



DELIVERING THE GOODS

Industrial

The economic impact of the UK logistics sector



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Foreword

The industrial sector has long faced misunderstanding and misconceptions about the quality and quantity of jobs it creates, the number of businesses it supports and its economic significance.

This report shows the reality: the logistics sector is a crucial element of industrial real estate and an essential component of UK infrastructure, supporting supply chains across the country and providing large numbers of high quality jobs to local people.

The logistics landscape is rapidly changing, with competing pressures from rising e-commerce and manufacturing supply chains driving up demand while the industry faces increasing competition for land from higher value uses such as housing. First mile logistics solutions such as national and regional distribution centres are getting larger in terms of floorspace, and last mile solutions are becoming ever more flexible and innovative to respond to consumer demand¹. For example, many companies are responding to growing demand with specified delivery time slots for consumer goods.

However, developers face competition with other land uses when identifying locations for these vital pieces of infrastructure, as the ideal locations for many last mile logistics operations are those in proximity to major urban areas and near to strategic road networks. Successful communities need to include a mix of uses that make sustainable places where people can live, work, and enjoy leisure time. Industrial development forms part this mix by offering a range of employment opportunities, including highly skilled, well paid jobs to those living within the local area.

As well as supplying local employment, infrastructure and training, the logistics sector's economic productivity makes a huge contribution to UK plc and supports businesses and people up and down the country through the timely delivery of goods and services.

In 2014 we established an Industrial Committee to represent investors, developers and interested parties from across the sector and promote the value of the industry within the UK. The committee focuses on building a better understanding of the sector and the challenges it faces as a significant promoter of economic growth, and addresses the role of land and property in supporting this growth.

This report is part of that work. It is essential that the sector is understood and recognised by national policymakers and legislation, in order to ensure that the benefits of the logistics and wider industrial sector are not threatened by an insurmountable loss of suitable land. We look forward to working with all political parties, local authorities and other stakeholders to ensure the sector continues to deliver the goods and contribute to the UK's economic growth.



Melanie Leech
Chief Executive, British Property Federation

Executive summary

Logistics as an economic contributor

- The logistics sector directly supports a minimum of 56,000 businesses and 710,000 employees in the UK.
- Employment in the sector is estimated at 2.2 million, or 8% of UK's workforce, when including logistics operations of other sectors.
- Employment in warehousing operations increased by 40% between 2009 and 2013.
- The majority of logistics employees live within 15 miles of their work.
- Economic productivity in the sector is estimated at £100 billion Gross Value Added (GVA) per year.



Challenging perceptions

- Only around 15% of employees in the sector work part time, compared to an average of 32% nationally.
- Average salaries in the logistics sector (£28,000) are above the national average (£20,000).
- The average salary has grown at a higher rate (7%) over the last five years than the national average (3%).
- Logistics companies work closely with local schools, colleges and employment agencies.



Technological progress

- The sector is modernising and pushing technological boundaries to meet rising demand and supply challenges.
- This is driving a need for more employees to respond to increased technological efficiency as well as demand for skilled employees in electrical and mechanical engineering, IT and analytics.



Measuring individual scheme impact

- Modernisation is leading to higher employment densities for some premises.
- Recent research indicates an average employment density of 69 sqm per full time employee – representing 12 additional full time jobs created per 10,000 sqm than the expected industry standard.
- Evidence indicates that every 1,000sqm of logistics development supports 14 full time equivalent employee jobs and £850,000 GVA per annum.
- GVA per employee is around £51,000 a year, rising to £75,000 by 2035.



The future of logistics

- The rate of employment growth in the sector (31%) is projected to exceed the national average (20%) between 2013 and 2035.
- The logistics sector's economic productivity is projected to grow by 83% between 2013 and 2035.
- The e-commerce sector is projected to grow by 10% per year by 2021, reaching £48 billion.



Recommendations

- **Provision of the right quantity of space in the right locations**
Providing enough space for logistics development will enable customers to be served. This should be supported through national planning policy, local land allocations and planning permissions.
- **Acknowledgment of the economic 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.
- **Coordinated infrastructure planning**
This can help ensure the delivery of road, rail, port, energy and digital connectivity to support the industrial and logistics sector.
- **A joined up approach from government**
Government departments must coordinate their approach to ensure that the needs of logistics and the wider industrial sector are met.
- **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.



Introduction

There is limited published information that provides a comprehensive view of the importance of the logistics sector and what it brings to UK plc and local areas.

This report moves beyond the supply and demand of logistics space to the benefits that this sector brings. Far from being lacking in terms of the scale and quality of its economic impact, it is clear that the logistics sector creates significant economic benefits for the UK.

This report presents objective evidence on the value of logistics to the UK economy and population. It provides a combination of analysis of published national data sets and real life case studies drawn from in depth discussions with developers and operators of logistics space. The case studies include:

- DPD Group UK – the UK’s premier parcel delivery company, with four hubs and 56 depots nationally. The research focuses on the latest hub developed at Hinckley.
- DP World London Gateway – a rail, road and port linked logistics park and the UK’s newest deep sea port. The site includes a shared service logistics centre operated by Import Services.
- Sainsbury’s and DHL – the retail chain’s recently opened national distribution centre located at Daventry International Rail Freight Terminal. DHL manage the site’s distribution operations.

The report is structured as follows:

- Logistics as an economic contributor – exploring the volume of jobs and economic productivity supported by the industry nationally and the role of logistics in supporting other sectors through supply chains.
- Challenging perceptions – reviewing data and case studies to understand the role of the sector in supporting a range of jobs and training opportunities.
- Technological progress – considering the innovation, investments and technological change underway within the sector and what this means for labour force requirements.
- Measuring individual scheme impact – using case studies to review the way that the sector creates economic benefits.
- The future for logistics – reviewing the potential for growth in the sector.
- Recommendations – setting out five recommendations for supporting the logistics sector.
- Methodology and sources.



Far from being inferior in terms of the scale and quality of its economic impact, it is clear that the logistics sector creates significant economic benefits for the UK.

