors, and lack of transparency in this area heightens these suspicions.

EU Market Access to Port Services Directive

159. The Market Access to Port Services Directive has been under consideration since the first phase of this inquiry. It is intended to promote competition between various providers offering services at ports. The original proposals were strongly resisted by the UK Government and port industry, since they failed to recognise the difference between structure of the UK industry, where the port itself is a private entity, and that of the other European countries, where private sector influence is far more limited.¹³⁷ Since the draft directive was concerned with competition within ports, rather than between ports, it was far more suited to the industry in continental Europe than in the United Kingdom. On the other hand, port users considered that this directive could have advantages, particularly in relation to ports in mainland Europe.¹³⁸

160. Last June the Minister for Transport reported to the European Scrutiny Committee that major concessions had been won. In his letter of 7 June 2002, Mr John Spellar reported that the Government had been successful in securing significant changes to the text that meet many of the concerns raised by UK ports and trades unions. These changes included:

- a package of amendments that should avoid the need for ports to ‘unbundle’ vertically integrated services, and recognise the diversity of ports;
- exclusion of dedicated terminals not open to general commercial traffic;

¹³⁶ Baird A (1995) Privatisation of Trust Ports in the United Kingdom: review and analysis of the first sales, Transport Policy, 2(2), 135–143.

¹³⁷ See, for example, POR 1, POR 8, POR 14, HC (2000–01) 244 i-iv, p. 366

¹³⁸ See, for example, Qq 192–199, 3 July 2002, and POR 2

- exclusion of ports with a strong seasonal character and port services already tendered in accord with Community legislation, recognising the special circumstances of peripheral areas;
- removal of the requirement for at least two independent service providers for each category of cargo;
- longer maximum periods for contracts and for transitional arrangements, increased from a maximum 25 years to 36 years (with a ten-year extension option for contracts where significant reinvestment occurs within the final ten years);
- similar provisions for rights derived from acquisition of a port, and for new ports and terminals;
- expensive moveable assets such as gantry cranes to be treated as a significant investment alongside port infrastructure; and
- self-handlers to be bound by the same rules on authorisation, employment and social matters as port based cargo and passenger handlers, and limited to regular personnel (thereby excluding use of casual labour).¹³⁹

161. One of the chief concerns is the proposed change to duration of contracts and transitional arrangements. The industry favours a maximum period of some 45 years for contracts for certain expensive immovable and movable assets and fears that a shorter period will ultimately force UK ports into a continental model of landlordship. The Department responded that “It might have some impact in that direction but because of the durations we succeeded in securing, we are talking about change over a couple of generations.”¹⁴⁰ It seems that the Government have accepted that, over time, the structure of British ports will have to change to meet the requirements of the directive; if this is the case, then the Government must ensure that those changes will benefit British port users and British port providers.

162. The European Parliament has now proposed thirty-nine amendments to the Directive, and the conciliation process is well advanced. The final position is expected to come before the European Parliament in November. Although the Government has secured real improvements to the draft Directive since it was first proposed, in our view the document still fails to recognise that the United Kingdom ports industry differs fundamentally from that of the continent, and does not go far enough in addressing United Kingdom ports’ concerns.

163. The UK ports industry has already experienced considerable upheaval in its shift to a privatised model. This is not the case for the majority of Continental ports. The Government should ensure that any Directive is implemented in ways which recognise the vast differences between the UK and Continental ports, and which will ensure that the UK industry can continue to operate efficiently.

139 European Scrutiny Committee, Thirty Second Report of Session 2001–02, HC 152 xxxii

140 Q 580, 18 June 2003

164. The outcome of the Directive will depend on the conciliation process, and on the decision of the European Parliament. The Department should ensure that United Kingdom interests are protected in future negotiations.

State Aid

165. Subsidy distorts competition. The UK Major Ports Group told us: “We would have no complaint if traffic were lost to European ports because of their greater efficiency or for reasons of geography, but it is a matter of great concern if traffic is lost as a result of subsidised competition.”¹⁴¹ The different ownership structures across European ports make it difficult to see how and where state funding is distributed. The Commission is now looking at this matter to ensure that there is fair competition between ports within the European Union, but there is some scepticism on the part the industry as to how far reaching this will be.

