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<b>Title of meeting:</b>	Cabinet Member for Transport
<b>Subject:</b>	Portsmouth International Port business update 2023/24
<b>Date of meeting:</b>	20 March 2024
<b>Report by:</b>	Port Director, Portsmouth International Port
<b>Report author:</b>	Mike Sellers
<b>Cabinet Member:</b>	Councillor Gerald Vernon-Jackson, Cabinet member for Transport
<b>Wards affected:</b>	N/A

**1. Requested by**

Cabinet Member for Transport.

**2. Purpose**

An information report on the performance of Portsmouth International Port for the financial year of 2023/24.

**3. Information Requested**

Portsmouth International Port (PIP) is the largest and most successful city owned port in the UK. The port is also the second largest cross channel port on passenger and freight volumes, with the most destinations to Europe that any other UK port. PIP is both the statutory and competent harbour authority for all commercial shipping into Portsmouth harbour covering the International Port and the Camber.

Like all ports and many businesses that carry out international trade, the port has had to overcome unprecedented impacts during the covid pandemic and Brexit.

This report outlines the performance of the PIP during the current financial year 2023/24 and provides an update on projects.

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### **4. Trade**

Due to the pandemic and its impact on the movement of passengers, the port has compared prior year performance to 2019 (pre-pandemic levels). 2023 has been the first full year when all borders with Europe have been open without covid restrictions on passengers. It has also been the first full year when we have been able to follow the trade trends post Brexit.

#### **4.1 Cross Channel passengers**

Passenger were at 95% pre-pandemic levels during the year. Car passenger levels were strong throughout the year. However, coach and short stay travel has not returned to the same level. This is mainly due to the overcapacity in the cross-channel ferry travel with cheaper budget travel on offer with other ferry operators. Both of PIP's main ferry operators, Brittany Ferries and Condor Shipping Ltd have signed the UK Government's Seafarers Charter, along with other responsible ferry operators, which ensures that their crew are paid a reasonable wage comparative with the UK National Minimum Wage. However, some operators crossing the channel have not signed the charter and are paying low wages allowing them to provide much cheaper crossings to France.

The Seafarers Wages Act 2023 will enable port authorities to deny access to services calling at UK ports who do not pay workers the National Minimum Wage. The laws will prevent firms undercutting fair pay for seafarers by using legal loopholes to pay low wages. A consultation is currently taking place between UK Government and UK ports on the enforcement and administration of the Bill. This should also help rebalance the cost of Channel crossings providing a level competitive trading environment.

Channel Island passenger numbers were reasonably strong for 2023 and back to pre-pandemic levels. The introduction of the third Channel Island ferry in September 2023, by Condor Shipping has allowed more passenger capacity from Portsmouth and we expect to see further growth.

#### **4.2 Cross Channel freight**

Freight levels (lorries and trailers) were significantly down during the year, overall, 20% down on pre-pandemic levels. The reason for the drop in trade is two-fold.

- 1) As with the passengers (above) budget ferry operators have distorted freight rates across the Channel, however we anticipate this will rebalance by the end of 2024 with the introduction of the Seafarers Wages Act 2023 and France introducing similar restrictions on activities referred to as 'social dumping'.



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- 2) With ferry operators back to similar sailing schedules, PIP have been able to track the full effects of Brexit. Overall, trade with the EU is down 20% and this is very similar to the trend we have seen at the port on cross channel freight trade.

Offsetting some of the downturn in EU freight trade, we have seen an increase in Channel Island trailers due to the introduction of the Islander by Condor Shipping in September 2023. Although this has been to detriment of Portico Shipping Ltd with Ferryspeed ceasing their lift on lift off container service in order to switch to ferries.

### **4.3 Cruise**

We continue to see exponential growth in cruise trade. PIP has established itself as popular for high end, expedition, and boutique cruise brands such as Saga, Virgin, Viking, Ponant, Noble Caledonian, Pheonix Reisen, Tui and Aida.