Logistics as an economic contributor

The logistics industry plays an important economic role both in its own right and in supporting other sectors to function through movement of goods and components.

Logistics operations are intrinsic to the wider economy, supporting sectors to embrace new ways of working (such as the growth of e-commerce within retail) as well as enabling day to day business and social needs to be met (such as through provision of food and catering). For example, Park Royal, developed by SEGRO, provides much of London's freshly prepared food and is known as London's bread basket.

Conservative estimates show that the sector includes a minimum of 56,000 businesses across the UK, predominantly road freight businesses and postal and courier activities.

A number of studies have cited the importance of the sector. Research published by Prologis evidenced the contribution the sector makes to e-commerce through fulfilment centres² as well as the growing number of jobs supported by warehouse functions³. Research reports by BNP Paribas⁴, Savills⁵ and the UK Warehousing Association⁶ explore the take up and make up of logistics space while Network Rail has demonstrated the value of rail freight⁷ to the UK economy.

Business base

Conservative estimates show that the sector covers a minimum of 56,000 businesses across the UK, predominantly made up of road freight businesses (30,000) and postal and courier activities (12,000)⁸. This does not include businesses which operate primarily in other sectors but which also have logistics operations, such as retailers. The data itself does not capture the full extent of this due to sector definitions applied by the Office of National Statistics (ONS)⁹.

Employment

The logistics sector is a key employer nationally. ONS data suggests a minimum of 710,000 people are employed directly within logistics companies, equivalent to 3% of employment nationally¹⁰. For comparison, 4% of the country's jobs are in financial and insurance activities.

Hub 4, Hinckley, East Midlands (right). Developed by DPD Group UK (see full case study on page 21).



There are jobs within other sectors that will also have logistics operations; the figure of 710,000 does not cover these. The retail sector accounts for roughly a third of all warehouse floorspace and these activities will not be captured in this employment figure¹¹. For example, there are 95,000 people employed within e-commerce, some of which will be related specifically to logistics. It is estimated that this accounts for 2% of the UK's warehouse stock¹². Other studies have identified that the sector could employ as many as 2.2 million people, equivalent to 8% of the UK's workforce¹³.

Employment in warehousing operations demonstrated resilience during the recession. While other sectors experienced substantial job losses, employment gains in warehousing operations were equivalent to a 40% increase from 2009 to 2013. This is reflected in research published in 2014 by Skills for Logistics¹⁴ that demonstrated that 75% of 300 logistics companies surveyed had recruited in the previous 12 months, with the majority (61%) recruiting to fill new posts created by expansion of operations and premises.

By securing logistics businesses within an area, a local authority helps to support employment opportunities, as businesses in the sector often recruit from within the area and bring local benefits. For example, 90% of DPD Group UK's employees at Hinckley Commercial Park live within 20 miles and the majority of employees at Sainsbury's national distribution centre live within 10 miles. By recruiting primarily from the local area, logistics operations can bring substantial additional benefits, known as multipliers, through employee spend.



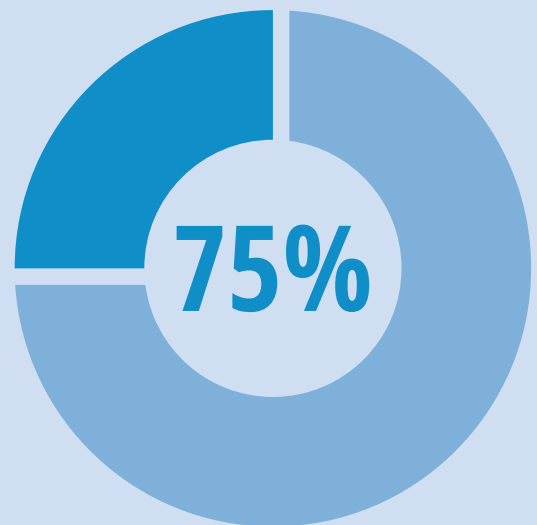
The logistics sector could employ as many as

2.2 million people



equivalent to

8% of the UK's workforce



75% of 300 logistics companies surveyed had recruited between 2013 and 2014

Economic productivity

The GVA of the transport and logistics sector¹⁵ is £62 billion, equivalent to 4% of the UK's economic productivity, according to data on clearly identifiable logistics operations published by the ONS. In reality, productivity is likely to be much higher, with some estimates at £100 billion in 2013¹⁶.

Between 1997 and 2012 the GVA of the sector grew by 50%. Economic productivity per employee is also rising. Between 2009 and 2012, GVA per employee increased from £47,600 to £51,300, an increase of £3,700 or 8% – compared to a decrease in GVA per employee in financial and insurance activities of £4,700 or a loss of 4%¹⁷.

Supply chains

The logistics industry, by its very nature, has strong supply chain links with a wide variety of sectors. The strongest connections exist with manufacturing, retailers including e-commerce, and consumers, as well as other transport and storage providers¹⁸. In this regard, logistics businesses support the continued operation and growth of these sectors and are a fundamental enabler of growth within the national economy.

While the sector predominantly sells to other sectors, it also purchases goods and services. In 2012, the sector had a total procurement expenditure of £7 billion¹⁹. A large proportion of this was on construction services (89% of total spend in 2012 equal to £6 billion). By investing in new premises and reinvesting in existing land and property, the logistics sector has a wider benefit in supporting additional jobs and GVA within the construction industry.

Between 2009 and 2012, GVA per employee increased from £47,600 to £51,300, an increase of £3,700 or 8%.

Warehousing activities have also seen unprecedented growth in their supply chain spend, growing from £3 billion in 1997 to £7 billion in 2012, equivalent to 130% over 15 years (or 9% per year). This growth is reflected in the retail trade sector which grew by 108% over this timeframe, indicating there is an interrelationship between the two sectors.

