

“The state of freight” an industry overview”

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How important is the freight sector?

- The global logistics sector will quadruple by 2050¹ but UK share of global trade in goods is shrinking
- 2014 estimates of sector GVA varied from £55-£96 bn and the £41bn variance was larger than the UK Defence budget²
- Employing 1.7-2.2m (8% of UK employment) in 63,000-192,735 companies with revenue of £770bn (26% GDP)²
- ONS by 2017 had 109,000 companies with 1.1m employees a variance of 850,000 Vs 2014 equal to 2x total Automotive manufacturing employment
- Between 1980 and 2002 UK Logistics costs fell by 12% while USA costs fell by 35%² hitting 7.5% of GDP by 2016³ while UK costs increased
- **A 15% reduction in UK logistics costs could be equivalent to increasing GDP by 1.5% or £161bn⁶**



WORLD TRADE ORGANIZATION

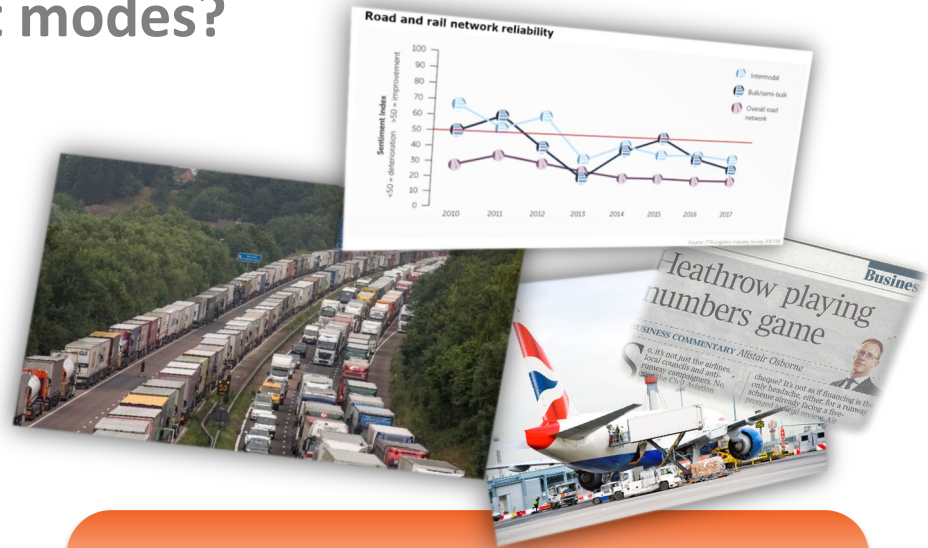
UK World merchandise trade 2000 - 2017

	2000	2014	%	2017	%
Exports	\$285,425	\$504,632	77%	\$441,031	-13%
Imports	\$348,058	\$689,836	98%	\$644,061	-7%

USD @ Current prices \$ ms

Time for a wake up call on freight modes?

- In 2016 484 mt of freight was handled by ports with unitized traffic +1.8 % and UK port congestion rose in 2017²
- This is before the impact of Brexit....
- Intermodal rail freight hit record levels in 2017 while the rail reliability index fell 30 points since 2010³
- 2.4 mt of UK air freight is worth £181bn (63% of exports by value) with Heathrow accounting for 64%⁴
- **But Skills, infrastructure, funding, efficiency, capacity and other challenges abound**

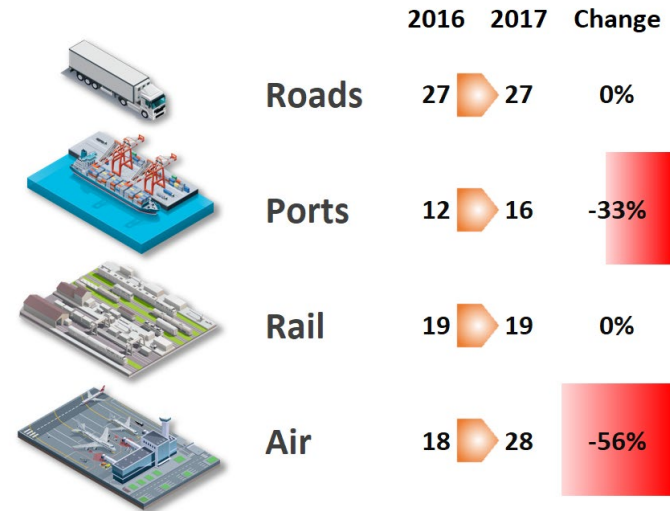


CAA's Richard Moriarty has threatened enforcement action unless LHR "urgently and demonstrably" spell out how it plans to fund the £14bn 3rd runway⁵

Time for a wake up call on freight infrastructure?

