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The *Welsh Economic Review* is produced twice yearly, by the Welsh Economy Research Unit (WERU) at Cardiff Business School. The aim of the *Review* is to provide an authoritative and objective analysis of the Welsh economy in a manner that promotes understanding and informs decision-making. The core section of the *Review* is written by members of WERU, with feature articles contributed by academics or practitioners within or outside Wales. The *Review* is circulated widely within Wales, to both private and public sector organisations, including the education sector and the Welsh Assembly Government.

Notes for Contributors

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words, and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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**Interview
& Feature
Articles**

Interview with Budha Majumdar

The *Welsh Economic Review* editorial team interviewed Budha Majumdar who is Port Director South Wales for Associated British Ports (ABP). A Master Mariner, Budha's career started at sea in 1967. After gaining a BSc (Hons) in Transport Economics at Liverpool Polytechnic (now John Moores University), he joined Mersey Docks and Harbour Company in 1976, there accumulating comprehensive experience in all port functions, from cargo operations to corporate planning, and also managing the UK's largest grain terminal and for a brief period running a shipping line. He was put in charge of Medway Ports in Kent soon after that company was acquired by Mersey Docks in 1993. Budha joined ABP in 1998 as Regional Manager North West Ports and was appointed to the ABP Board of Directors in the following year. He is now Port Director South Wales, continuing to build and maintain client relations and raise the profile and importance of the South Wales ports in the Welsh economy.

Could you outline the scale and scope of Associated British Ports?

ABP own and operate 21 ports around the UK, employ 3,000 people and handle about a quarter of the UK's seaborne trade. ABP is the leading provider to ship and cargo owners of innovative and high-quality port facilities and services in the UK. Increasingly, the emphasis is on partnership deals with customers, resulting in significant investment at each of the ports over the last 10 years – so these are long term customer relationships. As an organisation we are always keen to explore new opportunities where flexibility and innovation may be the key.

For which ports are you responsible?

There are 5 ABP ports in South Wales: Newport, Cardiff, Barry, Port Talbot and Swansea. Each port serves a different market and its own unique hinterland, with the exception of Newport which is one of the few truly general cargo ports serving a wide geographical area and a wide range of commodities and markets.

Where Newport handles a multitude of commodities for many different customers, Port Talbot serves in the main a single customer: Corus. Port Talbot Harbour is one of the few deep-water harbours in the United Kingdom capable of handling the largest bulk carriers afloat. Ships carrying 150,000 tonnes of iron ore or coal routinely call at Port Talbot to provide raw materials for Corus' steel mill. Barry on the other hand handles specialist chemical cargoes in bulk carried on specialist product carriers of 5,000 tonnes which serve Dow Corning's silicone plant.

What were the origins of our ports in Wales, and how have they changed?

The ports of South Wales were established as coal exporting ports, but with the decline of coal some smaller ports were abandoned (such as Llanelli North Dock, Burry Port, and Penarth) and larger ports (for example Cardiff

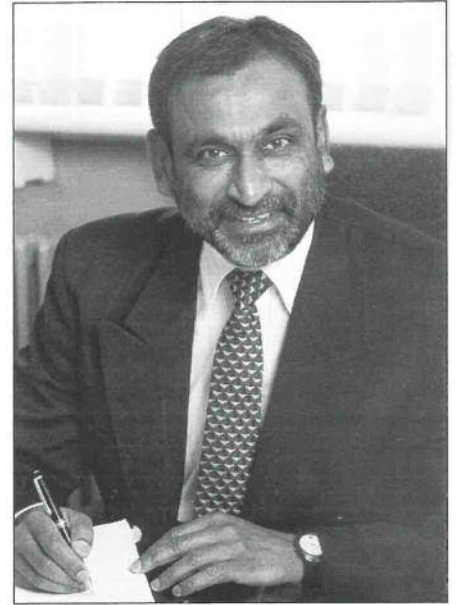
and Newport) diversified into other markets. At each economic cycle the ports have continued to diversify into different trades and cargo handling techniques. During the 1990s non-port related surplus land was sold, which has not impacted on operations, but left a leaner, fitter port organisation concentrating on core activities.