166. The Market Access to Port Services Directive did not originally deal with State aid. Mr Wolfgang Elsner, Head of Short Sea Shipping and Ports at the European Commission, told a predecessor committee that State aid was already dealt with through the Transparency Directive.¹⁴² However, an amendment has now been inserted: “Financial relations between ports or port systems and providers of port services on the one hand and public authorities on the other, including State funding for ports, must also be made transparent”, and the Commission, at least, is content with this, although related amendments were resisted.¹⁴³ It remains to be seen whether this new legislation will serve to reduce the level of unfair competition.

167. The Market Access to Port Services Directive may impose significant changes on the UK ports industry. The Government should continue to press for increased transparency about State aid to other countries’ ports to ensure that the competitive position of UK ports is not threatened.

9 Light Dues

168. Some of those giving evidence claimed that the way in which navigation aids are funded in the United Kingdom further diminishes United Kingdom ports’ competitiveness, compared with their foreign counterparts. Navigation aids in the United Kingdom are provided by the three General Lighthouse Authorities (Trinity House, Northern Lighthouse Board, and Commissioners of Irish Lights). These in turn are funded entirely from the General Lighthouse Fund (GLF), which consists of the money paid in ‘light dues’ by vessels using United Kingdom and Irish ports.

169. The Secretary of State effectively acts as the Trustee of the GLF. Although the GLF is administered by the Department for Transport, there are no Treasury payments into the fund. Under the terms of the Merchant Shipping Act 1995, the fund can only be used for

141 HC (2000–01) 244 i-iv, p. 179

142 Q 8, 24 April 2002

143 Amendment 2, Recital 5, Market Access to Port Services Directive; and CE(COM) 2003)0208.

the provision of aids to navigation around our coast. It is given to the 3 lighthouse authorities for that purpose.

170. Light Dues are payable by vessels using UK and Irish ports. In the UK the tariff and regulations, subject to minor amendment in 1998, are set out in the Merchant Shipping (Light Dues) Regulations 1997 (SI 562/1997). The charge is £0.4 per net tonne up to a maximum of 40,000 net tonnes. All vessels below 20 net tons are exempt, as are tugs and fishing vessels below 10 metres in length. Since almost all leisure craft are below 20 net tons, the vast majority of the revenue comes from commercial shipping with small amounts from the fishing industry and certain smaller vessels.

171. The Government argues that the light dues should be funded by the users of the navigational aids.¹⁴⁴ However, this ‘user pays’ principle does not accurately reflect the position for the UK. A large proportion of the ‘users’ pay nothing because they do not call at UK ports or are exempt. Light dues principally affect the large commercial operators: revenues from light dues currently stand at £73m, of which £71m is funded by merchant shipping.

172. Indeed we were told, “Trinity House is on record as saying about the leisure sector that if there were a way of collecting it we believe they should bear part of the liability. I have to say as a collector that I have no means of collecting that unless there were some form of registration system, which presumably would need primary legislation.”¹⁴⁵

173. Following the consultation process on light dues the Government still believes that dues should be paid by the users but notes that views expressed suggested that a larger number of users should pay. “We have looked at this with some care, but there would be enormous difficulties in collecting such dues and the logistics of it and the bureaucracy would be enormous. We are analysing this matter now and taking a decision.”¹⁴⁶

174. Furthermore, it is generally recognised that 70 per cent of Commissioners of Irish Lights expenditure relates to the provision of aids to navigation in the Republic of Ireland.¹⁴⁷ The Chamber of Shipping told us: “There is in any case a continuing subsidy, at unjustifiable levels, of the provision of aids to navigation in the Republic of Ireland for light dues collected in UK ports.”¹⁴⁸ In a recent Parliamentary Answer the contribution of the General Light House fund to navigational aids in the Republic of Ireland were assessed as follows:

144 Q 531, 18 June 2003

145 HC (2000–01) 244 i-iv, Q266

146 Q 531, 18 June 2003

147 Ev (2000–01) 177

148 HC (2002–01) 244 i-iv, p. 23

Table 7

	1998-99	1999-00	2000-01	2001-02	2002-03
£000	4350.5	5520.7	4597.9	473.6	4915.5

Data Source: HC Deb, 14 October 2003, col 171 w.