- Transport infrastructure is the second most important criterion for multinational firms on where to invest¹
- OECD ranks UK road freight intensity #6 globally with a level 2.6 x Germany or France²
- Eddington report in 2006 projected a 30% growth in UK road congestion delays by 2025
- 25% of companies claim to have become less competitive due to poor infrastructure³
- Infrastructure is also important for regional development & the UK exhibits wide dispersion in regional productivity¹
- Yet 50% of £32.7 bn UK transport spending was received by London¹
- **The National infrastructure commission consultation began in 2017 with a final report due in spring 2019.....**

WEF Global ranking UK transport infrastructure



Congestion will cost the British economy as much as £307 billion by 2030⁴

Sources: ¹Improving infrastructure in the UK OECD 2015 + E&Y 2014, ²World Fact Book, ³FTA Logistics report 2017/18, ⁴CBI Transport Survey 2008, Eddington report 2006, ⁴CEBR Report The economic impact of road investment 2017

Time for a wake up call on freight sustainability?

- Air pollution contributes to 40,000 early deaths PA¹
- While HMG allocated £3.5 bn to improve air quality and clean transport initiatives since 2010²
- Since 2008 LEZ emissions reduced by 1.5% PA & NO₂ at 0.4% would take 42 years to reach legal limits³
- And following a “final warning” the UK was referred to the Eu Court of Justice & are likely to face massive fines for breaching legal limits⁴
- Commons Select Committee 2018 report on improving air quality concluded

“Despite a series of court cases the Government has still not produced a plan that adequately addresses the scale of the challenge”



Growth in congestion can increase emissions up to 400% in turn offsetting the benefits of cleaner vehicles & low emission zones⁵



“We have waited a long time and we cannot possibly wait any longer”

Karmenu Vella Eu commissioner for environment



UK Van registrations rose 34% since 2013³ and “Black Friday 2018” is forecast to generate 210,000 extra van deliveries⁶

Time for a wake up call on policy?

- 40 year pace of change in ministers is inverse to decisions as 3rd runway spent decades in the air
 - 1978 Aviation white paper finds LHR capacity constrained
 - 40 years later 3rd runway passes the commons *with funding TBC by an 86% geared private company*
- Policy isn't "joined up" e.g. insufficient investment in electricity generation means move to electric vehicles will be hampered by severe capacity constraints¹
- A 2011 CBI Survey found an absence of clear government strategy, delays & costs in planning systems & regulatory burdens were major impediments to infrastructure investment²

"On average a senior USA executives takes 13-18 months to become effective in reshaping an organisation" *John Gabarro HBR 2007*
 "About 40% of executives who change jobs or get promoted fail in the first 18 months" *Anne Fisher - Forbes "Work it out" 2012*

1979		●	1993	John MacGregor	●	2007	Douglas Alexander - Ruth Kelly	●
1980	Norman Fowler	●	1994	John MacGregor - Brian Mawhinney	●	2008	Ruth Kelly - Geoff Hoon	●
1981	Norman Fowler - David Howell	●	1995	Brian Mawhinney - Sir George Young	●	2009	Geoff Hoon - Lord Adonis	●
1982	David Howell	●	1996	Sir George Young	●	2010	Lord Adonis - Philip Hammond	●
1983	David Howell - Tom King - Nicholas Ridley	●	1997	Sir George Young - John Prescott	●	2011	Philip Hammond - Justine Geening	●
1984	Nicholas Ridley	●	1998	John Prescott	●	2012	Justine Geening - Patrick McLoughlin	●
1985		●	1999		●	2013		●
1986	Nicholas Ridley - John Moore	●	2000		●	2014	Patrick McLoughlin	●
1987	John Moore - Paul Channon	●	2001	●	2015		●	
1988	Paul Channon	●	2002	John Prescott - Alistair Darling	●	2016	Patrick McLoughlin - Chris Grayling	●
1989	Paul Channon - Cecil Parkinson	●	2003	Alistair Darling	●	2017	Chris Grayling	●
1990	Cecil Parkinson - Malcolm Rifkind	●	2004		●	2018		●
1991	Malcolm Rifkind	●	2005		●			●
1992	Malcolm Rifkind - John MacGregor	●	2006	Alistair Darling - Douglas Alexander	●			●

● In transition
 ● Stable for one year
 ● Stable for over one year
 Source: Wikipedia & Incept 2017

TOPLINE

Number of ministers 21
 Tenure up to 1980 (Ave years) 2.0
 Tenure since 2007 (Ave years) 1.5

TYPE OF TENURE

Transition 19 48%
 Stable for a year 5 13%
 Stable for over a year 16 40%

"The revised 2018 NPPF* is broadly similar to the 2012 NPPF - it would be glib to say it has all the same objectives & conclusions, just in a different order, but that is the main conclusion" CILT Policy Watch Focus June 2018

How urgent is the need for change?



‘As a main driver of competitiveness, logistics can make you or break you as a country’

Uri Dadush Trade Director World Bank 2007



While we wait 22 years for the 2040 conventional vehicle ban pollution may contribute to 880,000 premature deaths



What are the fundamentals behind these problems?



Should we change the future model?

Will what drove the original development of trade & logistics drive the future?



Economics

Grow free trade



Leverage London for better funding models



Technology

Innovate & invest or die.....



Policy

Impartial advice

More relevant research & data

Faster independent decisions



QUESTIONS?

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