In 2023, we had 76 cruise calls, with 88 calls booked for 2024. We expect to exceed our initial target of 100 calls in 2025. This is slightly behind the business plan timeline; however this was produced before the pandemic. Cruise ships are now reporting bookings at capacity passenger levels which is extremely positive for the future growth.

Cruise has been essential to offset some of the impact we have seen on ferry passenger and freight trade post pandemic and post Brexit.

We took practical completion of our new, net zero, passenger terminal extension (part funded by the UK Government's levelling up grant) in October 2023. The new terminal has the most advanced technology from sea water, under floor heating and cooling systems, smart LED, solar and living walls to purify the air. It meets the expectations of the boutique cruise liners and, to date, has had 75,000 passengers pass through the terminal since it became operational.

With passenger and crew spend in the city, contractors working on the ships and local hotels providing pre-cruise accommodation, each call will generate up to £1.5 million to the city's economy.

### **4.4 Portico Shipping Ltd**

Portico Shipping's port activity has increased since it has developed its business plan to attract more than just fruit to their terminal. PIP income from Portico Shipping Ltd is generated from port dues and pilotage.

Portico has been impacted by Ferryspeed ceasing their container line calls and switching to ferries through Condor Shipping. Additionally, as the operator of the Border Control Post, Portico has also been negatively impacted by the delays to the implementation of the food inspections at the port.



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As the only shareholder of Portico Shipping Ltd, Portsmouth City Council, is using external consultants to carry out a review of Portico to ensure that it is best value for the city to continue to invest in the company. A report on the review will follow in due course.

### **5. Camber**

The Camber activities include fishing and leisure craft. PIP also provide all of the marine and pilotage services at the Camber. There has been some extensive investment in the Camber by port users in 2023, particularly Fish Portsmouth who are providing excellent facilities to attract fishing trawlers back to the Camber.

The port is exploring the feasibility of installing electric power for the trawlers to plug in during their stay in the Camber.

### **6. Hybrid Ferries, shore power and Seachange**

In 2023, the port and our partners were awarded a £19.8 million grant (£18.5 million specific to the port) from the Zero Emissions Vessels and Infrastructure competition (ZEVI), funded by UK Government, and delivered in partnership with Innovate UK. The grant has allowed us to embark on a groundbreaking decarbonisation project with Brittany Ferries, alongside the University of Portsmouth, MSE International, B4T, IOTICS and Swanbarton.

The **Seachange** project will design, build, and operate a 'shore power' system across the three busiest berths at PIP. This will allow visiting ferry or cruise ships to turn off their engines when in the port, as they will be able to 'plug-in' and use green electricity to run their onboard systems. The overall cost of the project is over £26 million and is part funded by Portsmouth City Council. It excludes the cost of the new ferries, part of Brittany Ferries fleet renewal estimated at €550 million.

Seachange has the potential to revolutionise the UK's maritime sector, and further establishes PIP's reputation as a living laboratory of green technology with industry-leading sustainability credentials. This project realises the full potential of two new LNG-electric hybrid ships from Brittany Ferries, which will begin sailing from Portsmouth starting in spring 2025 and will be shore-power ready.

Providing shore power will reduce harmful emissions and improve air quality around the port. It is estimated that the system will save over 20,000 tonnes of CO<sub>2</sub>e per annum from 2027. This is the equivalent to the annual carbon footprint of around 2,500 UK households.



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This is the single largest project in the port's history and reaffirms the port's commitment to reduce the impact of operations on neighbouring communities and assist with the wider city's ambition to reach net carbon neutral by 2030.

Brittany Ferries is introducing two new LNG-electric hybrid ferries from 2025, which run on a combination of cleaner liquefied natural gas (LNG) and battery power. With shore power available at the port, they will be able to charge their batteries and run on battery power when manoeuvring through Portsmouth harbour, improving air quality, and supporting the industry-wide shift to zero-emission shipping. They have recently agreed terms for a new 20-year commercial agreement with PIP, which includes the provision of shore power subject to satisfactory commercial rates. A legal agreement is currently being drawn up.

