



INTERREG NORTH SEA DUAL PORTS STUDY: DOCKLAND BREXIT

Towards clustering activities that secure sustainable and cost-efficient solutions for Oostende in responding to the resilience challenges of BREXIT

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INTRODUCTION

The **INTERREG NORTH SEA DUAL PORTS**¹ project (Interreg VB North SEA) links 10 partners, including regional entrepreneurial ports and knowledge institutions from the North Sea Region, in order to:

- reduce the environmental footprint of regional entrepreneurial ports.
- improve the sustainability of port operation and administration resources.
- promote responsible growth and support eco-innovation-oriented development.

The project will ultimately enhance ports' energy efficiency and facilitate low carbon transformation at reduced cost with added value in terms of knowledge and investment. Several pilots are being run under the DUAL PORTS project in the participating ports.

The DOCKLAND pilot in the Port of Oostende aims to develop a new green port strategy that includes industrial co-siting, clustering and symbiosis between different port and hinterland stakeholders to maximise economies of scale and sustainability in and between sectors. Several initiatives are underway including new opportunities from linking fine chemicals, logistics and fuels. Another initiative brings together offshore renewables, logistics and engineering. A final initiative focuses on the circular economy where waste reuse, reduced consumption of raw materials leads to the creation of second life products. Oostende is currently exploring a range of innovative approaches that build upon the strengths of the inland port of Oostende. Its strategy is built upon making the port area attractive to the existing industries by clustering their approach to complex and costly permitting, spatial, logistic and regulatory issues. The Oostende cluster for the purposes of this report is therefore defined as the port, the airport, the hinterland logistics and supply chain providers.



¹ <https://www.dualports.eu/>

Meanwhile, another challenge is growing in importance for the Port of Oostende and its logistic partners in the wider region. The BREXIT deadline is looming meaning that the border between Oostende and the UK becomes an external border of the European Union potentially from 31st March 2019 in the event of a no deal. BREXIT uncertainty is having growing implications for all types of businesses in the Oostende cluster.



BREXIT

What to do if there is a NO DEAL?



Developing a collective response in months ahead may determine their ability to capture new opportunities by combining the joint strengths of the Oostende cluster to businesses in the UK and Flanders. As companies look to diversify and reduce their own risks from the impacts of BREXIT in trade in goods between the UK and the EU27, the Oostende cluster will need to demonstrate that it is ready to step up and provide solutions that can help companies increase their own resilience. The DUAL PORTS project is looking to help the Oostende cluster accelerate the offer it can make, not only in economic terms through helping companies increase their BREXIT resilience, but vitally in ensuring that the overall carbon emissions on the Channel and North Sea coast, as the new external border of the European Union forms, does not rise dramatically in the event of a NO DEAL BREXIT.

The Oostende cluster is a strategically positioned region to Channel and North Sea logistics networks located at the end of the E40 motorway and less than an hour from major ports and Channel Tunnel connections to the United Kingdom. For the Port of Oostende, Ostend Brugge International Airport and their warehousing and logistics links in the cluster there is an important '*window of opportunity*' open now to prove to investors and partners in the UK, their utility as a strategic non-congested location in the event of BREXIT.

The objective of this study is to consider the individual and collective responses of the operators in the Oostende cluster in order to make their services attractive and known to freight operators in Belgium and the UK during this important '*window of opportunity*' that can help strengthen the capacity of the existing logistics supply chains. The aim is to demonstrate the solutions that Oostende can provide from "turnkey" and bonded warehousing operations to important and cost-efficient locations for stockpiling and supplying markets from a congestion free location at the confluence of major air, maritime and road networks. The report's recommendations focus on a series of immediate and longer-term actions in 2019 whilst this window of opportunity is open and new markets and clients can be secured for the cluster. It concludes by summarising the "tactics" that might confront the cluster's decision makers in light of a rapidly unfolding political situation in the UK and the various outcomes that may emerge after this period of unprecedented uncertainty of business in investment.



CHAPTER ONE: WHAT'S THE LATEST ON BREXIT AND WHAT IS ITS LIKELY IMPACT ON OSTEND BUSINESSES AND WIDER FLEMISH ECONOMY?

Overview

Significant uncertainty remains for economic operators on both sides of the Channel and North Sea. Negotiations on the withdrawal of the United Kingdom from the European Union have been progressing over the last two years since the Referendum on the 23rd June 2016. Negotiations have involved the UK Government negotiating team headed up by Secretary of State for Exiting the European Union, **Stephen Barclay**² (since 16th November 2018 the 3rd BREXIT secretary), his DEXEU staff and most importantly the Prime Ministers Europe Adviser (former head of DEXEU) Oliver Robbins. On the EU27 side, **Michel Barnier**³, the EU's chief negotiator, is supported by the **Task Force 50 team**⁴, that representing the 27 Members States and negotiates to a mandate established by the European Council.

The withdrawal agreement



A culmination of two years of negotiation has resulted in the withdrawal agreement being published. Ratification of the final agreement was postponed by the UK Government in the UK House of Commons (Parliament) on the 11th December 2018. The European Council met on 13th & 14th December 2018 where it confirmed its final agreement to the withdrawal text and that the UK could not expect anything better. The withdrawal agreement is now scheduled for a “meaningful vote” in the early New Year in the UK House of Commons. In its current format though there is little chance of the agreement being ratified. Indicative votes maybe organised but in its current format logically there are only two options 1) leaving the EU without a deal on 31/03/2019 or 2) cancelling BREXIT. The following 7 issues are set out in the withdrawal agreements 585 pages:-

1. Transition - a transition period (which the UK government calls "implementation period") begins on 29 March 2019 and lasts until 31st December 2020 during which time the UK will need to abide by all EU rules but will lose membership of the EU institutions. The draft withdrawal agreement says the transition can be extended, but only for a period of one or two years (in other words up to the end of 2022 at most). For this to happen both the UK and EU must agree to any extension and the decision must be taken before 1st July 2020.

