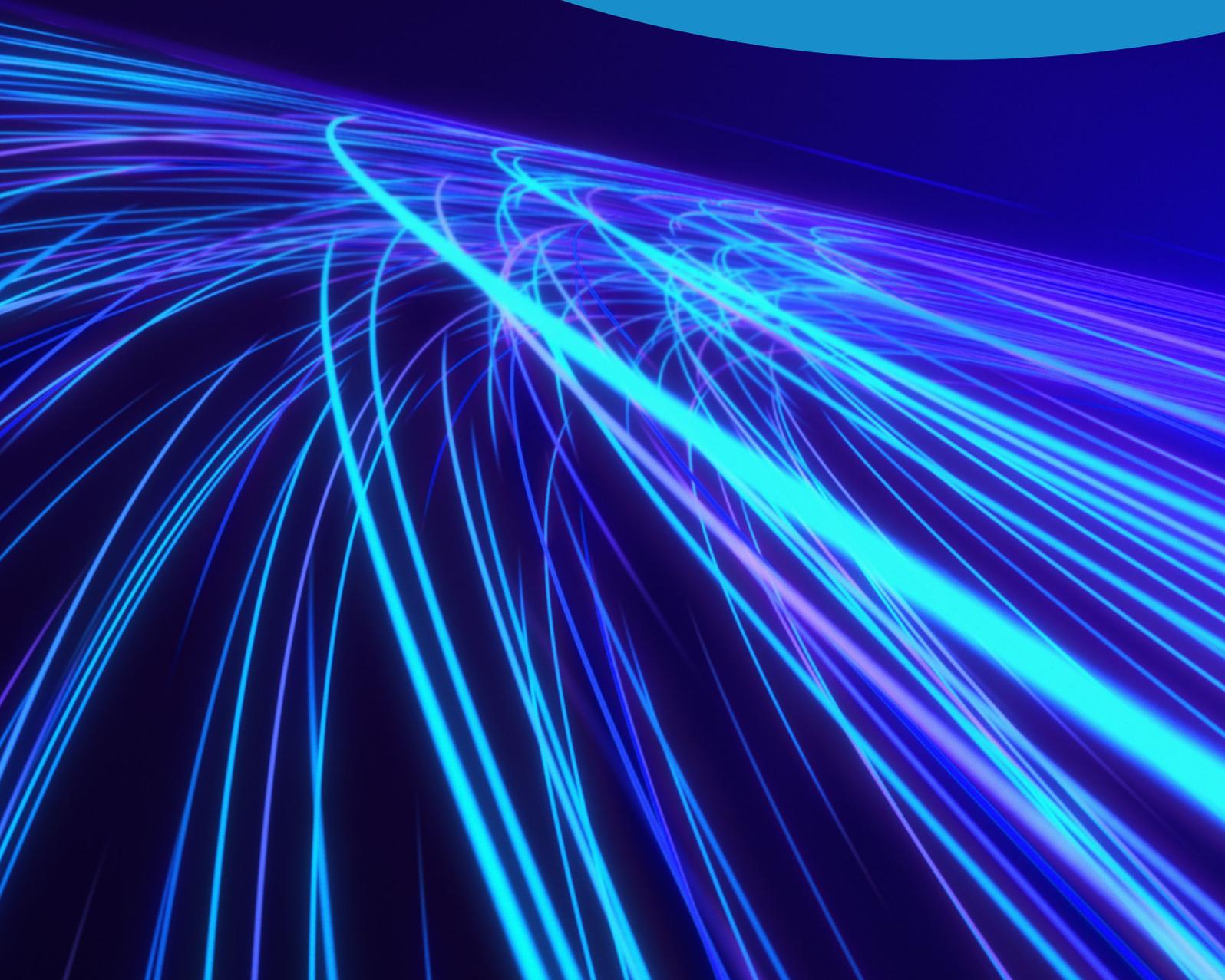




DELIVERING THE GOODS IN 2020

Industrial

The Economic Impact of the
UK Logistics Sector



Foreword

In December 2015, the British Property Federation (BPF) published *Delivering the Goods* – setting out the economic contribution of the logistics sector to the UK economy and identifying ways in which government and decision makers at all levels could support its continued expansion.