Supply chains: goods and services delivered by the logistics sector

Source: IbisWorld

	WAREHOUSING AND STORAGE	FREIGHT ROAD TRANSPORT	POSTAL AND COURIER ACTIVITIES
Sell to:	<ul style="list-style-type: none"> Manufacturing Wholesale and retail trade Freight rail and road transport Inland passenger water transport Freight forwarding and customs agents 	<ul style="list-style-type: none"> Petroleum refining Building project development Wholesale and retail trade Freight forwarding and customs agents 	<ul style="list-style-type: none"> E-commerce and online auctions Consumers
Buy from:	<ul style="list-style-type: none"> Freight road transport Lifting and handling equipment manufacturing 	<ul style="list-style-type: none"> Motor vehicle maintenance and repair Motor vehicle parts wholesaling 	<ul style="list-style-type: none"> Information and communication Other motor vehicle sales

Challenging perceptions

There are a number of enduring, and misplaced, perceptions about the value and types of jobs within the logistics industry.

This report highlights that logistics operators provide a wide range of employment-related benefits and training opportunities to local people.

Dispelling the myths

The part time employment myth

The sector is often associated with part time and zero hours contracts. However, a lower proportion of logistics employees work on a part time basis compared to the national average. Around 15% of employees work part time, compared to 32% nationally across all sectors²⁰.

Part time employment in the sector has also been decreasing in comparison to the national level. The sector does, however, rely on seasonal increases in employment to ensure orders are fulfilled, for example around Black Friday and the Christmas period.

Companies are keen to provide secure employment by reducing the use of agency staff and increasing the proportion of the workforce directly employed. For example, DHL and Sainsbury's aim to employ 70% of staff directly by the time their premises at Daventry are fully utilised.

The low wage myth

There is a perception that salaries in the sector are low, but data from the Annual Survey of Hours and Earnings²¹ show that average logistics salaries are above the national average: £28,000 compared to £20,000. The average salary in logistics also grew at a higher rate (7%) from 2009-2014 than the national average (3%).

Average salaries in rail freight (£40,000) and service activities related to land transport (£36,000) are especially notable compared to the national average (£20,000). Both sectors have also experienced an above average rate of growth in the last five years at 9% and 25% respectively, compared to 3% nationally.





Magna Park, Milton Keynes. Developed by IDI Gazeley.

As the logistics sector continues to evolve in response to the growth of e-commerce and the profile of occupations continues to shift to include more high value positions, it is likely that the average salary in the sector will continue to move upwards.

The low skills myth

The sector is often believed to only provide low skilled, elementary jobs. However, a wide range of jobs are supported in the sector, both in warehouse and office environments. While elementary occupations are common, logistics activities also offer positions in managerial, administrative and high tech occupations including electrical and mechanical engineering and IT roles. Research by Prologis found that office-based jobs in the industry have continued to rise in recent years²².

The sector has an above national average representation of managers, directors, senior officials and administrative and secretarial occupations, particularly in businesses operating freight terminals and cargo handling²³.

Specific roles include purchasing managers and directors, importers and exporters, transport and distribution clerks, large goods and van drivers, forklift truck drivers, postal workers and couriers, and storage occupations²⁴.

The shared services centre at London Gateway (the London Gateway Logistics Centre) includes a significant amount of office space to provide clustering

opportunities for freight forwarders. Research also indicates that there has been a growth in sales and marketing occupations related to the logistics sector²⁵.

Up-skilling the workforce

Companies in the logistics sector invest substantially in their workforce, often training individuals for engineering roles and offering apprenticeships. For example:

- DP World London Gateway Port offers apprenticeships in mechanical and electrical engineering as well as business functions including finance, HR and PR.
- DPD Group UK offers a four year apprenticeship programme, with electrical engineering NVQ and foundation degree. There is also notable career progression: the CEO, Director of Technical Services, Director of Central Operations and Director of IT all started in lower grade roles and worked their way up.
- DHL provides a learning centre on site at the Sainsbury's national distribution centre to assist individuals in training and learning.

This is supported by research by Skills for Logistics²⁶ who found that of 300 logistics firms surveyed, 75% had funded off-the-job training or development and 78% offered information training over the previous 12 months. Training included job specific training, new technology and management, supervisory, and health and safety.

Supporting local communities and regeneration

Many logistics companies work closely with local schools, colleges and employment agencies to ensure their jobs can be accessed by local people. For example:

- Sainsbury's and DHL provide an education room within their national distribution centre where employees can improve their English language skills and access the internet to further their careers.
- At DP World London Gateway, Import Services has also relocated its Centre of Excellence (normally located in Southampton) to the DP World London Gateway Logistics Centre for the first 12 months of operation to provide on-the-job training for new recruits.
- DPD Group UK held an open day in partnership with local schools, attended local employment fairs, and delivered mail shots within within five miles of its new Hinckley hub to promote local recruitment.

Supporting environmental sustainability

Companies operating in the logistics sector work hard to achieve sustainability credentials. For example:

- DPD Group UK invests in a modern delivery fleet with high quality vehicles to limit emissions, and has installed the latest lighting technologies. As a courier delivery company, there are recognised benefits in multiple delivery drops per van, with fewer vehicle emissions than from each customer driving to the store.
- The Chatterley Valley 'Blue Planet' building delivered by IDI Gazeley is exemplary and was the first building in the world to be rated BREEAM 'outstanding'²⁷. The building exceeds the government's Climate Change Bill targets for 2020 and 2050 and has won national and regional sustainability awards including the 2009 LEAF Best Sustainable Development Award.
- Sainsbury's national distribution centre is built to a BREEAM 'excellent' standard. The building is not heated (due to investment in building fabric), though lighting systems help with temperature regulation. Forklift trucks at the site also generate their own power using energy converters on board. Importantly, as a result of the rail linked operation which will reduce the number of lorry miles, Sainsbury's estimates that it will reduce its carbon footprint by 4,000 tonnes per year.
- The distribution centre developed speculatively by DP World London Gateway and Prologis as a joint venture is BREEAM 'excellent' rated and includes rainwater harvesting, movement automated lighting and smart meters for energy use.

75% of 300 logistics firms surveyed had funded off-the-job training or development over the previous year.