2. Money - The draft agreement sets out the calculations for the financial settlement (or "divorce bill") that the UK will need to pay to the EU to settle all of its obligations. Whilst there is no figure in the withdrawal agreement, the UK is expected to be liable for at least €43 billion and it will be paid over a number of years. Part of that

² <https://www.gov.uk/government/people/stephen-barclay>

³ https://ec.europa.eu/info/persons/director-head-service-michel-barnier_en

⁴ https://ec.europa.eu/info/departments/taskforce-article-50-negotiations-united-kingdom_en#contact

money will be the financial contribution that the UK has to make during the transition period. This year the UK's contribution to the EU budget is forecast to be a net €13 bn approximately. If the transition is extended, there will have to be additional UK payments to the EU budget, which will be agreed separately.

3. Citizens' rights - This is broadly unchanged from the initial draft of the withdrawal agreement which came out in March. UK citizens in the EU, and EU citizens in the UK, will retain their residency and social security rights after Brexit. Citizens who take up residency in another EU country during the transition period (including the UK of course) will be allowed to stay in that country after the transition. Anyone that stays in the same EU country for five years will be allowed to apply for permanent residence.

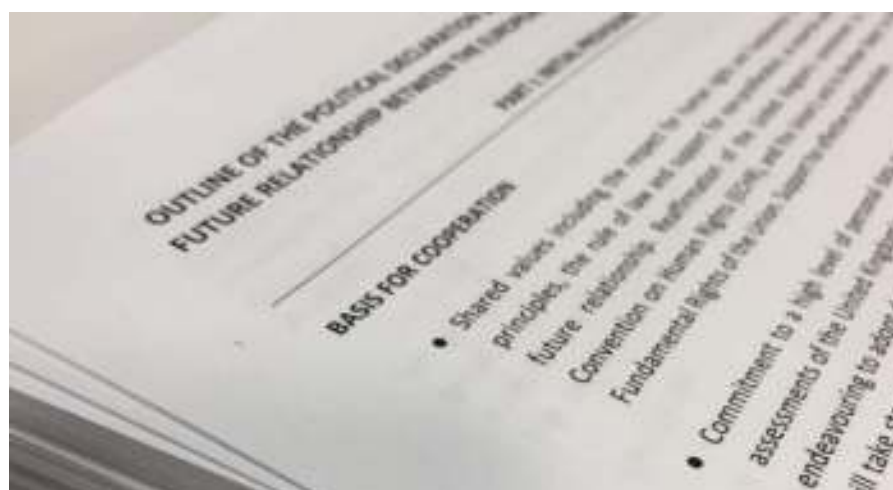
4. Northern Ireland/the backstop - The backstop is intended to protect the integrity of single market and avoid a hard border between Northern Ireland and the Republic of Ireland consisting of a single customs territory between the European Union and the United Kingdom. Northern Ireland will be in a deeper customs relationship with the EU than the rest of the UK; it will also be more closely aligned with the rules and regulations of the EU single market. As long as the backstop is in operation, the UK will be subject to "level playing field conditions", to ensure it cannot gain a competitive advantage while remaining in the same customs territory. The UK cannot leave the backstop independently, it needs to be decided together with the EU.

5. Fishing - The agreement says that a separate agreement will need to be reached on access to EU fishing in UK waters. The withdrawal agreement states: "The Union and the United Kingdom shall use their best endeavours to conclude and ratify 'an agreement' on access to waters and fishing opportunities."

6. Laws and disputes - The UK will remain under European Court of Justice (ECJ) jurisdiction during the transition. A joint UK-EU committee will be set up to try to resolve any disputes on the interpretation of the withdrawal agreement. If the backstop is triggered and the UK forms a single customs territory with the EU, the ECJ will not be able to resolve disputes between the UK and EU directly. Instead, the whole dispute resolution procedure will be backed up by an arbitration panel. However, if any dispute rests on the interpretation of EU law, the arbitration panel refers the case to the ECJ for a binding decision.

7. Other issues - There's a provision that the UK will withdraw from the European Atomic Energy Community (Euratom), which relates to how nuclear material is handled. That EU-approved geographical indications, protecting approved names like "Welsh Lamb" or "Parma Ham" remain.

More significantly for this report, a non-binding **26 -page statement on future relations** sets out the long-term relationship the UK and EU want to have in a range of areas, including trade, defence and security. In the area of trade it states that trade in goods should be "as close as possible", but that's not the same as frictionless in the EU Single Market. Whilst both sides are committing themselves to an "ambitious, wide-ranging and balanced" economic partnership, based on a comprehensive free trade agreement there is a repeated emphasis from the EU side that there must be a level playing field, which ensures open and fair competition. This is where the EU is reminding the UK Government that the more economic benefits you retain, the more obligations you have to sign up to.



The rejection of the withdrawal agreement in the UK parliament

As of date of drafting this report, with the “meaningful vote” having been postponed, the UK Parliament has not been able to approve the 585-page binding withdrawal agreement. Prime Minister Theresa May is still more than 100 votes short of a majority to approve the agreement. With the UK House of Commons politically blocked, an increasing number of UK Members of Parliament now favour the question be put back to the people in a Second Referendum. Some favour “indicative votes” in Parliament to establish the number of votes in favour of 1) a NO DEAL, 2) the withdrawal agreement or 3) a Norway style (EEA) option. With ongoing uncertainty surrounding the state of the withdrawal agreement, the European Union has reaffirmed its commitment on 13/14th December to the text as the only deal on offer. Uncertainty and lack of knowledge about ‘when’ things will happen is creating an investment lag (or a ‘chicken and egg situation’ as referred to by several respondents we spoke to the context of researching this report) that is hampering economic operators’ ability to adapt and prepare for BREXIT.