This new report serves to refresh the original recommendations from 2015 as well as giving us an up-to-date snapshot of the logistics sector's overall economic contribution to the wider economy. I am delighted to say that over the last few years the sector has gone from strength to strength, providing increasing numbers of full-time, good quality jobs and serving as an essential component of UK infrastructure, supporting supply chain resilience across the country.

The sector also continues to adapt, with technological innovation increasingly changing the ways in which logistics systems operate, leading to significant productivity gains. Further, the connection between logistics operations and local communities has been a notable area of improvement since 2015, with operators and developers, for example, entering into strategic partnerships with local educational institutions and providing enhanced workforce amenity.

However, the sector must not rest on its laurels. There are many further opportunities to create an effective policy environment, both locally and nationally, to allow the sector to flourish. One priority must be to ensure that the sector plays its part in reducing its environmental impacts, including through appropriate site location.

The UK planning system remains a key priority area for reform. While progress has been made, through greater recognition of the sector in the revised National Planning Policy Framework and Planning Practice Guidance and protective land policy interventions such as those brought forward through the London Plan, there is still more to be done if we are to create the right conditions for industrial land to be planned for effectively alongside our changing town centres and need for new housing. It is equally important that greater dialogue between government, industry and local planning authorities is promoted so that logistics operations can play a leading role in supporting locally-led regeneration objectives such as those coming forward in emerging local industrial strategies.

We look forward to working with politicians, local authorities and other stakeholders on the recommendations outlined in this latest report, to further unlock the sector's potential and ensure that it can keep on 'delivering the goods' in 2020, and beyond.

Melanie Leech

Melanie Leech
Chief Executive, British Property Federation

Introduction

In December 2015 the British Property Federation (BPF) Industrial Committee published Delivering the Goods¹. The report outlined the economic impact of the UK logistics sector and has since been used to help articulate the role of the sector and the importance of its land and premises requirements both to national and local government and stakeholders.

This short paper serves to bring the findings up to date². It has been commissioned by Tritax Symmetry and endorsed by the BPF. In particular the recommendations have been formulated in conjunction with the Industrial Committee and reflect a sector voice.

The findings show that:

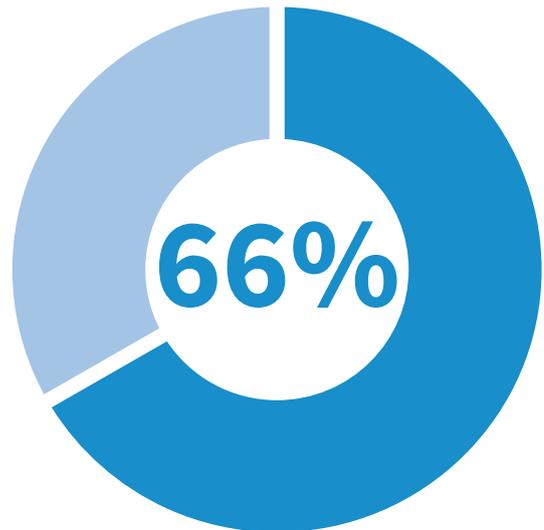
- The logistics sector continues to demonstrate growth, reflecting macro-economic trends in changes in retail habits and supply chain demands. It is expected to continue to be a key driver of economic and employment growth for the UK.
- Adoption of technology is mirrored by increases in technical positions and up-skilling of staff. At the same time, businesses are reporting expectations of jobs growth.
- Sustainability credentials are important including environmental and social initiatives. Logistics businesses can play a visible role within their local community.



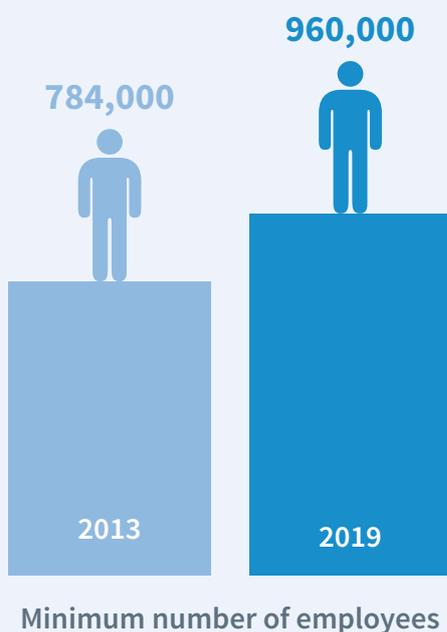
Logistics sector contributions to economic growth