The UK is seeking to renegotiate the current agreement to require the Republic of Ireland to meet the full costs of their aids to navigation, but progress is slow.

Economic Factors

175. The Government considered that light dues had limited economic impact in terms of the competitiveness position of UK ports. “It is balanced to some extent by costs in other countries which may be greater. Some other countries do not charge light dues, they are paid for by the state. Over hundreds of years it has been the case that the user has paid here. For example, pilotage charges in some other countries are very much higher than they are here and to some extent that may balance out the cost of light dues. We have seen no evidence that it is leading to a lack of competitiveness.”¹⁴⁹

176. Shipping is generally a low margin operation, with owners constantly looking for ways of reducing their operational costs. Deep-sea container lines involved in transshipment will obviously consider the most competitive ports for their cargoes, subject to their own customer requirements.

177. The light dues constitute a tariff on ships entering UK ports, which increases the costs of the shipping companies.¹⁵⁰ Ships entering other continental European ports are not subject to such a tariff making them potentially more attractive. In the very competitive shipping trades, which operate on tight margins, such costs can influence policy, particularly in relation to transshipment. The extent to which trade can be diverted to other ports depends on a number of factors – other port costs, customer requirements, port capacity. The opponents of light dues consider that, in an industry which is run on such tight margins, the dues will have the effect of moving trade away from the UK to transshipments from other European ports. This will not only mean a loss of revenue to the UK ports system, but to the economy as a whole.

178. The case against light dues has been championed by the Independent Light Dues Forum (ILDF), an organisation comprising some of the world’s largest shipping companies. Members of the Forum regularly contribute up to 50 per cent of the annual spend on light dues in the UK every year. A macroeconomic report commissioned by the ILDF suggests that light dues constitute a significant proportion of UK ports costs (approximately £7,000 per call, 35 per cent of total port costs). Typical ports costs for vessel calling at Southampton based on 48,000 DWT vessel are shown in Table 8.

149 Q 538, 18 June 2003

150 HC (200–01) 244 i-iv, Q 303

Table 8

Charge	Amount (£)	% of total
Pilotage	2,712	13.4%
Towage	3,804	18.7%
Linesman	813	4.0%
Port Dues	5,884	29.0%
Light Dues	7,077	34.9%
Total	20,290	100.0%

Source: Independent Light Dues Forum

179. The ILDF believe that the payment of light dues by ships calling at UK ports does have an economic impact and reduces the competitiveness of UK ports:

“As other margins come under pressure and as shipping customers force prices down, even further squeezing margins, peripheral regulatory charges are significant. If these costs are not alleviated they may well cause re-routing decisions to be made, if this means that a permanent charge on profits can be removed. The deep-sea container lines, who may often be dropping part cargoes at UK ports, are the most likely to look to transshipment. But all cargoes can now be and are being transhipped. Less efficient and more expensive multiple small feeder vessels transhipped from Northern European Ports could be an unwelcome development to service major installations if UK port costs become relatively less competitive.”¹⁵¹

180. The Government now accepts that economic effects have not been examined in sufficient depth and the Department has commissioned research:

“The study should consider the current structure of light dues and alternative structures, including a zero light dues case as exemplifying one end of the range of possibilities. The detail of these alternative structures should be discussed with the client, but in general they will include different tonnage rates, different tonnage caps, different voyage limitations, range of ship types to be included. The initial economic impact of light dues may come about through the extent to which light dues, in the context of all other relevant port and vessel operating costs, affects decisions by vessel operators and owners to call at UK ports, and affect decisions by shippers on the routing of cargo. However the study should also consider the extent to which the final incidence of light dues affects the wider economy.”¹⁵²

We were told that the Department expected to let the contract in August, and that research would take some four months to complete. **The Department for Transport economic impact study on light dues should be made public as soon as possible. The charging system should be reviewed in the light of such findings.**

151 Independent Light Dues Forum Response to the Department for Transport’s Consultation Light Dues Review: Meeting the Cost of Marine Aids para 1.1.