What is emerging now are a series of scenarios for the way forward if and when the withdrawal agreement is rejected by the UK House of Commons. All of this delay presents a challenge at the EU level in 2019 with the European Parliament elections taking place in May 2019 and negotiations currently underway to secure the next seven-year budget 2021 – 2027 before these elections. The case for a Second Referendum has indeed been supercharged now by the non-binding opinion that was delivered by the advocate general of the European Court of Justice in Luxemburg in early December⁵. The advice said that the UK could unilaterally revoke Article 50 without the agreement of the EU 27. In the case that a Second Referendum in UK be called, it is understood that the EU would give the UK time to carry out such a referendum and allow it to hold EP elections in July 2019 if the result shifted to remain.



⁵ <https://www.bbc.com/news/uk-scotland-scotland-politics-46428579>

So, what are the emerging scenarios?



1. **A disorderly NO DEAL UK exit from the EU on 30th March 2019 (for which there is currently no majority in the House of Commons);**
2. **The adoption of the current withdrawal agreement providing for a 21-month transition period to end 2020 and the negotiation of a future Free Trade Agreement with the UK (no majority for this option currently);**

This logically leaves:

3. **A move towards a NORWAY style softer BREXIT in comparison to the current deal accompanied by a new customs agreement;**
4. **No BREXIT, with the UK remaining in the EU (only if and after a second referendum if that takes place);**

NB. Additional complications include a vote of no confidence from opposition Labour Party/Lib Dem/SNP etc in the UK Government/Prime Minister with the possibility of a General Election being triggered

The impacts on Flemish economy

The impacts on the economy in Flanders are still uncertain and will vary depending on the ultimate scenario that unfolds and how much time is provided for adjustment.

Overall Impact

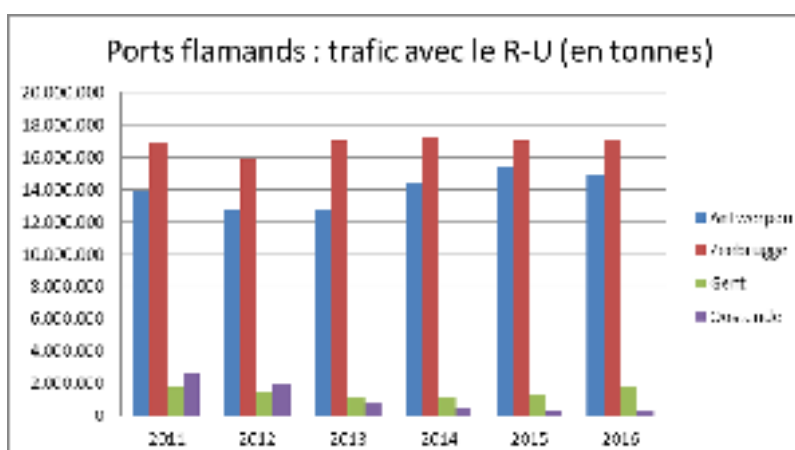
According the **Buysse high level group**⁶, Belgium is one of the top four Euro zone countries at risk of being affected by BREXIT and a drop-in demand for imports and exports between UK and Belgium. The added value of UK demand on Belgium is worth 2,9% of total Belgian GDP or 2,8% of the total employment.

Belgium is in 6th place overall for import of goods from the UK and the Belgium is the UK 4th largest export market overall. Belgium exported 31.852 million euros of goods to the UK, and Belgium imported 17.936 million euros from the UK. In 2015, Flanders alone represented 85,69% of all Belgian exports and 89,07% of all imports above.

⁶ <https://economie.fgov.be/fr/publicaties/rapport-du-brexite-high-level>

A number of key Flemish exports to the United Kingdom are more important than the total for Flemish exports to the rest of the world. Key exports to the UK include **transport equipment, pharmaceuticals, textile products** (carpets and other interior textiles, yarn and fabrics, wool, silk, clothing, etc.), **food products** (including drinks, bakery and pastry products, sauces, spices, ice cream, confectionery, delicatessen products, fish preparations, dairy products, vegetables, etc). Nearly a third of all textile products produced in Belgium are exported to the UK of which 27% are carpets alone.

The Port of Zeebrugge leads the way in maritime traffic between the Flemish ports and the UK, with an annual volume of 17 million tonnes (32% imports, 68% exports). The Port of Antwerp handles 14.9 million tonnes of UK traffic (58% imports, 42% exports) and the Port of Gent 1.8 million tonnes (44% imports, 56% exports). The Port of Ostend processed nearly 300,000 tonnes during the period in question although this has declined since the disappearance of the direct ferry link with Ramsgate in the UK. Overall, in 2016, Flemish ports processed 34 million tonnes of traffic to or from the UK. BREXIT could result in reduced gains from trade caused by a slowdown in the UK economy consumption generally, combined with tariff uncertainties and supply/logistics issues.



A Withdrawal and New Agreement

Any agreement which involves less than full membership of the EU Single Market, and Customs Union, would lead to negative impacts on UK-EU trade and on the Flanders economy specifically. But this would be likely to take effect in late 2020 towards the end of a transition period (should the withdrawal agreement be adopted).