Logistics as a driver of the economy

- The sector directly supports a minimum of 93,000³ businesses in the UK⁴. The number of businesses in the sector has grown by 66% (from 56,000) compared to 2014 levels. For comparison, total businesses in the UK grew by 20% over this time.
- Particular logistics sub-sector growth was in businesses relating to road transport. Road freight⁵ grew by 18,200 businesses or 56%, and services related to land transport⁶ grew by 8,900 businesses or 76%.
- The sector supports a minimum of 960,000⁷ employees in the UK, increasing from 784,000 in 2013. This is growth of 23% compared to the UK average of 10%⁸.
- Logistics employment growth was bolstered by large growth in warehouse⁹ operations (an additional 87,000 employees or 40%) and road freight (74,000 employees or 42%).
- Economic productivity of the sector¹⁰ (measured as Gross Value Added) is estimated at £80 billion nationally and has seen growth of over 30% since 2013¹¹. When a broader definition of the sector is used, including wholesale, this rises to £124 billion¹².



66% more logistics businesses since 2014



Economic productivity (Gross Value Added) in 2019

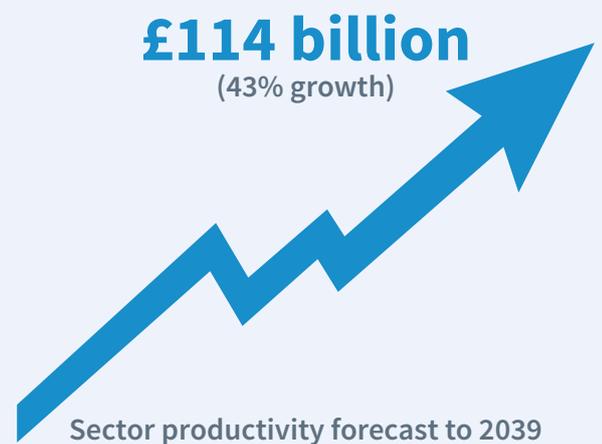
Challenging perceptions

- The majority of roles in logistics are full time (85%) with only around 15% being part time¹³. This compares to a much higher proportion of part time employment on average nationally (32%).
- Certain logistics sub-sectors also demonstrate an above average proportion of occupations in professional roles¹⁴. This includes water and air transport.
- Others demonstrate a higher propensity for office based roles when compared to the national average for administrative and secretarial occupations (11%). This includes 'water transport' (18%); 'support activities for transportation' (15%); and, 'postal and courier activities' (13%)¹⁵.
- Median salaries in the sector are around £6,700 higher than the average for all sectors, at £31,600 compared to £24,900. This is an increase from £28,000 in 2014¹⁶.
- There are now a number of logistics sub-sectors where the average salary is above £35,000 a year. The logistics sub-sectors where salaries have increased the most both in absolute and percentage terms are 'water transport' (£10,700 increase or 35%) and 'cargo handling' (£9,200 or 31%)¹⁷.



The future of logistics

- The productivity of the sector¹⁸ is forecast to increase by 43% over the next 20 years, reaching £114 billion by 2039¹⁹. This is higher than the national average growth forecast across all sectors of 40%. The sector is therefore one of those driving change in the economy.
- Employment in the sector is forecast to experience growth (19%) at more than double the national growth rate for all sectors (7%) from 2019-2039²⁰. The sector is therefore expected to be a driver of national employment growth.
- Online sales are expected to continue to grow. At present around 11 pence in every retail pound is spent online with no transactional store involvement²¹. This is estimated to rise to 19 pence in every pound by 2028²². While online retail is not the only logistics market, it is a particular driver of recent growth and change in the sector.
- Recent research by the BPF²³ estimates an additional 21 million sq ft of warehouse floorspace will be required nationally each year based on population growth, if the current relationship between homes and warehouses continues. The rise in online retail is leading to a growth in logistics developer interest in the South East of England, within easy reach of London's population in particular.
- Based on widely accepted employment densities²⁴ this would support an additional 25,000 Full Time Equivalent jobs or £1.3 billion GVA per year if delivered²⁵.