Blue Planet building, Chatterley Valley, Newcastle (below). Developed by IDI Gazeley, it was the first building in the world to be rated BREEAM 'outstanding'.



Technological progress

A number of logistics operators are pushing technological boundaries and this is creating demand for higher skilled occupations in mechanical and electrical engineering.

Engineering and computer programming roles are becoming ever more important as automation and delivery pressures increase. The logistics sector is investing in technological change to improve operations, manage increasing demand, and increase efficiency of service for the end consumer, be it Business to Business (B2B) or Business to Consumer (B2C).

In 2012, the second largest area of spending by companies in the sector was in computer programming, consultancy and related services (4% or £300 million. A further £130 million was spent on computer and electrical systems. In total, this represents an 81% (£191 million) increase in spending on these since 1997, demonstrating the modernisation of the sector's approach²⁸.

With rising demand for services and technological advancement, many logistics firms are implementing new technologies including:

- Improved track and trace of parcels and increased delivery time accuracy for the consumer, with text messaging alert services and, for example, the DPD Group UK Pickup network offered via local shops.



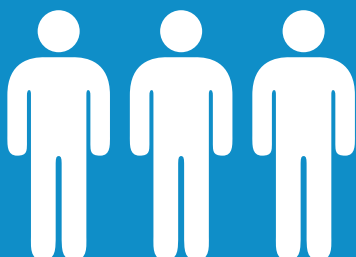
Effect of investment at DPD Group UK's Hinckley hub



Investing £50 million in automated parcel sortation



Enabled 6,000 parcels to be processed per hour, compared to the industry standard of 1,200



Spurring greater recruitment, since a larger workforce is needed to dispatch more parcels

- Parcel sortation systems to increase capacity, which subsequently increases the need for staff. For example, DPD Group UK invested £50 million in automated parcel sortation at its new Hinckley hub, enabling it to process 6,000 parcels an hour compared to the industry standard 1,200 per hour. The investment has had a positive effect on employment volume as a larger workforce (e.g. drivers and other staff) is needed to dispatch a greater number of parcels sorted per hour.
- Automated storage and retrieval system (ASRS) to improve speed and efficiency. For example, John Lewis' cross-dock distribution centre at Magna Park, Milton Keynes, has ASRS cages, each up to 49ft high and 246ft long, which enables over 5 million units to pass through the warehouse a week during peak periods. Around 20% of the goods are still packaged by hand to be posted directly to internet customers, indicating that employees are still an important part of the process²⁹.
- Fully automated 'black box' warehouses, requiring higher skilled jobs in computer programming and engineering to set up and manage systems, in order to ensure the automation runs smoothly. DP World London Gateway may add a black box warehouse to assist in meeting future fulfilment demands.
- Sainsbury's national distribution centre at DIRFT includes a 1.2km monorail for intelligent storage and movement of goods between the high and low bay warehouses.
- Research undertaken by the UK Commission for Employment and Skills identified that logistics operators consider that the implementation of technological systems creates a competitive edge. These typically require expert knowledge or specialised skills in IT and analytics³⁰.

Measuring individual scheme impact

In allocating employment land, attracting inward investment or approving planning applications, local authorities often consider the economic benefits associated with certain occupiers and sectors.

Being able to efficiently and effectively demonstrate the economic benefits of a proposed logistics development or B8 (warehouse) land allocation, in terms of jobs and GVA, is important to the logistics sector.

Warehouse operations are often considered to support relatively few jobs due to low average employment densities when compared to office based and light industrial uses. Evidence suggests that this is not always the case.

Industry guidance for warehouse employment densities cites an average of 70 sqm per FTE employee for general warehousing and 80 sqm per FTE for high bay warehousing³¹, giving an average of 75 sqm per FTE. Prologis research however indicates that the employment density across its portfolio has increased to an average

of 69 sqm per FTE³², meaning that, for every sqm of floorspace, a greater number of jobs are supported. In practice, warehouse space is likely to support an additional 12 FTE jobs per 10,000sqm compared to industry guidance. Furthermore, the guidance provides a range from 25-115 sqm per FTE for general warehousing demonstrating wide variations and some high density employment uses in B8.

Evidence gathered from operator case studies suggests that changes within the industry mean that higher average employment densities are achieved on some sites, particularly where they include a mix of warehousing and office floorspace to support different operations. For example:

- Shift work means that more jobs are supported over a 24 hour period. The logistics sector often operates in two or more shifts.
- When office floorspace, office staff and drivers are taken into account, DPD Group UK's employment density at Hinckley is equivalent to 48 sqm per FTE.
- The office floorspace within Sainsbury's national distribution centre supports one FTE for every 34 sqm.



UASC Barzan, one of the largest container ships in the world, calling at London Gateway in September (right).

London Gateway was developed by DP World (see full case study on page 23).

Magna Park, Milton Keynes (below).
Developed by IDI Gazeley.



For every 1,000 sqm of logistics development it is estimated that a total of 14 FTE jobs and £850,000 GVA is supported.

These examples highlight increasing employment densities within logistics floorspace over time, meaning that, in some developments, a greater number of people are employed than national guidance would suggest. There is a need to review the current industry standard in light of changes within the sector, to ensure that it is representative of modern logistics operations and fully demonstrates the employment benefits such developments bring to a local area.

It should also be noted that warehouse operations have an above average representation of larger businesses³³; attracting a distribution development to a local area could generate notable additional jobs. The rail freight transport sector also has a greater representation of larger businesses (14% have 250+ employees) though these jobs may be spread across a number of locations for each business.

GVA per employee in the transport and storage sector is presently around £51,000 per annum³⁴. Economic projections suggest that this could increase by 46% by 2035³⁵. This would result in GVA per employee of £75,000³⁶. Development of new logistics space could therefore support a rise in GVA which will be felt both locally and nationally. Data suggest that, for every 1,000 sqm of logistics development, 14 FTE jobs and £850,000 annual GVA is supported³⁷.