Typical impacts include:

- Challenges for the motorway network to and from the Flemish/French (A16/E40) coasts with bottlenecks at the ports with queuing lorries and an increase in non-designated parking on roads near to the E40/A16 leading to increasing vehicle emissions potentially;
- The introduction of new border management procedures as the Channel and North Sea coasts become an external border of the European Union. This will include regulatory checks and customs procedures for goods and passengers alike coming into the EU Single Market which will in turn contribute to the overall capacity and slowing down of existing services in both directions. Respondents commented on the lack of trained personnel in these domains outside the larger companies;
- Visible, short, medium and long-term impacts to Channel and North Sea ports including Calais, Dunkirk, Rotterdam and Zeebrugge will be felt by users.

NO DEAL

Overall, a key question coming from economic operators in Flanders are how long it might take to get to one of these four scenarios / outcomes. It is clear that a disorderly no deal exit would have a dramatic impact early in 2019. A withdrawal agreement and its associated 21-month transition period would impact sometime later potentially.

Respondents we consulted underlined the continued uncertainty they face and the limited time they have to prepare particularly if there is a no deal scenario. Economic operators want to establish the specific impacts so that they can discuss investment decisions and make changes.

In this regard many companies are already making preparations on both sides of the Channel and North Sea with forward buying of air and sea freight capacities and the stockpiling of goods and raw materials. The Oostende clusters needs to raise its profile as companies ask these key questions.

No Deal Preparedness

A recent British Chambers of Commerce survey⁷ completed with 2,500 companies in the UK revealed a concerning lack of Brexit preparation. According to the findings, 62% of UK firms have not done a risk assessment of the impact of Brexit to their business. The figures reflect a huge disparity between the preparations of the largest companies and their smaller counterparts. 69% of micro firms (those with 1-9 employees) have not completed an assessment, compared to 24% of firms with over 250 employees. Even in the larger retail sector, respondents from larger operators have confirmed that as little as 2 months ago retailers in the UK did not see BREXIT and the outcome of no deal as a threat.

With six months to go until the UK leaves the EU, the BCC has found that many SMEs are either awaiting more clarity before they act or are suffering from 'Brexit fatigue' and have switched off from the process because they don't believe they will be affected. Specifically, 67% of respondents to the BCC survey did not anticipate changing the UK port they currently use for their operations, with 33% currently not planning for additional checks and declarations between the UK and the EU. In relation to the Oostende cluster, this makes it a particular challenge if companies in the UK are not generally recognising the gravity of the problem yet and creating the additional demand for new services.

Our discussions with large companies, who are generally the most prepared, indicates that very many would experience very significant difficulties because of their dependence on major cross-Channel or North Sea transportation routes for supply chains and delivery should they need to diversify.

The challenge for the Oostende cluster comes if and when the 'stampede' begins in the event of a no deal BREXIT.

⁷ <https://www.britishchambers.org.uk/news/2018/09/six-months-to-brexit-major-new-bcc-survey-finds-investment-and-recruitment-would-be-cut-in-the-event-of-no-deal>

CHAPTER TWO: WHAT IS THE IMPACT OF BREXIT ON THE SUPPLY CHAIN FOR 'TIME BOUND' AND 'NON TIME BOUND GOODS'?

To understand the nature of the bottleneck in the main existing routes to/from the UK it is worth taking a look at the latest data on the Dover - Calais Dunkirk routes to/from the UK. For example, the Port of Dover handles €136 billion worth of goods annually, representing 17% of the UK's entire trade in goods, where 99% of transport is via 'roll-on, roll-off' (roro) ferries. The Port of Dover is considered to be both the busiest Roro Port in Europe, and the busiest passenger port in the UK⁸. According to recent evidence⁹ given by the Port of Dover to a UK Parliamentary committee, the Port of Dover alone accounts for approximately 10,000 HGVs per day, the equivalent of a **180 km queue**. Due to the limited space (i.e. the port can only accommodate fewer than 1,500 HGVs plus tourist traffic at any one time), the Port of Dover must turn over the equivalent of its entire holding space 5-6 times a day, in contrast to container ports which does so only every 5-6 days. Currently, EU trucks account for 99% of freight traffic, with ferry crossing times at roughly 90 minutes. Considering the future procedures that will be needed for an external border of the EU, fluidity of traffic on this level is unlikely to be possible.

The Channel Tunnel also handles approximately € 140 billion worth of trade and 1.6 million HGVs per annum, equating to roughly 6,000 HGVs daily. A substantial amount of freight that moves through the Channel Tunnel is considered part of the 'just-in-time' supply chain, where 'speed' and 'sequencing' is of the essence. The tunnel's journey time is roughly 40-45 minutes, serviced by Eurotunnel's fleet of 15 shuttles, with up to six running per hour. According to a recent EY study on the economic footprint of the Channel Tunnel¹⁰, the largest product by value that travels through the Channel Tunnel is **postal and courier freight**, valued at €23 billion followed by **food goods** valued at approximately €10.2 billion. In 2016, approximately 30% of food consumed in the UK was imported from the EU, with 49% produced domestically. Both the Channel Tunnel and the Port of Dover have ambitions to grow. Channel Tunnel is expecting growth to increase by up to 30% in the next five years, whereas the Port of Dover estimates growth at 2-4% during the same period.

Delays are a key issue due to increased customs activities on the Channel - North Sea coasts as a potential new external border of the EU Single Market. Under EU law, checks must be done on animal or plant products leaving or entering the EU Single Market. Typically, a lorry driver must wait while a veterinary inspector opens their cargo, checks the temperature and verifies the health certificates attached to the cargo. On average this process can take 30 minutes but if the inspector deems additional checks are necessary a sample of the cargo is sent for laboratory testing, which takes far longer. After BREXIT, UK related goods are likely to face similar kinds of checks. The port itself expects that it will have to undertake 30% more import checks and 100% more export checks than currently.