152 POR 04D

181. *Modern Ports: A UK Policy* says that the Government “supports initiatives on funding and charging to create free and fair competition in the ports sector.” Yet the UK is the only major economy to adopt the system of light dues although Ireland, Greece and Sweden have similar systems.¹⁵³ In many other European countries the service is totally funded by the State.¹⁵⁴

182. The United Kingdom has historically employed a system of light dues to cover the cost of navigation aids. Such a system is inconsistent with other European countries and distorts competition. The Government should reconsider the entire concept of light dues. We support the Government’s aim of ending the subsidy to Lights in the Republic of Ireland by the UK users and recommend that there should be more urgency in the negotiations.

153 According to Trinity House, Greece has a simplified light dues structure. Sweden has a similar system, which is known as fairway dues, which is based on how far ships travel up the estuaries. The Dutch collect light dues through pilotage dues. Denmark is 80% tax and 20% light dues. Canada and Australia have a system similar to the UK. Trinity House believes there is a lot of worldwide interest in the UK system having had enquiries from Korea, India and China, HC (2000–01) 244 i-iv, Q 253

154 Q 24, 24 April 2002

10 Summary of Recommendations

183. The UK ports industry makes a vital and unique contribution to the country's economy, commercial activity and social well being. It is an industry which has experienced deep rooted change over recent decades.

184. Since the privatisation of the UK ports industry, there has been a presumption on the part of the Government that the sector could function entirely by market forces. The weakness in this analysis stems from the fact that the market is subject to a number of distortions which seriously affect the competitive framework in which it operates. The distortions essentially arise from government involvement in ports' activities at both national and European level. Ports provide an essential link in the overall logistics chain and are therefore dependent on other transport infrastructure. Such infrastructure cannot be funded entirely by the private sector, but requires investment in freight transport by the Government. Regulation constitutes further interference in the market process. EU Directives are found to apply differently in the different Member States and further fail to grasp the different port structures and philosophies. On a national level, port planning is subject to cumbersome procedures which cause serious delay, and over which the Government has the final word.

185. Despite the desire to leave the ports industry to its own devices, the Government is clearly involved its operations and activities. It should therefore look to the distortions created and find ways of alleviating the resultant problems.

186. There are of course areas where Government involvement will have a positive influence. Port statistics, forecasting supply and demand are obvious examples. More seriously, safety issues in this most hazardous of industries receive scant attention and initiatives to improve them are essentially voluntary.

187. The legislative and regulatory framework should reflect this special nature of this industry. We therefore recommend the following:

Conclusions and Recommendations

1. Ports have little or no alternative use. If there is a mistaken investment or the investment is no longer required they cannot be transferred to another use, and their cost is irrecoverable. Investment decisions are made easier if Government policy is clear and stable, and there is confidence that the Government recognises the importance of the sector. (Paragraph 7)
2. Ports are important for the United Kingdom's economy; Government policy must ensure that our port industry remains healthy and internationally competitive and provide a solid framework for its success. (Paragraph 8)

The Port Industry

3. We need a regulatory framework which both ensures that ports are operated in a safe and environmentally responsible manner and does not put unnecessary barriers in the way of business. (Paragraph 25)

Statistics

4. The Standard Industrial Classification (SIC) systems must be modified as a matter of urgency, in order to facilitate the collection of precise data on the port industry (Paragraph 29)
5. The existing statistical information on ports falls seriously short of what is required by a modern industry. Although the Department for Transport acknowledges this, there appears to be no sense of urgency in addressing this need for accurate statistics. It is a disgrace that there is so little statistical information on an industry so vital to the United Kingdom's economic and commercial prosperity. We are astonished that so little progress has been made in developing the statistical base necessary to inform policy. The Department for Transport must produce regular statistics on port activity in collaboration with industry. This should cover in detail employment, health and safety, infrastructure and general economic data. Statistics on the accidents, injuries and illness to dockworkers are particularly important and must be made available on a national basis. (Paragraph 41)