Many logistics operators recruit the majority of staff from within the local area. This suggests that the majority of employment benefits will be felt locally and there will be a low level of leakage of associated benefits to other areas.

The future for logistics

It is projected that employment in the logistics sector will grow by 25% from 2013 to 2035, compared to 20% employment growth nationally.

When viewed in terms of FTE jobs the contrast is even more significant: the sector will support growth of 31% compared to 20% nationally. Employment growth in logistics is expected to exceed growth in other sectors of the economy including growth in the finance and insurance sector (19% increase in FTE jobs)³⁸.

The economic productivity of the logistics sector (as measured by GVA) is likewise projected to grow at rates above the national average. Growth of 83% in GVA is projected from 2013-2035, compared to 69% GVA growth nationally³⁹. This is equal to 4% growth per annum, demonstrating significant room for growth within the industry.

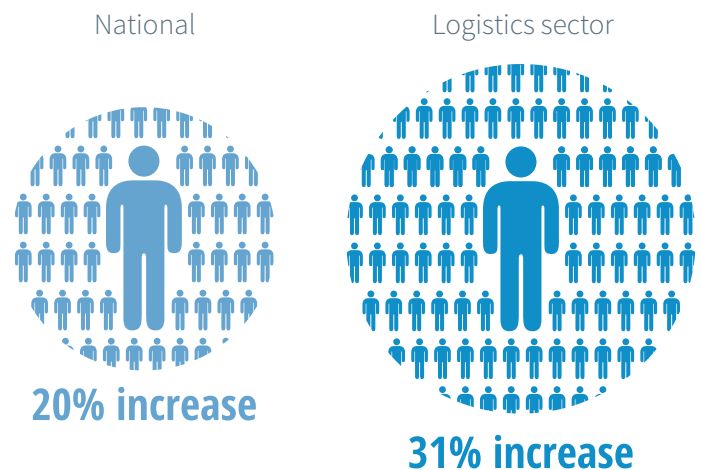
Drivers of change

The logistics industry is unique in that it provides services to almost all other sectors of the economy (B2B) as well as offers direct B2C services for these sectors.

Industry expansion is expected to be supported by higher volumes of freight and more extensive inventories as manufacturing output and retail sales continue to grow⁴⁰. As an important part of the supply chain and delivery service of multiple sectors, the industry will benefit directly from their growth. This will include growth in the following key sectors:

- Retail – forecast GVA growth of 68% or £57 billion between 2013 and 2035, equivalent to 3% per annum⁴¹;
- E-commerce – within the retail sector, online retailing is projected to experience revenue growth of 10% per annum between 2015/16 and 2020/21, reaching a

Predicted full time employment increase, 2013-2035



value of £48 billion in 2020/21⁴². It has been estimated that growth of e-fulfilment could create up to 200,000 new jobs in Europe in the next five years⁴³;

- Wholesale – forecast GVA growth of 89% or £77 billion between 2013 and 2035, equivalent to 3% per annum⁴⁴;
- Manufacturing – forecast GVA growth of 41% or £58 billion between 2013 and 2035, equivalent to 2% per annum⁴⁵.

The UK population is projected to grow by 7.6 million (or 14%) between 2015 and 2037. Within this, the majority of population growth (69%) is expected to come from increases in those aged 65 and over (5.2 million or 54% growth). As the grey pound strengthens and those in this age group become increasingly digitally enabled, there could be substantial growth demands on logistics industries to meet rises in e-commerce⁴⁶.

Similarly, as the rollout of superfast broadband (internet speeds greater than 24MB per second) continues, this could further increase the involvement in online shopping of more rural populations who may presently be less likely to shop online.

Rollout is currently reaching an additional 40,000 homes and businesses every week and by 2017 superfast broadband will be available to 95% of the UK⁴⁷.

Wider technological advancements may also affect the industry. For example, 3D digital printing may alter market demand and create new markets.

Barriers to growth

Growth will only be possible through provision of the right space in the right locations – a lack of high quality warehouse space in proximity to urban centres is currently a limiting factor⁴⁸.

This will need to be supported via appropriate planning policy, land allocations and planning permissions. For example, the DP World London Gateway Logistics Park has a Local Development Order (LDO), enabling occupiers to obtain rapid planning consent. UPS recently received planning confirmation in 17 days thanks to the LDO, which effectively grants outline planning permission to the whole site.

Like all sectors, ensuring the logistics sector has access to the right skills is also key to its ongoing success. The

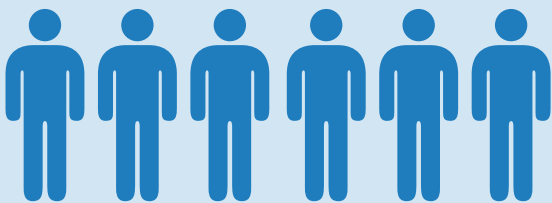
sector requires drivers, managers, mechanical engineers, electrical engineers, computer specialists, administration and managerial staff to function effectively in the future.

Research carried out by the UK Commission for Employment and Skills (2014) shows that skills gaps are increasing, with technical or job-specific skills, planning and organisational skills, customer handling skills, problem solving, and communication the main gaps within the logistics labour force. A shortage of Light Goods Vehicle drivers is also an issue for the sector. This, in particular, will be a threat to growth as last mile logistics to the consumer becomes increasingly important⁴⁹.

Benefits of supporting the logistics sector

The logistics sector is an important economic contributor through both GVA and employment. There are clear opportunities to support jobs and GVA growth as the logistics sector continues to respond to rising demand from key supply chain industries such as retail and manufacturing. Furthermore, by supporting the sector, wider economic benefits are generated as a result of the integral role the sector plays in the activities of almost all other sectors.