One of our respondents, a German producer of cars with major production plants in the UK confirmed that in its BREXIT resilience research, only 21% of its existing capacity on the Channel Tunnel could be taken up by alternative existing RORO services on the Channel and North Sea. For example, previous industrial action in the Calais area lasting two weeks created a 6 month catch up periods for just in time sequencing.

If a no deal is likely, pressure will grow for urgent priority time bound products of strategic importance to be given priority as **time bound goods**. *Ostend Brugge International airport* (OBIA) may have a number of short term and longer-term opportunities in new time bound sector markets. Time bound goods could be considered as those like perishable and degradable goods including medical isotopes, medical equipment, dairy, vegetables and fruit, and key components within extended supply chains (e.g. automotive and aeronautical).

Conversely, this means that there will be knock on effect on other lower priority goods that have important consequences for those supply chains. The port opportunity for Oostende might focus on these **non-time bound goods** because you can put it on RORO, or smaller sustainable palletised loads, and take it to ports that are not affected by the M25 / M20 / M2 delays in South East England and focus on UK ports that have good access from the North Sea coast to the Midlands and North of England. It is here where the warehousing and stockpiling of goods in an uncongested European port like Oostende might fit in as an aggregation point for supplying UK with larger quantities of raw materials (bulk goods) that may be facing displacement from the prioritisation of time bound goods in the other larger channel ports/routes.

⁸ <http://www.doverport.co.uk/administrator/tinyMCE/source/Oxera%20Port%20of%20Dover%20infographic%20v10.pdf>

⁹ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/brexit-and-the-future-ofcustoms/>

¹⁰ <https://www.getlinkgroup.com/uploadedFiles/assets-uk/the-channel-tunnel/180604-EY-Channel-Tunnel-Footprint-Report.pdf>

CHAPTER THREE: CAN OOSTENDE AND THE WIDER REGION BE PART OF THE SOLUTION FOR THESE INDUSTRIES AND TRADE?

With an important window of opportunity open for the Oostende cluster to promote and make itself known to new stakeholders and potential clients who are seeking to increase their own organisational resilience to BREXIT and diversity the risk associated with delayed goods flows and congested roads and ports

What does Ostend Brugge International Airport (OBIA) offer? Strengths and Weaknesses of the offer

- Operational hours: 24/7
- Runway: 3,210 x 45 m
- ILS category: 1
- Passenger terminal: 6 500 m²
- Terminal capacity: 330 000 passengers
- Check-in desks: 9
- Security lanes: 3
- Gates: 4
- Aircraft: code 4-E
- Parking stands: 17
- 10-year round services
- 13 seasonal services



Besides the understated general strengths of OBIA, it is its capacity as a cargo airport which is most significant in the context of BREXIT. OBIA has new capacity is coming on stream from 1st April 2019. Currently, 40% of the Egypt Air capacity coming into OBIA is trucked on via RORO and Channel Tunnel to the UK. The rest is for Dutch flower auctions etc. Importantly, for key Oostende based importing companies (like the soft fruit importer we interviewed) specialised companies have handling agents in house that are familiar with UK customs formalities. Handling agents and customs expertise are important skills sets that help make an airport attractive for new routes. Bonded warehouses and Authorised Economic Operator status are important statuses for companies in the Oostende cluster to remain competitive in this emerging situation. Some of the strengths of the OBIA are set out below.

Cargo Terminal

- Runway: 3,200 m - 10,500 ft
- Flexible 24/7 airport operations
- Top facilities for perishables, oversized cargo and livestock

- Warehouse capacity: +/- 13,000 m²

Support

- EU veterinary inspection post
- Truck parking, staging and waiting area
- Mirror adjustment zone
- Fuel station

Cooled warehouses

- 6,200 m² cooled storage
- 430 m² freezer storage
- Cold chain with ULD loading track and 3 truck docking bays



Nevertheless, a number of challenges face OBIA at the present time, notably the need to access qualified personnel able to deal with issues that might be created by it being located on a hard-external border to the EU. Big logistics companies like DHL, UPS & Schenker etc have the internal capacity to deal with UK customs procedures and clearances through their bonded facilities. With the growth of the EU Single Market, key strategic routes to and from the UK have consolidated and this has led to the disappearance of qualified staff at smaller regional ports and airports to advise on specialist customs issues. The OBIA reported having found someone in Zeebrugge with this competence recently but skills shortages remain an issue for companies to effectively adapt to the short-term changes ahead of them in 2019. Nevertheless, OBIA strategic location at the confluence of major motorway, maritime, rail and inland waterway transports in Belgium make it ideally placed to service rapid cargo markets in a 500 km radius of Oostende.



Post Brexit, there could be some potential if the UK Government could consider Zeebrugge and Oostende for a “Le Touquet style agreement” with Belgian Federal Government. This could be an interesting question to explore with diplomatic sources but may be limited due to the need to resource border posts permanently in Belgium by HM Border Force. Respondents confirm that there is a presence already in the Port of Gent.

The other ongoing issue for OBIA is the competitive pricing of A1 jet fuel. Currently, the fuel has to be trucked from Gent port to OBIA making it more expensive than in Liege which is located on the NATO pipeline. The Port of Oostende (and its back port) could play an important role in bringing this fuel in by sea or canal, although important quality checks on the fuel are needed during transshipment and storage.

Forward buying of air freight slots is an issue in the UK’s main cargo airports. OBIA has had links with Doncaster and Cardiff airports in past so the focus may need to be on these regional airports that are not short of slots in 2019 and 2020. OBIA is not opposed to talking to a major logistics warehousing player as this would help drive the wider cluster and competence set at OBIA.