Making Ports Safe

6. We expect the Government to set identifiable national targets on health and safety in ports, together with a timetable for their implementation. (Paragraph 52)
7. The current review of Dock Regulations 1988 has taken an inordinate time. The revised codes must give clear and practical guidance including an explicit definition of the term 'adequate training'. (Paragraph 55)
8. There is an acute shortage of dedicated port inspectors to fulfil the obligations of the Health and Safety Executive (HSE). We expect the HSE to set a timetable for the recruitment of a sufficient number of inspectors together with the provision of an effective training programme. (Paragraph 57)
9. We expect the HSE to take immediate action against employers who fail to fulfil their training obligations. (Paragraph 64)
10. The HSE, the Department for Transport and Port Skills and Safety Limited (PSSL) must monitor levels of safety and training for port employees to ensure adequacy. Particular regard should be given to safe working practices in this most hazardous of United Kingdom industries. The Port Passport is a voluntary scheme to demonstrate the attainment of basic dockworker skills. We recommend that this scheme be energetically pursued and used as the basis for a standard and rigorous training programme. A high level of professional training in all port related activities is essential to maintain safety in the "most dangerous land-based industry in the United Kingdom." (Paragraph 66)

11. ILO Convention 152 is concerned with the health and safety of dockworkers. We were disturbed by the changing and ambivalent attitude to this important convention and strongly recommend that it be ratified by the Government as soon as possible. (Paragraph 70)
12. During the evolution of the draft Directive on Market Access to Port Services it has been made clear that “professional qualifications and environmental matters might be among the criteria to authorise self-handling.” We strongly support this. We believe that these issues *must* be among the criteria to authorise self handling. (Paragraph 75)

Capacity

13. Suitable berths are essential if the United Kingdom is to retain direct shipping services, rather than being served by transshipment from Continental ports. (Paragraph 81)
14. We note that the predictions of forecast growth in demand are consistent and all the studies conclude that significant capacity increases are needed. (Paragraph 86)
15. It is necessary to know how much additional capacity is needed together with the environmental costs of development in order to make effective economic decisions about meeting future demand. The Government must undertake such forecasts to ensure adequate port planning at a national level. (Paragraph 96)
16. The operation of a port is dependent on intermodal links, which must form part of any United Kingdom ports policy. Whilst the Government is keen to allow market forces to determine port investment and operation, landside links cannot be funded on a commercial basis. The Government must therefore be directly involved in planning, funding and development of road and rail infrastructure to UK ports and set a timescale for such development. (Paragraph 99)
17. Without rail infrastructure and gauge enhancements to ensure direct call by the international shipping lines, ports cannot function effectively. Physical rail links to many UK ports exist but are underutilised. The Government should produce a programme and timetable for expanding their use as part of an integrated transport policy. The failure of the Government to deliver on its promises for better port access is threatening the competitiveness of UK ports. The strategy for rail freight is currently low priority in terms of funding, falling victim to overspending in other areas. The Government should therefore ring-fence funding for rail freight within the overall rail budget. (Paragraph 107)
18. The Government should appreciate that rail enhancements take time to programme and deliver. As soon as any planning consent for a major port development has been given, steps should be taken to ensure that the infrastructure it requires will be in place as soon as it is needed. Where physical rail links exist, the Government should examine the potential for developing and increasing their use as part of an integrated transport policy. (Paragraph 112)

19. The failure of the SRA to deliver its promises for better port access is threatening the competitiveness of UK ports. It is imperative that rail infrastructure and gauge enhancements are made in order to ensure direct call by the international shipping lines. (Paragraph 113)

Environment

20. Given the Government's commitment to the environment, it should take a more active role in the development and monitoring of environmental performance indicators. Ports must take account of environmental plans and performance indicators and the Government should monitor such statistics. (Paragraph 125)
21. European environmental legislation relating to the classification of port approaches has been interpreted differently across member states, to the disadvantage of UK ports. The Government must be satisfied that such legislation is applied consistently and ensure that approaches to UK ports remain accessible to commercial traffic. (Paragraph 131)
22. It is essential that a workable method of protecting the approaches to UK ports is found. The Habitats Directive should not prevent port development or expansion, but ensure that such development is environmentally sustainable. A more comprehensive strategic framework is required to ensure the integration of port development into a sustainable transport strategy to encourage environmental benefits. (Paragraph 136)