The historical rationale of ports has always been that they served a very specific market to begin with and in the case of ports in South Wales, this was clearly for the export of Welsh coal which fuelled the industrial revolution in the UK, and enabled the coal fired iron hull ships of the British fleet to trade all over the world. As industrial history changes, the original reason for the ports disappears. However, the assets, the facilities and the infrastructure remain and are modified to cope with the changing patterns of locally based international trade. Ports that handled coal exports in large quantities were deepened, widened and modernised to handle imports of timber, steel and in some cases, even imports of coal.

Investments were made at Mostyn to diversify into a significant RoPax ferry facility. Unfortunately, the fierce competition on the Irish Sea and development of other facilities on the Mersey made this uneconomic. Mostyn continues to handle moderate amounts of general cargo. Holyhead on the other hand, under the ownership of Stena Line, has developed into a large ferry port handling around 4,000,000 passengers. Milford Haven is the largest port in Wales in tonnage terms, handling around 35m tonnes annually, dominated by petroleum products.

Moving to the present, who are your key clients today?

A wide range of commodities and products are handled in South Wales ports, ranging from petroleum products, which then find their way into the tanks of motorists in Wales, to Bentonite, which consumers know as packs of cat litter in supermarkets. In the present economic cycle South Wales' traffic is



dominated by raw material imports of iron ore and coal for Corus in Port Talbot. Export steel from Corus is a welcome by-product of this activity and, in addition, the ports are experiencing significant growth in timber products, scrap exports and steel imports.

Recent contracts in South Wales include a 20 year contract with Saint Gobain Building Distribution Ltd (Jewson and International Timber), a new 20 year contract with Sims Group, a 5 year agreement with Duferco, a 10 year agreement with Scott Timber and a new agreement with Corus for their steel exports.

How important is the land transport infrastructure to a port?

Road and rail links to ports are crucial for growth and indeed for survival; if the cost of transportation of goods from a port to its final destination inland is so great as to make that supply chain uneconomic, then consumers will find alternative entry ports which are more cost effective. Having good road and rail links, as we do in South Wales, makes the ports more attractive and economically viable to a larger hinterland. Bottlenecks on the M4 and the Severn bridge toll are obvious disincentives to cost efficiencies that have to be overcome in other ways.

Given that the South Wales ports are gateways for goods in and out, how embedded are the South Wales ports in the Welsh economy, and can you briefly outline some of the trade flows?

The fortunes of the Welsh economy have a significant impact on the fortunes of South Wales ports, but ports in South Wales serve a wider hinterland than that

of Wales alone, and can compete for import/export business bound for and generated within the industrial heartland of the United Kingdom centred around the Birmingham conurbation.

Nevertheless, demands for raw materials for manufacturers in Wales and export of Welsh finished products in volume are most easily and effectively served through Welsh ports. The port of Cardiff provides a ready-made route for exports of steel products made by Celsa and their predecessors ASW. Port Talbot acts as point of import for raw materials for steel making at the Port Talbot steel mill and the exports of finished products made by Corus in Port Talbot and Llanwern are shipped through South Wales ports.

Curiously, Newport is the entry point for significant quantities of imported steel which goes into construction work and manufacturing processes in the immediate hinterland as well as more specialist users further afield. Timber imported through Swansea, Cardiff and Newport also finds its way to areas which could be considered to be beyond the immediate hinterland of these ports.

What are the principal challenges facing ports today?

The economics of sea transport integrate into the total cost of the logistics chain which then determines particular routing. Ports are a resilient business well used to coping with changes in patterns of trade, and indeed volumes and packaging, and are well prepared to make the changes in handling and storage requirements for any future commodity. The one thing that ports have difficulty in altering in the short term is absolute restrictions on vessel size which in South Wales is dictated by the sizes of the sea locks. All South Wales ports, with the exception of Port Talbot Harbour, are served by locks to cope with the 10-metre rise and fall of tides in the Severn estuary. Once these lock entrances are built they are enormously expensive to enlarge and this would only be done for military strategic reasons or a significant shift in trade in that port.

How do you go about marketing your services, and how does the 'market' work i.e. how do ports compete with each other?

Conventionally, ports have three prime attributes which they market; location, location, location, and all port marketing centres around this! Location determines restrictions on ships' size and access, the cost of onward transportation to the final destination and the availability of skills. Each port therefore accentuates the advantages

available to its customer audience by claiming that its particular location offers the best competitive advantage.

