Northamptonshire
Enterprise Partnership



Northamptonshire
Logistics & Transport Sector
Research

Executive Summary
June 2012

In January 2012 PACEC was appointed by Northamptonshire Enterprise Partnership (NEP) to carry out a series of research projects on the Northamptonshire economy to help guide future investments. This report focuses on the logistics and transport sector. It is recognised as an important sector in the Northamptonshire economy and a significant employer. The sector, based on the main activities of businesses, is defined as rail services (for freight and passengers), road freight transport, warehousing, storage and distribution, postal and courier services (with taxis). It also includes businesses with other important logistics functions, although this was not their main activity. For example, in food, retail, electronic goods and building supplies. The companies here make a significant contribution to employment opportunities in the county and are predominantly large and well established businesses.

The study builds on the success of previous NEP work with partners (eg the Logistics Steering Group). It seeks to:

- Achieve a clear definition and understanding of the logistics and transport sector.
- Compile, as accurately as possible, a directory of the companies.
- Carry out an analysis of the sector by, eg employment, its location, size of companies, skills, occupations
- Assess the constraints businesses face and development issues

The research has involved a desk study of relevant reports, an analysis of sector trends using the PACEC Local Economic Profiling System (LEPS), the compilation of the directory of companies, a survey of a representative sample of some 200 businesses, and interviews with some twenty partners as part of the wider economic development system. These comprised the Local Authorities, business support groups, the commercial property sector, industry bodies, the education / training sector.

Analysis of the Sector and Employment Trends

The core logistics and transport sector, with 27,000 jobs, comprised just under a tenth of total employment in Northamptonshire (8%) in 2010[1]. This is almost double the average for Great Britain (GB) as a whole (4%). The sector employed 1,700 more people (7%) in Northamptonshire in 2010 compared to 2008. In GB the change was minus 5%. The core sector in Northamptonshire is dominated by road freight transport and warehousing and storage, which together accounted for almost two thirds of total employment in the sector in 2010 (although they were in decline from 2008-10 when nationally they were growing). The employment in the sectors where logistics is not the primary activity was approximately 12,500 in 2012. Hence this brings the total employment in logistics activities to almost 40,000 for the county. Some key features of the sectors overall were as follows:

- Employment in postal and courier activities showed the strongest growth and more than trebled from 1,300 in 2008 to 5,400 jobs in 2010, ie possibly the visible mail and postal activities and other courier growth.
- There were approximately 1,400 establishments operating in the sector as a whole in 2008 (the latest year for data). Almost half of these (48%) were freight road transport businesses.
- The overwhelming majority of establishments are micro businesses (84% & some 94% SMEs.
- In the sector where logistics is not the primary function but important, the companies are predominantly medium sized and large.
- In numeric terms, Northampton has the highest number of people employed in the sector, with around 9,100 employees. This represents approximately one-third (34%) of the sector total. Daventry has the second highest number of employees (5,200 or 19%), followed by Corby (3,600 or 13%).
- One in seven jobs in Daventry (15%) are in the logistics sector, as are one in eight jobs in Corby (12%), where concentrations are highest.
- The logistics and transport sector as a whole provides almost twice as many jobs in Northamptonshire (1.84) as the national average.
- There are some seasonal changes to jobs in the sectors where employment increases, particularly over the Christmas period.
- The long term picture for jobs in the sector is very positive. Employment could grow by 8,250 jobs between 2010-21, to a total of 35,250 in the SIC codes, with additional growth in those companies giving a total of 51,750.
- The occupations and skills in the sector in Northamptonshire reflect the regional distribution. A third of the jobs in the county and region are management, professional and admin jobs. Two thirds are in the manual occupations.
- The occupations in businesses where logistics is not the primary activity reflect the above, although there are fewer professional / technical staff as these functions are usually carried out on other sites for the businesses (eg the shops themselves) or HQs.
- The additional skills required were as follows: intermediate manual and elementary skills, English language skills (primarily for migrants), specialist apprenticeships (eg for high tech vehicle maintenance), HGV drivers and general warehousing skills.
- In the East Midlands, where pay is very similar to Northamptonshire, median weekly gross pay across all sectors was £380, and in the transportation and storage sector it was £440. However, it was lower in the sub-sector where logistics was not the primary function as there were fewer professional / technical staff on site.
- The size ranges for general warehousing, storage and distribution can be c.450m^2 for low density employment and specialist distribution and up to 50,000m^2 for the largest (or above this). The middle ranges could be 3,000m^2 to 5,000m^2. These middle range figures apply to the businesses where the logistics function is not the primary activity.

[1] Data from the ONS Business Register Employment Survey (BRES), and enhanced by PACEC. Note the 2011 data is not published for use until December 2012.

The Business Survey

The survey provided a representative sample of businesses in the sector. The overwhelming majority of the businesses (84%) were independent companies. Just under half (49%) established after 2001. The vast majority were micros and SMEs.

The survey showed a low level of good business practices – few businesses (around two in five or less) carried out staff training/development, have quality systems, environmental management practices or carry out innovation or collaborate with others for R&D. This is particularly the case with micro/ SME businesses, primarily because of the costs involved.