Logistics in the Modern World



Technology

- Technology is becoming ever more prevalent within the sector including vehicle technology, big data paired with artificial intelligence for load optimisation²⁶, multi-shuttle systems, smart storage, 3-D printing, swarm autonomous vehicle robots, smart glasses and picking robotics²⁷.
- These elements can lead to larger throughput, increased productivity and efficiencies within the system as well as changes in the skills required of the labour force, including IT skills, engineering, and analytics. Logistics companies are increasingly hiring technical staff²⁸ or up-skilling existing staff in IT skills to adapt to this change in operational approach.
- New service-orientated logistics companies are entering the market, such as Stowga (on demand space matching service) and On the Dot (app based third party logistics solution for smaller businesses)²³ to respond to changing requirements through application of digital technology.

Increased application of technology



Sustainable operations

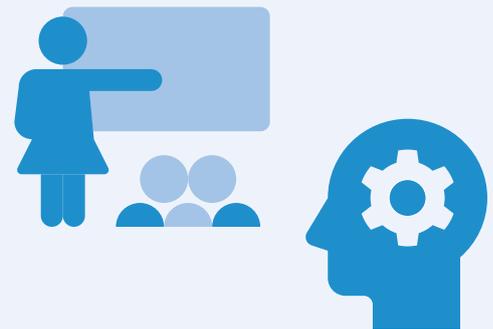
Social sustainability

- Logistics operators and developers are increasingly committing to and delivering economic and social impacts as part of wider regeneration goals for a local area. This can include provision of strategic skills training through partnering with further and higher education providers, as well as working with the local community around employability programmes and school engagement.
- Logistics occupiers are offering a range of training opportunities to their staff including on the job training; driver qualifications; NVQ/degree level sponsorship; apprenticeships and IT training (likely a reflection of the shift towards a more technology focused operation).
- Workforce amenity is also a consideration of logistics businesses, ensuring that their staff have a good working environment. These include on-site canteens and computer rooms, outdoor seating and open space, gyms and meditation rooms and in some cases even hairdressers.

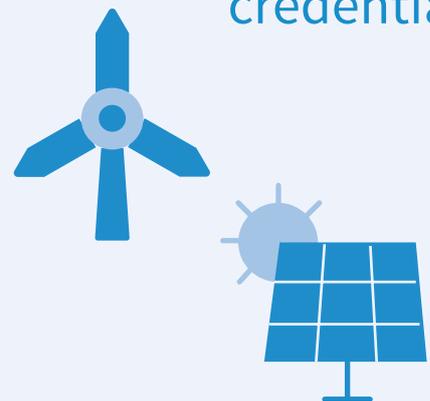
Environmental sustainability

- Companies are increasingly seeking sites and premises with sustainability credentials. Of particular importance are proximity to public transport links and amenities, and energy efficiency including renewable energy.
- Specific actions where businesses are looking to further their environmental credentials include on-site battery facilities, photovoltaics, micro-wind generation and Combined Heat and Power (CHP).
- Around a third of fleet operators are considering using alternative fuels and there is growing interest in alternative transport modes amongst logistics providers.
- Last mile operators seek locations in close proximity to the point of delivery. The provision of sites in locations suitable for such activities, as well as the location of sites for consolidation centres particularly where these are stipulated within planning agreements, will help achieve optimum travel distances and therefore support sustainability objectives.

Logistics occupiers offer a range of training opportunities



Companies are increasingly seeking sites and premises with sustainability credentials

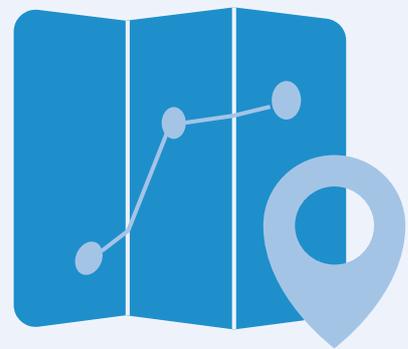


Recommendations

The recommendations made in Delivering the Goods (2015) remain relevant. The heightened economic importance of the sector and its contributions to the sustainability agenda since that time only serve to reinforce the need to support logistics businesses to continue to drive change. The recommendations have been brought up to date below.