Enabling growth within the logistics sector provides the following benefits:



Employment opportunities

elementary, technical and highly skilled



Knock-on effects

on local communities and businesses



Above average salaries

and full time employment opportunities

Green credentials

supporting environmentally sensitive industry



By enabling growth within the sector, the following benefits will be realised:

- A range of employment opportunities from elementary to technical and higher skilled – these jobs are regularly accessed by residents in local catchment areas enabling them to benefit from career progression opportunities, training and apprenticeships;
- Supporting above average salaries and full time positions – these factors bring greater job stability and job satisfaction;
- Knock on effects – both residents and businesses rely on, and benefit from, the delivery services provided by logistics operations.
- Green credentials – many logistics operators are also keenly aware of the industry’s reputation and are working hard to deliver products using environmentally sensitive vehicle fleets and storage solutions as well as BREEAM rated buildings.

The opportunity costs of not enabling the logistics sector to grow include:

- Lower jobs growth nationally as well as loss of key employment opportunities, training and apprenticeships locally across a range of roles and skills levels;
- Lower growth in economic productivity not only in the sector itself but also in those it serves – the effects will be felt across all of the UK and in all sectors;
- Restricted ability for online retailing to match demand from consumers for product volume as well as immediacy of delivery;
- Limited recovery and growth in the manufacturing sector as components cannot be transported in the volume or time required, hampering aspirations for growth in UK exports;
- Impacts across a wide range of sectors, individuals, and businesses that rely on logistics for the movement and delivery of goods;
- Loss of regeneration activities through investment and involvement in local areas.



Worcester Bosch, Apex Park, Worcester (above). Completed this year. Built and pre-let by A&J Mucklow.

Recommendations

We call on politicians, local authorities and communities to recognise the economic benefits of logistics activities and the value these bring to businesses and individuals alike. The logistics sector is a fundamental component of UK plc, which would not be able to operate or grow without it. Indeed, the sector responds directly to population growth in meeting needs and so will continue to be an important part of the economy as the UK's population continues to increase.

We recommend the following five actions:

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

Providing enough space for logistics development, 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.

2. Acknowledgment of the economic 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.

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.

4. A joined up approach from government

Departments including DCLG, DfT, and BIS must coordinate their approach to ensure that the skills, transportation and business needs of logistics and the wider industrial sector are met.

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. This would facilitate bringing redundant brownfield land back into use, which can have a positive impact on a local area and its communities.

Case studies

DPD Group UK

Company: DPD Group UK
Site: Hinckley, East Midlands

Overview

DPD Group UK is a premier carrier of express parcels in the UK, delivering both B2B and B2C services. Its business primarily supports e-commerce, with contracts for a number of large high street and online retailers as well as technology companies.

DPD Group UK operates a hub and spoke distribution centre model, with four hubs supplying 56 depots across the country. Hinckley is its latest site (Hub 4) and opened at the beginning of August 2015. The Hinckley site directs parcels across their depot network nationwide.

Location

In identifying a site, DPD Group UK reviews the location of deliveries against the capacity of depots. These are often in proximity to residential locations. For Hinckley specifically, it was clear that an East Midlands location was needed to give the company flexibility when the M6 corridor is blocked. This area is traditionally served by the West Midlands.

In identifying Hinckley as a location, Rugby was also considered. Hinckley was the preferred location due to land remediation requirements on the alternative site. Hinckley was able to deliver within DPD Group's timeframes for development and was delivered within the three year aspiration.

During the application process, DPD Group UK developed a good relationship with the local authority, which was critical given the ways in which the proposals would offer job creation and regeneration benefits.

Employment

A total of 615 FTE staff are employed on the site. This is split into 315 FTE warehouse staff, 50 FTE office staff and 250 FTE other staff including drivers. The majority of employment is full time, with only 20% of warehouse staff working part time.

DPD Group UK prefers to employ staff directly as this ensures a high quality of staff. It is also able to call on agency staff to increase capacity during peak periods such as the six weeks around Christmas.

Hub 4 operates shift times between 18:30 and 03:30, with the site closed during the day when deliveries are underway from the individual depots.

A wide range of jobs support the operation at Hinckley, with the majority onsite and others in head office:

- Parcel unloading – elementary/manual positions;
- Management – middle to senior management;
- Technicians and engineers – qualified to at least degree level in electrical engineering;
- HGV maintenance – mechanic positions;
- Administration staff.

DPD Group UK offers a four year apprenticeship programme, with electrical engineering NVQ and foundation degree. It holds an open day in partnership with local schools. There is currently one apprentice at Hinckley in electrical engineering. Apprenticeships in IT and mechanics are also offered within the company.

Career progression within the company is notable, with the CEO, Director of Technical Services, Director of Central



Hub 4, Hinckley, East Midlands. Developed by DPD Group UK.

Operations and Director of IT all starting in lower grade roles including sales executive, electrical engineer, driver and help desk positions.

Almost all staff at Hinckley live within a 20 mile radius. Prior to opening, DPD Group UK engaged with local employment agencies, attended employment fairs, delivered mail shots within five miles of the site, set up a webpage and Facebook page, and built relationships with local colleges to promote local recruitment.

Floorspace

The new hub at Hinckley provides 275,050 sqft of warehouse floorspace and 28,500 sqft office floorspace. This gives a total floorspace of 303,550 sqft. This is equivalent to 29,900 sqm and an average employment density of one FTE for every 48sqm (based on employees including drivers).

A changing industry

B2C has increased significantly since 2007 with the rise of e-commerce. The company is now B2C focused and changed beyond all recognition from the previous B2B focus.

While the scale of deliveries has also increased so has the accuracy, with timed slots and fast delivery now standard. DPD Group UK offers a guaranteed one hour delivery slot on the specified day of delivery and keeps the customer informed by a text message alert system. This also enables the customer to rearrange the delivery time as well as opt for delivery to a nearby shop within the DPD

Pickup network. DPD Pickup was launched in 2015 to enhance the delivery service and customer experience.

The technology the company uses is continually changing as technology infrastructure needs to grow to support the growing demands on the business. For example, £50m has been invested in parcel sortation at Hinckley and upgrades have been made to parcel sortation within four depots (super-depots) to enable them to sort 6,000 parcels an hour compared to 1,200 in a typical depot.

The investment in automation has a positive effect on employment volume as a larger workforce (eg. drivers and other staff) is needed to dispatch the greater number of parcels sorted per hour.