What can the Port of Oostende offer and how quickly can new routes be established?

This very much depends on what BREXIT actions are taken in the UK regional ports particularly on the North Sea coast.

The CEFEUS study¹¹ talks about ‘Increasing Capacity of other ports’ (away from the Port of Dover and Eurotunnel) by incentivising alternative ports on the East and South coasts for them to increase capacity (Ramsgate, Sheerness, Newhaven, Great Yarmouth, Ipswich and Hull) by either by reducing tax obligations such as business rates, which in turn will provide a discounts to freight operators, or through the creation of free-ports for areas that are particularly deprived. These UK policy developments could present important opportunities for the Port of Oostende depending on its ability to respond effectively to new market demands during the 2019 “window of opportunity”.

In 2015, the Port of Oostende and the regional development agency POM, completed a study¹² looking at some of these alternative routes to the UK (particularly those avoiding the busy South East England corridors). The study looked at the viability of routes to Ipswich, Harwich and Ramsgate (pre-BREXIT). The research focused on a number of key sectors including haulage, wood transport, bricks, biomass and recycled materials that represent some of the key sectors with the highest added value. Already, in 2015, the PAC2 study concluded that the pre shipping costs in Oostende could be competitive even to larger ports like Rotterdam (given their size and now potential congestion in the case of a no deal BREXIT). Critical to the current situation, Ipswich

¹¹ CEFEUS study - <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/CEFEUS-Delivering-a-Brexit-Border-2018.pdf>

¹² <http://www.pac2.eu/communication-material/pac2-publication>

came out as the route with the best return with shippers at that time due to its distance from London and the Channel Tunnel, Channel Ports and the fact that existing services like Hull Zeebrugge and Harwich Hoek of Holland exist already.

The study (written before BREXIT) talked about the need to minimise the start-up costs involved in getting new services onto the market in response to a given demand. For example, the chartering of vessels can be arranged relatively quickly and makes more sense in the short term than buying new RORO vessels.

The author discussed the opportunity for more sustainable shipment of smaller palletised part or full loads to and from regional ports in the UK on a faster and more frequent basis. The ethos of larger vessels and exclusive reliance on RORO leads to larger vessels, dredging challenges and congestion problems in the port hinterlands. The Port of Oostende is committed to looking at smaller, more sustainable forms of marine transport to and from the UK, including sustainable technologies of ship propulsion.

As part of a proactive approach, the Port of Oostende identified the need to be ready in case of structural problems affecting the reliability of Channel Tunnel services. It underlined the importance of creating alternatives for the transport sector paying attention to desirable scheduled arrival times in the UK for onward travel to UK destinations. It also talked about the potential of the Port to act as a calamity / spill over port and emphasised the important need to engage the participation of the total logistic chain not just the ferry RORO operators.



Besides the rapidly growing Blue Energy base at the Port of Oostende, the port has a number of strengths including:

Heavy load capacity up to 20T/m² for general cargo - The 'Zeewezendok' is equipped with a heavy load quay with a capacity of 20 t/m², including adapted RORO-berths, which is rather unique in the Southern North Sea region. The Zeewezendok is an excellent location to handle over-sized and project cargo especially. These are the types of cargoes that could be displaced by the prioritisation of strategic time bound cargoes on the Eastern Channel routes to the UK.



Bulk transport - Situated in the far end of the outer harbour, the 'Diepwaterkaai' (length 380 m) and the 'Cockerillkaai' (length 320 m) are equipped to handle bulk traffic and general cargo. The 'Demey lock' (length 124 m, width 17.5 m) gives way to two inner docks, 'Vlotdok' and 'Houtdok' (depth 6 metres). Those docks are equipped with all necessary facilities. As the docks are connected to the inland waterways, they are easily accessible for barges. In its industrial inner port area, the Port of Oostende offers multiple opportunities for organising the storage of products different sectors



Multimodal possibilities: The port of Oostende is connected by road to the international motorway network (via the international motorway A10 – A40), by ship, via the canal Oostende-Ghent for inland vessels up to 1350 ton and coasters up to 3500 ton, and by rail, including a rail bridge over the canal connected to a network of tracks and a multimodal railway platform at Plassendale I



Marine services and renewable energy: a dedicated area for marine services has been made ready by the port, and several installations have been built for the production of renewable energy.



Chemical industry: there is a chemical area in the port, clustering several chemical companies in compliance with the strict SEVESO directives. There is space available for expansion.



Courtesy of GFS nv

Circular economy: several companies already active in the re-use of materials, like metals, soil, concrete, plastics, non-ferro metals, asphalt, etc.



Warehousing and haulage sectors in Oostende area

The Oostende cluster is well served for good sized inter modal warehousing with close links to rail, maritime and air freight possibilities. The airport is working on increased capacity for storage of delicate air freights (including livestock) and further capacity will come on stream in April 2019.

In and around the port different companies, both local and global, offer warehouse and logistics facilities. In addition, there is scope for additional warehousing to be constructed or leased.



Several transport companies are active in the Oostende clusters dealing with different load types and quantities. The haulier companies interviewed for this report confirmed their interest in collaboration opportunities in order to build competitiveness for the Oostende cluster in full loads, grouped loads and part loads with partner companies in the UK. One company reported that the lack of trained drivers in the UK will become a limiting factor for the hauliers post BREXIT as the presence of Central and Eastern European drivers diminishes in the UK. Others are concerned by empty returning lorries.