1 Provision of the right quantity of space in the right locations

Consideration should be given in Local Plans to ensuring alignment between levels of housing growth and commensurate growth in logistics land and space.¹ Providing enough space for logistics development in locations which match market requirements, such as last mile, while recognising that in some places there will be competing demands for land, will enable customers to be served and industry to operate efficiently and effectively. This should be supported through the planning system including national planning policy, local land allocations and planning permissions. Existing industrial land should be safeguarded where this is appropriately located, through protective policy interventions such as those introduced in the London Plan.



2 Acknowledgement of the economic, social and environmental contribution of the sector

Decision makers at all levels must recognise in policy the value of logistics (as part of the wider industrial sector) as an economic contributor, both in its own right and in terms of supporting other sectors and meeting societal demands. This should go hand in hand with the delivery of new housing so as to support a responsive logistics sector to meet need. Similarly, the role which logistics operators and developers can and do play in contributing towards environmental and sustainability objectives including commitment to achieving a low/zero carbon agenda and social value should be acknowledged, particularly when considering how a new scheme can have a positive impact on the local area in terms of creation of community and place.



3 Coordinated infrastructure planning

This can help ensure the delivery of road, rail, port, energy and digital connectivity to support the industrial and logistics sector. More government support is required around the use of water and rail freight to create a cohesive network to rival road, acknowledging the National Policy Statement on National Networks (NPSNN) already supports an expanded Strategic Rail Freight Interchange network. Compulsory purchase powers should be used where required to facilitate site assembly or land required to deliver associated infrastructure improvements. The role which logistics development can play in delivering infrastructure improvements for wider public benefit should be understood and acknowledged.

4 A joined up approach from government

Departments including MHCLG, DfT, BEIS must coordinate their approach to ensure that the skills, transportation and business needs of logistics and the wider industrial sector are met. This should reflect on the central role of logistics as part of achieving aims in the Government's National Industrial Strategy.

5 Building a dialogue with local planning authorities

Government, industry and local planning authorities must communicate openly regarding the contribution of logistics to local economic growth and support regeneration objectives including as part of achieving Local Industrial Strategy aspirations, and the Planning Practice Guidance (PPG) should be further strengthened to make it a requirement for Local Planning Authorities to engage with logistics providers. This would facilitate bringing redundant brownfield back into use and utilising appropriate green field sites, which can have a positive impact on a local area and its communities. Where Green Belt reviews are required, authorities should consider the needs for logistics within their evidence base and decision making processes.



1. The BPF's "What Warehousing Where" report highlights that there is 69 sq ft of logistics floorspace per home in England and this ratio should be considered in Local Plans to ensure alignment between levels of new homes and logistics floorspace

A note on definitions

The definition of logistics within Office for National Statistics (ONS) data is limited to pre-defined categories:

- Data from the Business Register and Employment Survey (BRES) and Annual Survey of Hours and Earnings (ASHE) is based on 4 digit Standard Industrial Classifications .
- Data from Experian is based on the Broad Industrial Category of Transport and Storage .

These pre-defined categories mean that some logistics operations are not captured, such as where retailers operate their own delivery fleet as this is captured within retail data instead .

BPF

The British Property Federation (BPF) represents companies owning, managing and investing in real estate. This includes a broad range of businesses comprising commercial real estate owners, the financial institutions and pension funds, corporate landlords, residential landlords, as well as all those professions that support the industry.



Tritax Symmetry

Tritax Symmetry was formed following the acquisition of db symmetry by Tritax Big Box REIT plc, a FTSE 250 company, in February 2019.

We are dedicated to providing best-in-class greener buildings, a collaborative and entrepreneurial approach, and an unrivalled choice of locations and scale. We have committed to targeting carbon neutrality on the construction of all new buildings. We firmly believe commitment to best-in-class sustainable construction methods will give customers the operational advantages they demand.

We have an unmatched logistics land portfolio capable of accommodating 42million sq ft and have 814,000 sq ft of space immediately available in five buildings ranging in size from 55,000 sq ft to 333,000 sq ft in locations from Aston Clinton in the South to Doncaster in the North.