The majority of the businesses did not face significant constraints. Where they did the **main constraints were** the current economic context, sites & premises (the lack of availability, quality, poor parking facilities, lack of security), transport links (major roads were too narrow eg the A14, they had poor surfaces and poor lorry parking facilities) and general operating costs (for fuel, energy, labour, premises).

The businesses considered Northamptonshire's **main economic strengths are its** overall favourable location (provide good access to markets and labour), transport links (in spite of some constraints), and the image and reputation of the county for its quality of life and for providing a "sense of place".

The **main weakness of Northamptonshire's economy** was considered to be the low level of business support services (for general & specialist advice including innovation, exporting & finance). The shortage of labour also featured and the difficulty of recruiting HGV drivers and younger drivers.

The degree of collaboration between businesses and other organisations (as a feature of clusters) was relatively low except for links with suppliers and customers and other firms for around two fifths of businesses. However, there were few educational / training links and just a quarter of firms were a member of, or got involved with, trade associations.

The commercial property sector in Northamptonshire considered that there were very few vacant logistics and warehousing units available because of relatively high levels of demand. The vacant units were considered to be older and unsuitable units.

On the whole, the businesses were optimistic about the future prospects of the sector over the next 3-5 years.

Consultation with Partners

The majority of partners did not think businesses in the sector faced constraints to any great extent. However, they placed more emphasis on them than businesses, possibly because firms contact them directly to deal with issues.

The constraints mainly related to transport (problems with the A14, major junctions, lorry parking facilities, and public transport in more rural areas), sites and premises (primarily the need for larger sites and premises, more modern facilities, better access and security), labour and skills (the shortage and HGV drivers, intermediate manual and elementary skills, English language skills and apprenticeship opportunities) and business support (the need to clarify the support available and create more specialist support). Partners considered that these constraints affected the larger distribution firms more, primarily because of their scale.

The partners identified some **key strengths in the county:** the location of the county (with access to markets but subject to improvements in the transport system), its business base (with its diversity), and its overall / general labour market (ie the availability and quantity of labour and skills).

The **main weakness identified** were sites and premises (ie a general lack of availability and the costs to rent/ buy). Some of the transport aspects were the need for road widening on major roads (eg the A14), poor lorry parking facilities and motorway services, road / rail interchanges, as well as rural bus services, primarily for employees getting to and from places of work.

The property sector organisations consulted highlighted the **poor supply of warehousing and distribution sites** and premises. It was considered that developer and occupier interest was being diverted to some extent to South Yorkshire and Milton Keynes as a result.

The partners were, on the whole, **very optimistic about the future prospects** of the logistics and transport sector.

Around **four-fifths anticipated there would be an increase in the level of employment** over the next three to five years.

Conclusions and Policy Issues

The Importance of the Sector

Issues arising from the sector and employment trends:

- **Given the number of jobs in the logistics and transport sector in Northamptonshire in strategic policy terms it is a sector which should be maintained and encouraged to grow in appropriate locations and subject to its compatibility.**

- **The road freight and warehousing and storage sectors should be a focus of strategic policy to arrest the decline in the county (in the face of national growth).**

The Strengths of the Economy

Issues arising from the survey of businesses and consultations with partners

- **The location of Northamptonshire with access to markets and the labour supply is a key strength which should be maintained by improvements to transport links (especially roads).**

- **The diversity of the business base is a strength which should be developed positively as a feature of the County's growth policy scenarios.**

Business Constraints and Suggested Improvements

Issues arising from the survey of businesses and consultations with partners
The discussions with businesses and partners directly identified constraints and suggestions which should be prioritised for action.

- **A Shortage of Adequate Sites and Premises – Actions**

Improve the availability and diversity of sites including larger sites with modern facilities. Increase the range of premises with grow-on space and larger units that are of better quality and are secure and highly accessible. Improve the quality of the environment at sites and estates.

- **Transport Issues – Actions**

Accelerate A14 improvements (with widening and improved junctions). Increase lorry parking provision, public transport in rural areas and east-west rail links.

- **The Supply of Labour and Skills – Actions**

Strengthen skills through improved training provision for HVG drivers, warehousing staff, high tech vehicle maintenance staff (with apprenticeships), and upgrade manual, elementary skills and English language skills (for migrants). Encourage more training for the unemployed and target higher quality jobs that are attractive to job seekers and existing employees.

- **Business Support Issues – Actions**

Increase the overall level of business support and the specialist support for business development, innovation and product development and exporting with easier access to support. Promote the services more widely to SMEs and micros. Liaise with banks to improve the supply of debt funding.

As part of the research, business practices were reviewed. **There are some priorities that business support services could focus on. In particular staff training and development, quality and accreditation systems, environmental management practices and support for innovation to develop new and enhanced products or services.**
It is considered that the stakeholders and partners in Northamptonshire should develop a strategy and action plan focusing on the study findings to maintain and build on the county's strengths and address constraints.