Haulage to/from the UK may also be affected after BREXIT by increasing licencing and restrictions on UK haulage firms driving across the European Union (i.e. a potential rationing of future UK CEMT and CTC licences to operate in the EU). It is here where the maritime and haulage RORO options for freight to/from UK and Belgium with tractorless trailers (LOLO) could become increasingly popular particularly on longer North Sea routes that avoid congestion on the Motorways in the South East England and North East France. As a result, once the BREXIT situation starts to clarify itself new partnership opportunities with UK medium sized hauliers might well be on the cards. One important step is for operators in the Oostende cluster will be to consider applying for the [EU Authorised Economic Operator \(AEO\)](#) which is intended to help reduce paperwork for businesses which meet the correct standards.

Already, with UK firms increasingly stockpiling raw materials one key sector is running short in the UK even now - frozen storage. This is an opportunity for the Port of Oostende if an onward efficient ferry service for chilled products can be established that avoids the customs and congestion delays in the neighbour ports and Channel Tunnel routes.

CHAPTER FOUR: WHAT ARE THE KEY BREXIT RELATED SECTORS THAT OOSTENDE CAN OFFER RESILIENCE ON?

It is here where the Port and the Airport, together with the different logistic service providers, might have varying offers to economic operators in the wider region with logistics needs to and from the UK. Hereby, the clustering of strengths and services, offered by marine, airborne and warehousing and specialist storage operators, may increase the attractiveness of the area to UK based operators looking for an EU Single Market logistics bolt hole at the Belgian coast. The strengths (and weaknesses) of the port and airport are therefore different.

Ostend Brugge International Airport

The airport may be well located to pick up on spill over from slot congested airports, like Heathrow or urgent **time bound** air cargoes destined for the Midlands and the North of England away from the congested routes of the south East of England. Postal services are currently very dependent on the Channel Tunnel. It would be interesting to investigate how OBIA might become an aggregation point for these services particularly with major air Royal Mail hubs like the East Midlands Airport.

Pharmaceuticals

EFPIA, the European pharmaceuticals association, has recently expressed concern about the UK leaving the EU, without a deal in March 2019. In the event of 'no deal', customs and other checks at ports and borders causing delays and the possible suspension of air flights, would cause very real disruption to the availability of medicines and time critical clinical trial materials to patients in the UK.



In its position paper, EFPIA confirms that every month, 82 million packs of medicines move between the UK and the EU, of which many packages move between Dover and Calais. Companies are planning to use different routes to and from the UK where capacity exists, but this is limited. There are also difficulties with geographic location, suitable secure and refrigerated storage facilities for medicines, and customs checking arrangements. Some companies have considered moving essential medicines by air freight, but this will depend on the UK and EU having an agreement for planes to continue to fly should the UK leave without a deal.

The so-called BREXIT HEALTH ALLIANCE is also calling for immediate contingencies to be put in place in order to protect patients and public health in the event of a no-deal scenario. Some of these constitute opportunities for congestion free airports like OBIA. These include:

- The introduction of measures that will continue to recognise UK based testing at least until it can be transferred to the EU.
- A mutual recognition agreement for all CE marked medical technologies granted by a UK based notified body (for EU) or granted by an EU continent based notified body (for UK).

- The introduction of measures to enable the continued UK participation in key data sharing platforms that protect public health and medicines and medical technologies safety in Europe.
- Discussions between relevant authorities and the sector to co-ordinate contingency plans such as putting fast track lanes or priority routes for medicines and medical technologies into ports and airports.
- Medicines and medical technologies, including clinical trial materials, should be temporarily exempted from any new customs and borders checks.
- Enable paperwork and regulatory checks to be completed away from the physical border.
- The European Air Safety Authority (EASA) should recognise certificates issued in the UK to ensure that planes can continue to fly.
- Exploring the possibility of, for a defined period, also exempting active pharmaceutical ingredients (API) and raw materials for medicines from border checks to ensure manufacturing of medicines continues with limited disruption.

For new operators considering the opportunity to transport pharma products and isotopes, there are a challenging series of regulatory hurdles that need to be addressed. The following WHO guidance illustrates some of the key issues for “**storage and transport of time- and temperature-sensitive pharmaceutical products**”. The target readership includes regulators, logisticians and pharmaceutical professionals in industry, government and international agencies.

The World Health Organisation’s Expert Committee recently endorsed 16 comprehensive technical supplements to complement the already existing “Model guidance for the storage and transport of time- and temperature-sensitive pharmaceutical products” published in 2011. This guidance sets out the principal requirements for safe storage and distribution. The now provided technical supplements are intended to function as additional material. Each one is linked back to a specific clause or clauses in the parent document. All 16 documents are written in standard format and each contains a reference section with hyperlinks to relevant supporting materials.

The topics covered are:

1. Selecting sites for storage facilities
2. Design of storage facilities
3. Estimating the capacity of storage facilities
4. Security and fire protection in storage facilities
5. Maintenance of storage facilities
6. Temperature monitoring of storage areas
7. Qualification of temperature-controlled storage areas
8. Temperature mapping of storage areas
9. Refrigeration equipment maintenance
10. Checking the accuracy of temperature control and monitoring devices
11. Qualification of refrigerated road vehicles
12. Temperature-controlled transport operations by road and air
13. Qualification of shipping containers
14. Transport route profiling qualification
15. Temperature and humidity monitoring systems for transport operations
16. Environmental management of refrigerant gases and refrigeration equipment

Fruits and vegetables

OBIA host specialist firms like the Tulpingroup who have a very strong track record in the shipment of soft fruit and vegetables by air and onward by road to the UK. Established in 1975, the Tulpingroup is the only one European Forwarder dedicated only to fruit and vegetables by air. Specialising in soft fruit (mainly strawberries), grapes, stone fruit, vegetables, exotics Tulpingroup are very active in 8 airports in the region. With an important base at the OBIA, one of the largest markets at the current time is the South of England. Specialist customs skills are needed. Nevertheless, one of the main threats to the soft fruit trade with the UK is not necessarily the customs issues, but more the impact of macro-economic currency fluctuations with BREXIT. In the case of a Pound Sterling crisis, the competitive advantage of Tulpin / OBIA of in the field of soft fruit import from Egypt could be threatened from a devaluation of the pound, which in turn would affect the price UK supermarkets are prepared to pay for soft fruit in the winter season. Exporters in the Middle East might choose to export to countries neighbouring Egypt and Jordan for example.



