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Brexit and British ports: Implications and adaptation to the new context

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Extended Abstract

The UK is an island nation where the economy is heavily dependent on the large number of diverse ports developed at its coastline. In terms of volume, 95% of UK trade is transported through ports, with the EU trade counting just over 40% of the overall UK port traffic (DfT, 2020). UK ports and maritime supply chains are currently experiencing a “double” black swan event. Brexit (UK leave from the EU) has been a high-profile rare event altering the operational environment, with its implementation in unknown terms until the last moment beyond the realm of normal expectations by the port industry. The changing politico-economic setting has co-existed with the disproportionate hard-to-predict Covid-19 pandemic, in a juxtaposition having an enormous impact on the UK port sector.

This research examines the direct and indirect implications of Brexit on British ports. The aim is to generate knowledge on the short and long-term positives and/or negatives of Brexit for ports in the UK, the way it has advanced or limited the various capacities of ports, and the efficiency of the related public policies in increasing port competitiveness. Replies to a conducted survey enable to examine industrial perspectives on Brexit and study the resulting risks and challenges for British ports strategies, management, and operations both in the short-term (period between the decision and the actual Brexit) and the long-term (implementation of Brexit). Along with further qualitative research, they also allow exploring the processes of port adaptation in response to the changing politico-economic framework and the issues that remain to be addressed. With *Freeports* being a flagship initiative of the British government, partly in response to Brexit, the study expands further on its specifics and potential for British ports.

Objective

Any significant change in the political and economic environment entails the potential of altering the operating conditions of a port system. As the (widely applied in port research) matching framework approach of port governance advocates, the governance of ports is defined

by the adjustments of port structures and strategies in response to the evolving economic context (Brooks and Baltazar, 2001; for recent country applications: Brooks et al., 2017). Scholars studying the implications of the world financial crisis of 2008/2009 (i.e., Rodrigue et al., 2011), and the first studies on the consequences of the Covid-19 crisis on ports (Notteboom et al., 2021; Notteboom and Pallis, 2021) and maritime supply chains (i.e., UNCTAD, 2020), reveal that each crisis unveils both the resilience and weaknesses of any port system.

For the British port system, Brexit is such an event. To give some examples, the different processes caused by Brexit (e.g., custom checks) have an immediate impact on shipping and port operations activity levels and could alter market structures or corporate strategies. According to HMRC estimates, 132,000 traders after Brexit will have to make customs declarations for the first time, adding to the 141,000 that already do so (Taylor, 2018). According to 45 percent of supply chain managers, maritime transportation of goods was delayed more than two days due to Brexit and up to four days due to the Covid-19 testing of track drivers. Those delays lead 6,300 trucks to be stuck outside port areas before Christmas (BBC, 2020).

Therefore, the scope of our research is to understand the exact implications of Brexit on British ports: whether Brexit has already an impact on British ports operations, whether this impact has been positive and/or negative, what are expected to be the long-term positive and/or negative impacts on port operations, management, and governance, if British ports were prepared for this contextual changes, and how the UK government is planning to respond by building resilience capacities for the UK ports.

To reach its objectives, the research examines both the direct and indirect implications of Brexit for ports in the UK, as well as the efficiency of the related public policies in advancing port competitiveness. With the use of a questionnaire survey, the study examines the perspectives of stakeholders, as regards the resulting risks and challenges for British ports strategies, management, and operations in the short-term (period between the decision and the actual Brexit) as well as in the long-term (implementation of Brexit). Along with further qualitative research (documentation analysis; port traffic data and port performance-related indicators), the replies to the survey also allow exploring the processes of ports adaptation in response to the changing politico-economic framework and the issues that remain to be addressed. With *Freeports* being a flagship initiative of the British government, partly in response to Brexit, the study expands further on its specifics and potential for British ports.

The empirical research is applied only to the British context, i.e., it does not include an analysis of the potential impact of Brexit on European or third countries' ports.

Data/Methodology

We have conducted a thorough literature review on the impact of Brexit on British ports. The collection of data from various key sources, for example, the Department for Transport and the House of Commons (British Parliament), included trade and port traffic statistics and documents and reports on the reasoning, expectations, and other parameters of the Brexit decision on ports and trade.

Next, a survey instrument was developed to document and analyse the realised impact of Brexit on the British port system and the anticipated benefits and/or drawbacks. We have designed a web-based questionnaire, which has been distributed to four groups of stakeholders. These are: (1) port representatives (managers / officers / directors); (2) port users; (3) port/maritime services providers and (d) related public authorities.

The first cluster of questions relates to trade (imports and exports) and services (for cargo and passengers). A second cluster refers to the complexity of various operations (including border controls, documentation, customs, etc). The third cluster relates to utilisation and complexity of logistics, storage, and distributions, followed by questions on pricing, tariffs, non-tariff barriers (health & product standards, technical requirements, etc.), and labour issues

We asked stakeholders to inform us on:

- The impact of the transition phase towards Brexit on their port or the port they use?
- How would they best describe the overall impact of Brexit on their port or the port they use?
- How do they believe that Brexit will have an impact on several adaptations/ capacities of their port or the port they use – including questions on financing of investments, port taxation, digitalisation, automation, technology implementation, innovation, attracting skilled labour, and lowering environmental impact.