A consortium of academics, marine specialists and some of the UK's most exciting technology SMEs have been brought together alongside PIP and Brittany Ferries to deliver the project.

ABB have recently been appointed as the electrical integrator for the port in order to be shore power ready by spring 2025.

Thanks to strategic planning, perseverance and capital support from Portsmouth City Council, additional grid capacity has also been secured to provide the power needs for the cruise and ferries. PIP will be the first UK port to provide multi-berth, multi-frequency, multiuser shore power facilities.

### **7. Border Controls and Infrastructure**

The Border Control Post (BCP) infrastructure constructed to provide government biosecurity checks on food products, remained mothballed during 2023. There were further delays to the border control, with five delays and changes since ports were required to build the infrastructure following the introduction of the Border Operating Model in 2020.

The changes to the import controls, initially on EU food imports and now on all international food imports, targeting controls on higher risk products, trusted trader status options and use of technology, significantly reduce the need and use of the infrastructure.

The latest Border Target Operating Model (BTOM), is expected to commence at the end of April 2024. There remains concern over this date with Port Health Authorities around the country being under resourced and many areas for clarity needed for importers. However, if this date does not change, PIP has now received formal designation for the use of the BCP, albeit much less than the infrastructure built.

Furthermore, ports continue to await details from Defra of the Common User Charge (CUC) for the government managed Inland Border Facilities (IBF). With increasing concern



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and like many ports, we are frustrated with the continued delay in its publication. Once this is published, we will attempt to use this to base our charges and remain competitive. We need a tariff for our customers and importers need sight of what these will be for their operations well in advance of the April deadline. The trade body that represents the port industry, the British Ports Association, has written to the Parliamentary Under Secretary of State for Defra expressing ports concerns and frustrations.

The Cabinet Office has relaxed conditions on the BCP use to give ports the ability to reduce their operating expenses and attempt to mitigate the cost of running the huge facility by looking for commercial income. However, these are highly bespoke buildings that would need further infrastructure changes in order to be attractive for commercial use. In addition, the port must have infrastructure to fulfil the requirements of the BTOM. PIP is working on options but need further clarity from the government before providing a proposal to the council.

### **8. Port Masterplan**

In 2022, Portsmouth City Council approved the port masterplan. The delivery of the masterplan is themed around four areas:

- 1) Environment and sustainability
- 2) Society and economy
- 3) Resilience and security
- 4) Innovation and technology

This 20 year masterplan has the potential to double employment from 5,590 to 11,333 jobs and provide £801 million to the national economy, half of which will be a local benefit.

We have achieved a great deal over the last 2 years despite the challenges with the pandemic and Brexit. However, trade patterns have been different to the original predictions. Therefore, we are contracting Royal Haskoning DHV, the authors of the original report, to carry out a light touch refresh of the masterplan. A report will follow in due course.

### **9. Financial**

Against the port's cash limit target of £8.02 million, the port is reporting a favourable variance of £0.25m.

This is due to the trade environment outlined in the report and there is strong management cost control at the port. Expenditure is forecast to be lower than budget.

2024/25 budget cash limit target is £9.185 million.



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Main capital schemes:

- Shore Power: £26.175 million
- Passenger Terminal: £17.5 million
- Port masterplan: £27.5 million allocated in the port’s capital programme.

**10. Summary**

I am pleased to report a positive financial forecast for the port, against a backdrop of a tough trading environment.

The Seachange project will be a big focus for us this year, in order to be shore power ready for spring 2025, when we look forward to welcoming the two new hybrid ferries from Brittany Ferries.

Cross channel passengers are almost back to pre-pandemic levels, but freight has been significantly down, and we expect a similar trend this year. This has been offset by our expanding cruise portfolio and strong management cost control.

Despite continuing cross channel trade challenges, the outlook for 2024 is positive and I am confident, with a fair wind, that we will meet the budgeted cash limit target of £9.185 million.

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Signed by (Director)

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location