Courtesy of the [TulpinGroup](#)

The Port of Oostende

The **non-time bound** market would appear to be the one where the Port of Oostende strengths lie. Significant displacement in time and alternative routes could emerge if these products find themselves facing significant delays on the existing routes.



Opportunities for the efficient shipment of niche raw materials 'sustainably' might be a competitive market in which the Port of Oostende could be promoted. Like the sectors looked at in the 2015, PAC2 study, the post BREXIT world could see a number of basic products needing regular and consistent shipment to the UK to keep

the supply of basic raw materials for food and drink production, road and building materials as well as the key larger oversized cargoes that might find their scheduling affected by congestion on other short sea routes to/from the UK.



The concept of a ‘calamity’ or ‘spill over’ port (a term used in the 2015 PAC2 study) is not out of the question either if there are shortages and urgent shipments needed in the event of a No deal BREXIT. The Port of Oostende would benefit significant from any UK Government’s initiative to make UK regional ports on the East and South coasts of England more attractive for import and export of goods in an effort to relieve the Dover – Calais corridor. The ports of Ipswich, Great Yarmouth, Ramsgate, Hull, Sheerness and Newhaven might all play a greater role in future in providing additional capacity.



CHAPTER FIVE: INCORPORATING SUSTAINABLE AND LOW CARBON SOLUTIONS

BREXIT has the potential to impact significantly on:

- Driving distances
- Increased delays in ports and on the road networks due to new customs procedures;
- Increased waiting times with engines running places for drivers;
- Higher security risks, due to longer waiting times at the border controls;



The Oostende cluster should consider the opportunity to:

- Identify additional sustainable routes to and from the UK;
- Tractor less trailers to/from UK with a limited number of CEMT licences after BREXIT in the UK. for lorries?
- Solar or renewables
- Facilitate clustering opportunities between freight and haulage firms on both sides of the border;
- Installation of supply stations of H2 for trucks
- Installation of supply stations for LNG for trucks
- Installation of electricity eco charging points for trucks
- Provision of more equipped resting-areas for truck drivers (new regulations)



RECOMMENDATIONS: PRIORITIES AND NEXT STEPS TO GET THIS MESSAGE OUT THERE?

Essentially with the final destination of BREXIT yet to be confirmed, there are four scenarios for BREXIT that have differing '*tactical*' implications for the Oostende cluster in 2019 to get better known by business and logistics interests on a cost effect basis in 2019:

- **No deal** creates significant opportunities for Oostende cluster in the short term as long as it can communicate and provide 'turnkey' solutions.
- The **Withdrawal agreement** - leads to disruption (that raises interest in the Oostende cluster as operators look at new routes) as the future trade relationship is only defined in a high-level declaration and the transition period would run out in 21 months before a full Free Trade Agreement is put in place.
- A **Norway style arrangement** - softer BREXIT, but still issues for import/exporters despite large parts of the EU Single Market remaining in place.
- **Remain in the EU** (probably only after a Second Referendum finding in favour of remain) leading to a gradual return to normal and a closure of the 'window of opportunity' for the Oostende cluster despite having enjoyed a unique marketing opportunity to raise the profile of the Oostende cluster with UK operators.

How do we project the Oostende cluster into this game? How long might the marketing '*window of opportunity*' last for? What format should a communication campaign take? (i.e. letter writing, AV materials, events and networking through cross border clustering and fact-finding missions for Oostende stakeholders in the UK);

Recognise the strength of the cluster in Oostende whilst identifying individual strengths of airport, ports and warehousing potential in ***time bound*** and ***non-time bound goods*** - e.g.

- Encouraging the Port of Oostende to focus on non-time bound sectors bound and sustainable routes to/from North of England and Midlands via East coast ports links Ipswich, Great Yarmouth and Sheerness/Ramsgate.
- By identifying cost saving measures that can increase the competitiveness of Ostend Brugge International Airport perhaps through new refuelling economies of scale that can in turn help it to become more attractive to operators seeking new air cargo links with UK regional airports accessible to major urban centres in Midland and North of England.

Building profile with Belgian economic sectors with a potential to have significant additional logistical needs in pharma frozen vegetables, foods and drink and postal and warehousing services etc.

Consider the need for additional Customs capacities and other regulatory issues including skilled workers, AEO status, bonded warehouses and closer working relationships with UK customs and border authorities;

Identified need to facilitate cross border clustering event for Belgian / British hauliers with specialisations and need for return freights;

Via the Belgian Federal Government and Flemish Authorities seek to build upon the recent agreements emerging from the UK Department of Transport to press for policy changes in favour East and South coast ports in the UK that can lead to new links with Oostende potentially (especially East Coast ports);

Use Flemish companies with significant UK presence or subsidiaries to press UK Central and local government to speed up contingency planning and implement plans;

Encourage port-to-port collaboration with UK port operators, and the wide range of freight operators, freight forwarders, logistics and road operators, and more via Chambers of Commerce etc;

Build an online toolkit that can be used to answer economic operators' questions in the UK about how the Oostende cluster is ready to help.

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