Green credentials

- A green company and ISO 14001 registered;
- A modern delivery fleet with high quality vehicles to limit emissions;
- Installation of the latest lighting technologies within Hinckley to save electricity;
- Modern premises to promote environmental efficiency;
- There are recognised benefits of delivering directly to the consumer, with fewer vehicle emissions from customers driving to the store and multiple deliveries being made by each delivery vehicle instead.

DP World London Gateway

Company: DP World

Site: DP World London Gateway, Thurrock, Essex

Overview

London Gateway Port and Logistics Park, owned by DP World, is one of the UK's largest container ports integrated with the country's largest logistics and supply chain hub, offering port-centric logistics operations within its logistics park. DP World owns three square miles of land at the site, which is located just a few miles from M25 J30.

The port opened in 2013 and is currently operating two of a potential six berths. A third will open in mid-2016. The first of three potential rail sidings is currently in operation. The rail connectivity provides daily services across the

UK, calling at all the main distribution rail hubs. Both DB Schenker and Freightliner provide services daily. Logistics developments have the opportunity to be directly rail-linked.

The logistics park is under development, with two buildings now open including the DP World owned Logistics Centre (a common user building with cross-dock facilities run by Import Services) and a London Gateway/Prologis joint venture speculative build, both of which opened in 2015.

In October 2015 UPS broke ground on a \$200million, 350,000 square foot, national and European distribution hub, located at the entrance to the Logistics Park. This will be occupied in 2017.

DP World London Gateway, Thurrock, Essex.



Employment

There are presently 500 people employed at DP World London Gateway. Once fully developed it is estimated that the logistics park will support 12,000 employees directly. 2,000 will be employed within port operations.

London Gateway staff are employed in a range of positions including engineers, IT, support services (HR/finance) and crane drivers (including the first female quay crane driver in the UK).

For employees in the shared logistics centre, computer literacy is essential as IT and systems operations are a core component of the job. When the shared logistics centre grows to phase 2, Import Services will seek to employ a local traffic team, client services, further operational supervisory and management roles as well as customs liaison staff.

London Gateway provides a range of training and apprenticeship opportunities including:

- crane driving training;
- apprenticeships in mechanical and electrical engineering as well as business administration covering finance and, HR.

Floorspace

Planning approval for the Logistics Park has been received through an LDO, permitting development up to nine million sqft across B1b/c, B2 and B8 uses. Final approval of the detailed design of each new build can be achieved within a 28 day process.

The DP World owned Logistics Centre operated by Import Services delivered 180,000 sqft of B8 space in phase 1, which is fully occupied, and will provide a total of 386,000 sqft upon completion of phase 2 in 2017. This incorporates a high proportion of office floorspace, which will be sublet to shipping companies, freight forwarding businesses and clients to create a clustering

of activity and associated agglomeration benefits for both businesses and employees.

The other building already completed and available to lease on site, a speculative joint venture between DP World London Gateway and Prologis, is 317,000 sqft and was completed in autumn 2015. It is located adjacent to the DP World Logistics Centre and is likely to be occupied by a third party logistics company or retailer. The premises include a two storey office hub (10,000 sqft) and an additional two storey ancillary office pod (5,000 sqft).

A changing industry

The shared logistics centre, operated by Import Services, includes live tracking of orders along the supply chain. At key stages of the retail logistics process, information boards are operating in real time, similar to airport departure boards, to assist the management of workflow at the centre and through despatch. Clients and their customers gain access globally via Import Services' web based system to see their orders processed right through to delivery.

Green credentials

A key factor in the location of London Gateway is the proximity to the concentration of urban populations. This will reduce the number of distribution miles as direct to store and direct to consumer retail channels obviate the need to go to a central distribution hubs elsewhere.

For the traditional pattern of distribution serving the major and multiple retailers, Import Services' location at London Gateway provides further opportunity to develop retailer 'back haul' services which means fewer empty lorry journeys.

The speculative joint venture unit has a BREEAM rating of 'excellent' and includes rainwater harvesting, movement automated lighting and smart metres for energy use.

Sainsbury's at DIRFT

Company: Sainsbury's and DHL

Site: Daventry International Rail Freight Terminal (DIRFT)

Overview

Sainsbury's national distribution centre low bay warehouse opened its doors in February 2015, with the rail element and high bay warehouse following in July and August 2015 respectively. It is the biggest single investment the company has made on property and the first rail-connected distribution centre within the company's network.

The site is used for storage and distribution of general merchandise to the grocery retailer's stores nationwide via rail which is connected to the site and is the seventh distribution hub for the company. Sainsbury's has a long standing contract with DHL who run the logistics side of the site and manage the warehouse operations. The site itself comprises high and low bay warehouses, office space, vehicle maintenance areas and 440m rail sidings.

Location

Sainsbury's chose DIRFT because of its strategic transport links. The site's location in the Golden Triangle allow for excellent road links and direct rail links to the site itself. As the national distribution centre for the company, this strategic connectivity was of paramount importance.

The site is in proximity to a number of retail distribution centres also located in the area for the benefits of DIRFT. This has created a local pool of labour – experienced in distribution – whose skills are in high demand.

Employment

In October 2015 the site employed 550 staff. Of these, 20% are directly employed by DHL and 80% are agency staff. Use of agency staff has enabled the site to deliver from day one. It is expected that there will be 700 staff by Christmas 2015. For year two (2016) it is anticipated that there will be 1,000 employees, and that 70% of these will be direct employees.

The site supports employees within a range of specialist companies. For example, Russell Group operates the rail sidings while Shaefer provides engineers to deal with the site's complex handling equipment.

Positions are full time (eight hours a day) and operate over three shifts, six days a week. Staff live in places such as Daventry, Rugby and Northampton. The majority live within 10 miles of the site. A small number travel from locations further afield like Leicester and Milton Keynes.

The site supports a range of occupations including a leadership team (incorporating logistics strategy), depot operations controllers, first line managers, clerical staff, warehouse staff (inbound processing, outbound processing, pickers, forklift drivers), catering staff and outsourced cleaners.