Built to an institutional specification, all our speculative developments can be fitted out to meet occupiers' individual requirements. Our portfolio is extremely well located, concentrated around the main motorway arteries of the UK and primarily around the 'Golden Triangle' of the M1 and M40 and the North West's prime M6 and M62 corridors.



Turley

Turley is a full service national planning and development consultancy. We help clients achieve good growth in all jurisdictions in the UK and we are located in major cities and growth areas. Our teams are experts in their fields; they shape better places and achieve success for our clients. We bring deep thinking, smart strategy and expert delivery. We are committed to supporting the logistics sector and to promoting the issues, challenges and opportunities that face the industry. This report update was researched and prepared by Turley Economics, who specialise in economic and social impact, and market demand.



References

- 1 Turley for BPF (2015) Delivering the Goods <https://www.bpf.org.uk/sites/default/files/resources/BPF-Delivering-the-Goods-Dec-15-web.pdf>
- 2 Note that where changes from the previous data are included, these refer to the most up to date data for the relevant years (e.g. 2013 and 2014) and so will appear different to the figures given in the Delivering the Goods report.
- 3 UK Business Counts, 2019
- 4 These figures are presented as minimums due to there being some logistics activities which will fall into other sector categories, such as retail.
- 5 'Freight transport by road'
- 6 'Service activities incidental to land transportation'
- 7 Business Register and Employment Survey, 2018. Total employees (full time and part time) as opposed to Full Time Equivalent.
- 8 Other studies have identified employment in the sector as 2.2 million as referenced in Delivering the Goods, 2015. This applies a different definition. If this definition were applied for the most recent data it is expected that this figure would be higher. The exact definition is not known and so it is not possible to include.
- 9 'Warehouse and storage'
- 10 'Transport and storage'
- 11 Experian, Regional Planning Service, September 2019
- 12 The Freight Transport Association puts the figure at £124billion (Freight Transport Association (2019) Logistics). It is likely this is based on a bespoke list of sectors as opposed to Experian forecasts which use a broad sector of 'Transport and Storage' which does not include wholesale.
- 13 Business Register and Employment Survey, 2018
- 14 Defined as Managers, directors and senior officials; Professional occupations; and, Associate professional and technical occupations
- 15 Census 2011
- 16 Annual Survey of Hours and Earnings, 2019
- 17 Ibid
- 18 Defined as Transport and Storage
- 19 Experian, September 2019. Note that this uses the broad definition of Transport and Storage. If wholesale activities were possible to include this would increase further and would be comparable to the FTA 2019 figure of £124billion.
- 20 Experian, September 2019. Note that this uses the broad definition of Transport and Storage.
- 21 Pitney Bowes Oxford Economics, 2018. Cited in BPF (2019) What Warehousing Where <https://static.turley.co.uk/pdf/file/2019-03/BPF%20What%20Warehousing%20Where%20Report.pdf>
- 22 Note that spend in retail stores is estimated to also grow i.e. the total 'pound' will be larger.
- 23 BPF (2019) What Warehousing Where <https://static.turley.co.uk/pdf/file/2019-03/BPF%20What%20Warehousing%20Where%20Report.pdf>
- 24 HCA (2015) Employment Densities Guide – average of last mile, regional and national logistics. Note that industry research including Prologis (2015) Distribution Warehouses Deliver More Jobs; BPF (2015) Delivering the Goods indicates that the employment density of modern logistics premises is higher, particularly taking into account delivery drivers.
- 25 Note this is hypothetical and is for illustration purposes only.
- 26 Freight Transport Association (2019) Logistics
- 27 McKinsey & Company (2019) Automation in logistics: Big opportunity, bigger uncertainty
- 28 BRES, 2019
- 29 4920 : Freight rail transport; 4941 : Freight transport by road; 5020 : Sea and coastal freight water transport; 5040 : Inland freight water transport; 5121 : Freight air transport; 5210 : Warehousing and storage; 5221 : Service activities incidental to land transportation; 5224 : Cargo handling; 5229 : Other transportation support activities; 5310 : Postal activities under universal service obligation; and, 5320 : Other postal and courier activities.
- 30 This includes the above plus passenger air, rail and water travel.
- 31 Which sector the logistics data is captured within will be dependent on how the company is reported within ONS for each site it operates from.



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