In all questions, we used a scale including the measurement of any potential negative impact (from 1-minor to 5-major) of any possible positive impact (from 1-minor to 5-major) but also an option to declare the absence of any impact of Brexit (0- no impact at all). In addition, we asked them to list up to two (2) major benefits and up to two (2) major drawbacks already experienced during the transition phase towards Brexit (if any), and the two ones that are foreseen.

Finally, we asked them whether they believe that Brexit will increase/decrease the potential positive effects of the flagship port-related initiative of the British government, namely *Freeports*, and the potential of this initiative to offset any drawbacks of Brexit.

Results/Findings

With the survey ongoing at the time of submission (June 2021; *survey results are expected to be ready for inclusion in the final version of the extended abstract*), in this section, we present some of the early findings of our study - based on the trade and port traffic information extracted by the Department of Transport.

Early findings demonstrate that Brexit caused a drop in Ro-Ro traffic, which is the largest volume for the UK-EU port traffic (**Figure 1**). That drop has been the result of two reasons, with both of them be Brexit-related. Firstly, Irish companies are bypassing UK “land bridge” as the additional paperwork and tariffs are complicating the process. Before Brexit, Irish cargo was passing through the UK, as it was the faster and cheaper option. Therefore, logistics operators use the term “land bridge” when referring to the UK's role in connecting Ireland with continental Europe and the EU in particular (Mallet and Beesley, 2021). With the third-largest EU-UK Ro-Ro traffic destination (non and self-propelled inward and outward) for 2019 being Ireland (13,2% of the total), the impact on UK port volumes is substantial. The second reason for the UK Ro-Ro port traffic reduction is the drop in EU/UK cargo traffic. At the beginning of 2021, the UK exports to the EU have been reduced by 40% compared to January 2020, with this reduction already attributed to the increased checks and taxes imposed as an outcome of Brexit (Pope, 2021).

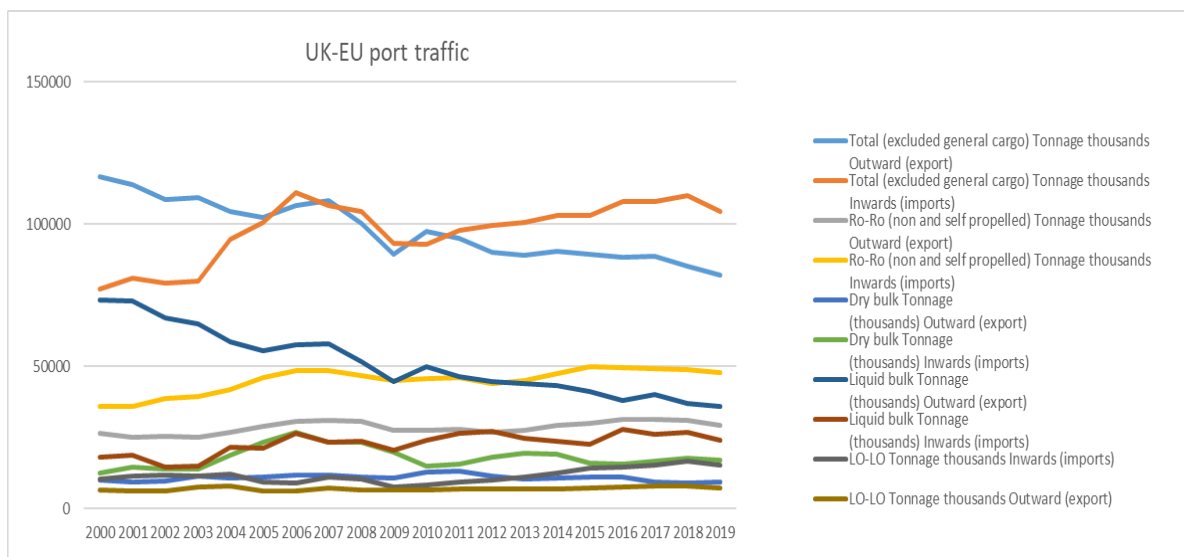


Figure 1 - UK-EU port traffic

Source: Authors with data from Department for Transport (2020)

The example of the major port market of all (Ro-Ro) illustrates the need and validity of expanding the analysis in all port markets for collecting information from ports and stakeholders. It also demonstrates the worthiness of analysing the collected data per type of cargo and per type of port (major ports/private ports/geography of ports etc.).

Implications for Research/Policy

Via the conducted survey, the study identifies the negatives and benefits that ports already experienced during the transition phase due to Brexit, the anticipated long-term impact of Brexit, and the implications for their adaptation capacities to emerging challenges. Via the port traffic data, the research will attempt to reveal the impact of Brexit on the actual trade volumes per cargo type.

In combination, these findings will reveal necessities for private and public initiatives to facilitate the adaptation of British ports to the evolving economic and political context. British ports will inform their strategies and structures to sustain their competitiveness. Decision-makers in the UK will use the findings and introduce policies and/or other initiatives to offset any drawbacks generated by Brexit or enhance any related benefits. Towards this end contributes the examination by our study of how the UK government could use its recent *Freeports* to promote British port competitiveness.

The study contributes to port research in two ways. First, by providing a case study of building port capacities in adapting to significant changes in the contextual frameworks within which they operate. Second, by revisiting theories on the abilities of ports to inform their strategies and structures and develop a matching context-structure-strategies framework that will enable to improve both the efficiency and effectiveness component of their performance.

Keywords: *UK port sector, Brexit, port governance, port adaptation, maritime supply chains.*

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