Having deeper water is not necessarily the final determining factor for making the port choice because it may not always be possible to use the largest size of ship for all commodities from all countries of origin. For example, olive pulp pellets which are used in coal fired power stations as a 'green' source of energy are only available for export through ports which can accept 3,000 tonne vessels for loading, so the import port that can accept a 30,000 tonne vessel has no additional advantage. On the other hand, where economies of scale play an important part, it is usually more cost effective to charter a cape size vessel to transport 160,000 tonnes of coal from Port Gladstone Australia to Port Talbot in South Wales; in comparison to 25,000 tonne parcels from St Petersburg to Newport. Loosely put, it is the skill of port managers in accentuating the positives of the assets, facilities and the location of their own ports which determines the success of that port compared to the competitors' ports. So having a larger land area adjacent to a deep-water berth clearly has advantages over a port that can only offer NAABSA (Not Always Afloat but Safely Aground) berths with very limited back up land.

What impact has technology change had on ports in general?

The science of materials-handling in ports has developed slowly in all but the key trades of containers and bulk cargoes. Container cranes have to match the ships which they service and have become larger and faster. Conventional open grab systems for bulk handling are being gradually replaced with continuous ship unloaders with the product being conveyed to stockpiles and stored in environmentally controlled conditions. More conventional commodities have seen very little change in handling systems, and productivity rates have not changed over a couple of decades. The next revolution in handling techniques will be in this area, as loose packs and bundles are made up into discrete unit loads, each being suitable for onward transportation by road and rail in mixed commodity loads sharing the same destination so avoiding multiple part deliveries.

Safety and security are now such an essential part of life that ports have not been immune from the blanket CCTV coverage so common these days in city centres. Safety of navigation is a prime requirement for ABP and the company has recently invested over half a million pounds to provide radar and VHF radio

coverage in the Severn Estuary, covering all five ABP ports and the approaches to the Port of Bristol. Ships report in to the VTS (vessel traffic service) centre announcing their intentions and making security and cargo declarations. The system also has automatic identification facility which can identify a ship as it enters the radar coverage area.

Estate management has also become an increasingly important part of the management of a modern port. The major source of income for port authorities is derived from dues on ships and cargo. However changing techniques in cargo handling, new concepts of intensifying land use in ports and the further development of port-located industry on industrial sites within port boundaries have led to revenue from land and property rentals constituting an increasing proportion of the total revenue of ports. In the South Wales group of ports land and property income amounted to nearly £2 million in 1971; this was 13 per cent of the Group's total income, compared with 4 per cent in 1963. By 2003 the revenue from property rentals had risen to nearly £14 million, and represented a third of the total revenue in South Wales.

It would appear from what you say that South Wales Ports have made a successful transition from the old days of coal and steel, and the future is at least stable for ABP in Wales. How do you see the future shaping-up?

As an island nation it is hard to imagine that the need for ports would diminish. One school of thought suggested that the country would only need a number of super ports to cater for the largest ships being planned. On the other hand with the drive for reducing CO₂ emissions and minimising the impact of road traffic, it is probably more realistic to picture a series of small to medium sized ports serving a clearly defined hinterland. In that case the ports of Wales are well suited and located and fitted out to cater for this future traffic. The physical shape and sizes of the ports are now pretty well established. There are no significant disposals planned of port located property. Ports will continue to invest heavily in equipment and technology and improve infrastructure and seek more long-term contracts with shippers and shipowners. There will inevitably be more value-added work inside the ports, including primary processing in order to reduce at least one leg of the road transport journey, and ports will remain strongholds of employment of both large companies and SMEs.

Finally, what do you value most about working in Wales, and what aspect of it would you most like to change?

I was told about Wales being a village, what I didn't appreciate was the close knit business community which provides the ready opportunity to forge business relationships and partnerships amongst

all those working in this 'village'. There is clearly a dynamic and youthful environment with a desire and drive to succeed. This is also a visible freshness of approach and a vibrancy shown by business, government and development agencies. The down-side to the village mentality is perhaps sometimes apparent in the feelings of introspection

and an unwillingness to punch above our weight when clearly we deserve to do so. There is no cause for being shy or backward in plying our wares, skills and facilities on world markets and in this regard Welsh ports play a significant part which may not always be fully appreciated. But then I would say that, wouldn't I?