The Planning Process

23. Although, since our inquiry began, the Government has brought forward new procedures for inquiries into major infrastructure projects, and is proposing the new legislation to speed up the inquiry process further by allowing parallel hearings on a number of different issues, much could still be done. We welcome these attempts to improve the efficiency of the planning process, without reducing the rights of objectors. However, we are concerned that they only go a small way to overcoming the problems of those who wish to bring forward proposals for major developments. (Paragraph 141)
24. *Modern Ports: A UK Policy* aims to “make regulation add value rather than unnecessary cost, ensuring that regulators co-ordinate their overall demands.” Whilst a standardised information system may assist the Government in their deliberations, it is not clear how the Project Appraisal Framework will contribute to the general streamlining of the planning process. The Government should therefore give greater consideration to reducing the timescale and complexity of the overall process. A necessary element of this will be to improve interdepartmental co-operation. (Paragraph 145)
25. The Government intends to set out a clear framework to guide the aviation industry in its proposals for new airport capacity. We do not see why it cannot take a similar approach to ports. The Government must consider individual applications in the context of a national policy, and this may mean that it cannot consider single

projects in isolation. There are compelling arguments for planning at an integrated national rather than individual level. We recommend that the Government adopt such an approach. The Government should continue its commitment to expansion which can be defended on environmental grounds and engage in adequate planning to determine where compensatory habitats will be needed. (Paragraph 154)

Competition with Continental Ports

26. The UK ports industry has already experienced considerable upheaval in its shift to a privatised model. This is not the case for the majority of Continental ports. The Government should ensure that any Directive is implemented in ways which recognise the vast differences between the UK and Continental ports, and which will ensure that the UK industry can continue to operate efficiently. (Paragraph 163)
27. The Market Access to Port Services Directive may impose significant changes on the United Kingdom ports industry. The Government should continue to press for increased transparency about State aid to other countries' ports to ensure that the competitive position of UK ports is not threatened. (Paragraph 167)

Light Dues

28. The Department for Transport economic impact study on light dues should be made public as soon as possible. The charging system should be reviewed in the light of such findings. (Paragraph 180)
29. The United Kingdom has historically employed a system of light dues to cover the cost of navigation aids. Such a system is inconsistent with other European countries and distorts competition. The Government should reconsider the entire concept of light dues. We support the Government's aim of ending the subsidy to Lights in the Republic of Ireland by the UK users and recommend that there should be more urgency in the negotiations. (Paragraph 182)

Appendix 1: Major Ports

ABERDEEN	CARDIFF	WARRENPOINT
HARWICH	LIVERPOOL	FISHGUARD
RAMSGATE	SULLOM VOE	NEWHAVEN
BALLYLUMFORD	CLYDE	FLEETWOOD
HEYSHAM	LONDON	NEWPORT
RIVER TRENT	SUNDERLAND	FORTH
BELFAST	CROMARTY	ORKNEYS
HOLYHEAD	FIRTH	FOWEY
RIVERS HULL & HUMBER	LONDONDERRY	PETERHEAD
BOSTON	FELIXSTOWE	GLENSANDA
HULL	MILFORD HAVEN	PLYMOUTH
SHOREHAM	SWANSEA	GOOLE
BRISTOL	DOVER	POOLE
IPSWICH	MANCHESTER	GREAT YARMOUTH
SOUTHAMPTON	TEES & HARTLEPOOL	PORT TALBOT
CAIRNRYAN	DUNDEE	GRIMSBY & IMMINGHAM
LARNE	MEDWAY	GREAT YARNMOUTH
STRANRAER	TYNE	PORTSMOUTH