Warehouse staff receive training on the use of the 'Watch', an electronic device which relays orders and product location to improve efficiency in selection of items to pack and deliver. Forklift drivers receive training on site to achieve one of two licences. DHL promote succession within the workforce, particularly of line managers.

From the start, DHL used a Campus Agency Solution at the site. An Agency solution is one which focuses on procuring agency staff to work on a specific site by promoting the specific opportunity and achieving the volume of staff required through vetting and training. This approach resulted in benefits including:

- Quantity of agency workforce;
- Quality of agency workforce;
- Reducing the transient nature of the workforce both through stability of position and also through enabling agency staff to become directly employed members of staff.

Employees enjoy a range of benefits including an on-site Nuffield Health gym, a canteen, a contemplation room, and a learning centre where they can learn new skills and access computer equipment.

Floorspace

The national distribution centre has a floorspace of 979,200 sq ft. This is equivalent to 13 football pitches or the O2 arena. The high bay and low bay warehouses account for 930,000 sq ft and 29,000 sqft is office space. Other uses such as entrance areas and a battery bay and workshop make up the remainder of the space.

A changing industry

The national distribution centre brings together a range of technological advances and innovative mechanisms to improve efficiency. The partnership between Sainsbury's and DHL brings strengths in knowledge of designing and operating automated facilities. DHL drew on its experience elsewhere in the logistics industry, while Sainsbury's provided the detailed knowledge of its own retail business.

This joint approach resulted in changes to the building layout and automation which has led to improved process flow, people flow and productivity benefits. These have translated into savings of £3.8m in capital costs as well as on-going revenue savings.

Specific use of technology within the building includes:

- 260 pieces of manual handling equipment;
- A 1.2km monorail providing seamless interconnectivity between the high bay and low bay warehouses;
- The 'Watch': an electronic device which relays orders and product location to improve efficiency in selection of items to package and deliver;
- Use of a DHL system which allows the site to collect data required to analyse and improve site performance, as well as identify trends in seasonal

activity and provide feedback to buyers and merchandising teams.

These technological applications mean that warehouse staff are trained in use of the 'Watch', and a number of electrical engineers are required on site. There are a number of office platforms on the warehouse floor to enable managers to access computer based systems throughout the day. Without the office platforms, managers would have to spend large amounts of time at desks away from the warehouse floor.

Green credentials

- BREEAM 'excellent' rating;
- 15% roof lights enhancing the warehouse environment;
- The first 100% LED site in the network;
- Rain water harvesting;
- 100% of materials excavated were recycled, including using the old 'Stobart' yard to build the rail head retaining wall;
- 100% of packaging is recycled;
- The rail terminal can service up to 10 trains per day, each equivalent to 60 lorries. This has allowed Sainsbury's to reduce their carbon footprint by 4,000 tonnes per year;
- The rail connection is used in both directions, preventing empty containers from travelling on the network. For example the line brings Scottish products such as whisky and water to the site and returns with general merchandise destined for Sainsbury's Scottish stores.



Daventry International Rail Freight Terminal. Developed by Sainsbury's and DHL.

Methodology

The research for this report involved analysis of national data sets, industry reports and primary case study research. An overview of each approach is set out below.

Analysis of national statistics

National data sets published by the ONS and available via NOMIS were analysed. This includes Regional Accounts (2012), Business Register and Employment Survey (2013), Annual Survey of Hours and Earnings (2014), Census (2011), Supply and Use Tables (2012). Experian (June 2015) employment and productivity projections were used to understand the potential future growth of the sector.

In assessing the data, this report used the definition of the logistics industry as shown to the right. This is based on Standard Industrial Classifications (SIC).

The volume and value of the logistics industry set out in this report does not include the full range of logistics activities where these are not separated from retail and so should be treated as a minimum.

Industry reports

A number of industry reports were reviewed and are referenced throughout the report. This provides additional analysis and data to supplement the analysis of national statistics.

Primary case study research

Case studies provide primary evidence to understand how the logistics sector functions and how this is changing. Case study contacts were obtained from British Property Federation Industrial Committee members with the aim of achieving three case studies from three different types of logistics operator. The case studies cover a third party courier/postal service, port-centric operations and a general merchandise national distribution centre. A consultation pro-forma was used to aid discussions.

LOGISTICS INDUSTRY – STANDARD INDUSTRIAL CLASSIFICATION DEFINITION	
Section	<ul style="list-style-type: none"> Transportation and Storage (H)
2 digit SIC	<ul style="list-style-type: none"> Warehousing and Support Activities for Transportation (52)
3 digit SIC	<ul style="list-style-type: none"> Freight rail transport (492) Sea and coastal freight water transport (502) Inland freight water transport (504) Warehousing and Storage (521) Postal activities under universal service obligation (531) Other postal and courier activities (532)
4 digit SIC	<ul style="list-style-type: none"> Warehousing and Storage (5210) Freight air transport (5121) Other transport support activities (5229)
5 digit SIC	<ul style="list-style-type: none"> Freight transport by road (4941) Operation of warehousing and storage facilities for water transport activities (52101) Operation of warehousing and storage facilities for air transport activities (52102) Operation of warehousing and storage facilities for land transport activities (52103) Operation of rail freight terminals (52211) Cargo handling for water transport activities (52241) Cargo handling for air transport activities (52242) Cargo handling for land transport activities (52243)

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Logistics is an essential component of UK infrastructure, supporting supply chains across the country and providing large numbers of high quality jobs to local people.

This report was produced by British Property Federation and researched by Turley.

About the British Property Federation

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.

About Turley

Turley is one of the UK's largest independent and employee-owned planning consultancies, offering planning, design, heritage, economics, sustainability and engagement services from 11 offices across the country. It is committed to supporting the logistics sector and to promoting the issues, challenges and opportunities that face the industry. This report was researched and prepared by Turley Economics, who specialise in economic impact, market demand and development viability advice.



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