



SUPERCHARGED FREE PORTS

THE EVOLUTION OF PORT-CENTRIC LOGISTICS

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PD PORTS

The concept of port-centric logistics isn't new and many will say it has been around almost as long as ports themselves. Today, it is an integral part of supply chain management and in the UK PD Ports has been one of the leading port operators to embrace and develop the concept.

Today the vast majority of port-centric logistics is based around container shipping. Conventionally, the container is unloaded from the ship at the port and then transported to an inland destination before being transported again to its final destination. In the port-centric approach, the container is unloaded (or "unstuffed") at the port and its contents are then transported inland sometimes as palletised freight. At PD Ports, we have been continuously working to add greater flexibility for the distribution of goods. In this partnership we understand the need for co-operation and we also believe that as port operations change, ports in the north of England have the opportunity to

embrace technology further and make it an almost unique UK offering.

Bulk cargo can also benefit from port-centric operations too, and we have applied the same principles and the same approach to working with these customers as we do with those that rely on containerized goods. This may differ in the types of cargo and handling needs but we still work to the same standards to ensure quality and reliable operations.

CASE STUDY

A good example of how port-centric logistics can add real value into today's supply chains is Taylors of Harrogate, home to Yorkshire Tea (the UK's second biggest tea brand and market leaders in roast and ground coffees). It is a distinct business and one that requires attention to detail and an understanding of the special requirements of the customer. Containers for Taylors of Harrogate's tea and coffee traditionally came through Felixstowe in

South East England and then moved inland by road to nearby Bury St Edmunds. Here, the containers were de-vanned, stored and then delivered to the north by road to the Harrogate manufacturing site (in Yorkshire, northern England). This solution had been in place for many years but was fast becoming outdated in our digital age. Furthermore, Taylors of Harrogate was increasingly looking for ways to reduce carbon emissions and introduce cost savings – in this regard, we at PD Ports felt we could help them achieve their targets.

Therefore, PD Ports and Taylors of Harrogate worked together to look at a smarter way to move the cargo. After some deliberation, it made logistical sense to re-route containers to Teesport (a key port in north-eastern England) with a view to delivering them to Harrogate for unloading. After an initial discussion, we suggested streamlining the two processes and applying a port-centric logistics solution.

This solution involved de-vanning at Billingham (just inland from Teesport), followed by storage, sampling, collation and delivery for blending and roasting. By storing the containers at Teesport and devanning at Billingham, there has been less need for a buffer stock at Harrogate. As a result of these changes Taylors of Harrogate has been able to do the following:

- Reduce storage requirements in Harrogate from 11 days to 2-3 days
- Save 130.90 road miles (210kms) for each vehicle moved from Teesport to Harrogate
- Achieve a CO2 saving of 6.3 kg per vehicle

Following the implementation, David Hinks, Contract Manager for Taylors of Harrogate pointed out how our port-centric logistics solution allowed the organization to completely rethink the import process. The new proposed system meant less road miles and lower transportation costs, and allowed the company to significantly streamline its site in Harrogate. In an increasingly troubling situation with regard to climate change and changing demands on speed of delivery, the new system is already paying dividends for Taylors of Harrogate.

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So what is next for port-centric logistics? Well, it seems reasonable that the next evolution for port-centric logistics could involve the free port concept. Free ports are geographical areas that allow goods to be imported into a country without paying import tariffs until they leave this area and enter the nation-state in which they are based. A recent report from international consultants Mace reported on the benefit of creating 'Supercharged Free Ports' which introduce the idea of combining the aforementioned free ports with enterprise zones (enterprise zones are locally designated areas subject to tax relief to encourage private investment).

The report suggests Supercharged Free Ports should be located around existing industrial clusters across the north of England in order to turbo-charge economic growth and trade at Teesport and Hartlepool, as well as other northern ports and Manchester Airport. This is very much in line with the broader aim of Britain's to reawaken the economic power of the north of England, known as the 'Northern Powerhouse strategy'. Such a strategy would see Britain no longer dominated predominantly by London, but such a strategy depends on the UK government to commit to investing in transport infrastructure to improve connections between and within the north's towns, cities and counties, which would then be



Tea remains a key product in Britain, with shipping speed demands increasing

complemented with a port-centric strategy.

If the proposed Supercharged Free Port initiatives were to go ahead, the report states that this could add £9 billion (US\$11.9 billion) a year to the northern English economy, which is equivalent to £1,500 (\$2,000) a year extra for each household. This should also create as many as 150,000 high-value jobs. It is an ideal opportunity to explore a new business model, with collaboration between ports at its centre, that will generate new revenue streams and usher in a new era of interconnected logistics.

CONCLUSION

If Teesport was to gain free port status, it would mean products could be imported into the area, manufactured and exported again without being subject to tariffs and import procedures. The port's deep water access and well connected land transport make it the ideal port to once again lead port-centric operations in the UK into its next era of making supply chains work efficiently, optimally and as environmentally efficiently as possible.

PD Ports has invested heavily in the region – seeing £1 billion (\$1.3 billion) invested at Teesport over the last ten years (since 2009) – directly by the business and through third-party investors. The investment has been in critical and new infrastructure to provide a platform that will support the growth of international trade, and this is because we see a real opportunity to create a new model of port and cargo operations that will make a difference to our customers and the wider region.

Furthermore, such a strategy allows for improved sustainability regarding the environment due to less empty running costs as a result of 'moving the goods, rather than the container. This is increasingly important to modern businesses, consumers, customers and one's brand, and we see it as incredibly important as we move into the 2020s.

With these kind of new strategic opportunities on offer to those of us running ports in the present era, whether in the UK, Europe or beyond, we can learn a lot from how each of us is implementing operations that streamline the supply chain. Looking to the wave of change we're experiencing in the industry, it makes sense for us to be talking about a new future and new ways of working strategically, as well as new ways of working together.

ABOUT THE AUTHOR

Geoff joined PD Ports as Group Business Development Director in 2011. In his role at PD Ports, Geoff is responsible for driving the commercial business development activities across the Company. He has been instrumental in driving forward relationships with Transport for North and continues to play a key role in lobbying for critical improvements to UK transport infrastructure as part of the Northern Powerhouse agenda.

ABOUT THE ORGANIZATION

PD Ports is one of the UK's major port groups with a reputation for excellence gained from decades of experience and a highly skilled workforce. Headquartered in North East England, PD Ports owns and operates a number of ports and warehousing facilities across the East coast which have the capability to handle various types of cargo, safely and efficiently.

ENQUIRIES

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