Appendix 2: Leading Ports by Cargo Category

	2000 Million tonnes	2001 Million tonnes	% Change
Liquid Bulk -of which	290.6	273.5	-6%
Forth	38.8	38.4	-1
Tees & Hartlepool	36.1	34.3	-5
Millford Haven	33.0	32.9	-0
Sullom Voe	38.2	31.2	-18
Grimsby and Immingham	28.2	26.7	-5
Dry Bulk - of which	103.6	115.0	11
London	14.1	16.4	16
Grimsby and Immingham	13.7	15.9	16
Tees & Hartlepool	9.3	11.8	26
Port Talbot	11.7	8.3	-29
Liverpool	7.1	7.6	8
Other General Cargo - of which	24.5	26.1	6
London	3.6	3.3	-8
Medway	2.5	2.5	2
Grimsby and Immingham	1.9	2.1	13
River Trent	1.4	1.4	1
Aberdeen	1.4	1.4	4
	Million units	Million units	% Change
Containers - of which	4.3	4.4	3
Felixtowe	1.9	1.9	0
Southampton	0.7	0.7	7
London	0.4	0.5	20
Liverpool	0.3	0.3	-1
Medway	0.3	0.3	-5
Roll on Roll off - of which	16.2	16.4	1
Dover	4.2	4.3	3

58 Ports

Portsmouth	1.3	1.3	3
Grimsby and Immingham	0.9	1.1	22
London	1.1	1.0	-6
Belfast	0.9	0.8	-8

Source: Department for Transport

Formal Minutes

The following Declarations of Interest were made:

Mrs Gwyneth Dunwoody, Member of the Associated Society of Locomotive Engineers and Firemen

Mr Brian H Donohoe, Clive Efford, Mrs Louise Ellman and Mr George Stevenson, Members of the Transport and General Workers' Union

Mr Ian Lucas and Mr Graham Stringer, Members of Amicus-MSF.

Tuesday 4 November 2003

Members present:

Mrs Gwyneth Dunwoody, in the Chair	
Mrs Louise Ellman	Mr Graham Stringer
Mr George Stevenson	

The Committee deliberated.

Draft Report (*Ports*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 187 read and agreed to.

Appendices 1 and 2 agreed to.

Resolved, That the Report, as amended, be the Ninth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.—(*The Chairman.*)

Ordered, That the provisions of Standing Order No. 134 (Select Committee (reports)) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence be taken before the Committee be reported to the House.

[Adjourned till Wednesday 5 November at half past Two o'clock.]

Witnesses

Transport Sub-committee of the Transport, Local Government and the Regions Committee, Session 2001-02

Wednesday 24 April 2002

Formerly ordered to be printed as HC 788-i (Session 2001-02)

Mr Wolfgang Elsner , Head of Short Sea Shipping and Ports, European Commission	Ev 1
Mr Terence Mordaunt , Bristol Port Company, Mr John Dempster , UK Major Ports Group, Mr David Whitehead , and Mr Nigel Pryke , British Ports Association	Ev 7
Ms Hilary Chipping , and Mr Jim Boud , Highways Agency, Mr Mike Freeman , and Mr Nick Charlesworth , Road Haulage Association	Ev 11
Mr Graham Smith , and Mr Allen Marsden , English Welsh and Scottish Railway (EWS)	Ev 16

Wednesday 3 July 2002

Formerly ordered to be printed as HC 788-ii (Session 2001-02)

Ms Julia Clarke , and Mr John Chapman , Strategic Rail Authority, Mr Christopher Welsh , and Mr Neil Johnson , Freight Transport Association	Ev 21
Mr Bo Lerenius , Captain James Chestnutt , and Captain Paul Hames , Associated British Ports	Ev 27
Mr David Jamieson MP , Mr Stepehn Reeves , and Mr Andrew Burr , Department for Transport	Ev 31

Transport Committee, Session 2002-03

Wednesday 18 June 2003

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Mr Nick Starling , Mr Graeme Henderson , and Mr Tim Galloway , Health and Safety Executive, Mr Ron Webb , and Mr Peter Landles , Transport and General Workers' Union	Ev 40
Mr Mike Fell , Mr Nigel Pryke , and Mr Peter Bond , Ports Skills and Safety Ltd	Ev 46
Mr David Jamieson MP , Mr Stephen Reeves , and Mr Andrew Burr , Department for Transport	Ev 50

List of written evidence

Written evidence submitted to the Transport Sub-committee of the Transport, Local Government and the Regions Committee, Session 2001-02

01	United Kingdom Major Ports Group Limited	Ev 62
01A	Further memorandum by United Kingdom Major Ports Group Limited	Ev 64
02	Chamber of Shipping	Ev 67
03	Rail Freight Group	Ev 68
04	Department for Transport, Local Government and the Regions	Ev 70
05	Maersk Sealand	Ev 75
06	Health and Safety Executive	Ev 77
07	Port of London Authority	Ev 82
08	British Ports Association	Ev 84
09	P&O	Ev 88
10	United Kingdom Maritime Pilots' Association	Ev 90
11	Freight Transport Association	Ev 91
12	English Nature	Ev 95
13	Associated British Ports	Ev 98
14	Institute of Chartered Shipbrokers	Ev 01
15	Sustrans	Ev 102
16	Professor Richard Goss	Ev 102
17	Hampshire County Council	Ev 103
18	RSPB	Ev 105
19	Port of Southampton	See text of Ev 13
20	Dr S Gilman	Ev 110
21	Dover Harbour Board	Ev 114
22	North Europe Container Hub Group	Ev 115
23	CBI	Ev 119
24	Highways Agency	Ev 123
25	Road Haulage Association Ltd	Ev 129
26	EWS	Ev 131
27	Strategic Rail Authority	Ev 133
04A	Supplementary memorandum by Department for Transport	Ev 138
04B	Supplementary memorandum by Department for Transport	Ev 139
04C	Supplementary memorandum by Department for Transport	Ev 141
13A	Further memorandum by Associated British Ports	Ev 142
13B	Supplementary note to Q 265 by Associated British Ports	Ev 146
13C	Supplementary note by Associated British Ports	Ev 147
26A	Supplementary memorandum by EWS	Ev 147

Written evidence submitted to the Transport Committee, Session 2002-03

01B	Supplementary memorandum by United Kingdom Major Ports Group Limited	Ev 148
01C	Supplementary memorandum by United Kingdom Major Ports Group Limited	Ev 150
03A	Further memorandum by Rail Freight Group	Ev 151
04D	Supplementary memorandum by Department for Transport	Ev 153
05A	Further memorandum by Maersk Sealand	Ev 157
06A	Further memorandum by the Health and Safety Executive	Ev 158
06B	Supplementary memorandum by the Health and Safety Executive	Ev 161
12A	Further memorandum by English Nature	Ev 163
13D	Further memorandum by Associated British Ports	Ev 165
18A	Further memorandum by RSPB	Ev 169
28	Memorandum by Ports Skills and Safety Ltd	Ev 171
29	Memorandum by Hutchison Ports	Ev 172

Reports from the Transport Committee since 2001

Session 2002–03

First Report	Urban Charging Schemes	HC 390-I
Second Report	Transport Committee: Annual Report 2002	HC 410
Third Report	Jam Tomorrow?: The Multi Modal Study Investment Plans	HC 38-I
Fourth Report	Railways in the North of England	HC 782-I
Fifth Report	Local Roads and Pathways	HC 407-I
Sixth Report	Aviation	HC 454-I
Seventh Report	Overcrowding on Public Transport	HC 201-I
Eighth Report	The Work of the Highways Agency	HC 453
First Special Report	Government and Office of Fair Trading Responses to the Seventeenth Report of the Transport, Local Government and the Regions Committee, The Bus Industry	HC 97
Second Special Report	Government Response to the Committee's Fourth Report, Railways in the North of England	HC 1212

Session 2001–02

First Special Report	Government Response to the First Special Report of the Transport, Local Government and the Regions Committee of Session 2001–02, The Attendance of a Minister from HM Treasury before the Transport, Local Government and the Regions Committee	HC 1241
Second Special Report	Government Response to the Fifth Report of the Transport, Local Government and the Regions Committee of Session 2001-02, European Transport White Paper	HC 1285
Third Special Report	Government Response to the Eighteenth Report of the Transport, Local Government and the Regions Committee of Session 2001-02, National Air Traffic Services' Finances	HC 1305