

Committee(s):	Date(s):
Port Health & Environmental Services	12 September 2012
Subject: London Gateway Port	Public
Report of: Director of Markets & Consumer Protection	For Decision

Summary

London Port Health Authority has a Statutory Duty to provide inspection services to enforce imported food and animal feed legislation.

The London Gateway Port is under construction within the boundary of the London Port Health Authority and preparations for the opening of the Port in the last quarter of 2013 have to be put in place so that the Authority can meet the demands placed upon it.

This will entail recruiting sufficient staff and securing office accommodation as well as the provision of IT and other equipment.

The costs associated with this project are not known at present, however, start up funding is available via a reserve fund held by Port Health. Additional funds may be sought at a later stage.

This is an exciting development which presents an opportunity for the Port Health Authority to show that it can meet the challenge and provide a first class service to the international companies that will be using the new port.

Recommendations,

I recommend that:

- Existing staff are redeployed to London Gateway with new employees back filling the vacancies left by those transferring;
- Funding for the proposal is via the Products of Animal Origin Reserve Fund in the first instance with any additional start up costs being the subject of a separate report;
- A further report be submitted to your Committee within six months to provide an update on the situation;

Main Report

Background

1. The City of London Corporation acts as the London Port Health Authority for the tidal Thames. The Authority is responsible for a 153 kilometres stretch of the river Thames, running from Teddington Lock to the Thames Estuary. It includes the ports of Tilbury, Thamesport and Sheerness as well as the smaller wharves and quays along the river.

2. Cargo throughput in the Port of London has declined since the mid 1960s when it handled over 60 million tonnes per annum to around 50 million tonnes a year today. The move towards containerisation, i.e. the use of 20 foot and 40 foot shipping containers, and the increasing size of vessels has meant that trade has moved downriver, with the only container port on the Thames now being at Tilbury in Essex. The City Corporation also has responsibility for Thamesport, another major container port, located on the Isle of Grain in Kent.
3. The London Gateway Port is under construction on the site of the former Shellhaven oil refinery on the north bank of the Thames close to the mouth of the estuary. Throughput at container ports is measured in Twenty foot equivalent units (TEUs), the size of the smaller shipping container. The potential capacity for London Gateway is 3.5 million TEUs per annum which compares to 3.4M at Felixstowe, 0.55M at Tilbury, 0.66M at Thamesport and 11.8M at Rotterdam.
4. The Port Health Authority has a statutory duty to enforce controls related to imported food. The main work activity is the inspection of food imported from outside the European Community to check that it complies with Food Safety and Animal Health legislation. An organisational structure of the Port Health Authority is shown at Appendix 1 together with the numbers of staff at each port office and the locations of the main ports, including London Gateway.
5. Dubai World Ports announced on 4th October 2011 that the London Gateway Port would be ready to accept vessels in the last quarter of 2013. It is possible that this will cause trade to be diverted from other UK ports including Thamesport and Tilbury, but it is also an opportunity for ships to deliver containers direct to the UK rather than being transhipped via Rotterdam.
6. Land for the first phase of the development has been reclaimed and the quay wall is under construction; cranes and straddle carriers have been ordered for delivery. Rapid progress is being made with the construction work and all indications are that the port will be up and running in one year's time.
7. The business model for this project is to take advantage of the economies of scale presented by the next generation of container vessels and link this with the construction of a business park behind the port.
8. Specific customers will be identified so that the port can offer a bespoke service for these companies to undertake their logistics operations close to the Port, thus giving them direct access to the significant market in London and the South East. This will give sustainability benefits and be more efficient than the current arrangements where containers are trucked to the Midlands prior to goods being despatched to the London and South East market.
9. A report was submitted to your Committee in July 2007 which confirmed that the development had planning approval and Members visited the site in July 2008. After some holdups linked to the downturn in the global economy, this project is now progressing at a fast pace.
10. The opening of the London Gateway Port is the most significant managerial challenge faced by the LPHA since the closure of the upper river enclosed docks in the 1970s, and the purpose of this report is to outline the implications for the Authority.

Current Position

11. The design of the imported products Inspection facility for Imported Food has been agreed with Port Health and other Enforcement Agencies. The construction work is now out to tender. There is a tight timetable to be met to deliver the completed building on time.
12. This building is provided at the expense of DP World (the Port Operator) and must meet the current legislative standards. In the design process consideration has been given to the future throughput of the terminal, although this has been difficult because DP World does not have accurate information available on the throughput and types of product that may be imported. Also, the hours of operation have not been confirmed and this influences the demand on the inspection facility and the staffing requirement.
13. For security reasons the Port Operator does not want widespread access to the Port and so the amount of office accommodation at the Inspection Facility is restricted. Sufficient space is available for the staff that will be present undertaking food inspections, however, additional accommodation outside the port boundary will be required.
14. Office space near to the Port has been identified and details have been passed to the City Surveyor with a request that negotiations for space be commenced.
15. A review of the current Port Health Authority management structure is being undertaken to ensure effective use of staff resources. Current roles and responsibilities will be reviewed to ensure efficient service delivery. This will have a bearing on the staffing at the London Gateway Port.
16. At this stage it is not clear how many staff will be required to meet the administration and inspection demand. Estimates of Imported Food throughput have been given which indicate levels equivalent to those currently experienced at Thamesport and Tilbury combined, so eventually this could equate to a doubling of the full time equivalent staff currently employed.
17. A better indication of the staff resource required will become clear once the Port Operator is able to say how the port will operate. There are two scenarios that may occur: (i) a "big bang" approach where the current phase of the port becomes fully operational over a short space of time; or (ii) a gradual build up of trade.
18. In either case, the Port Health Service has to be prepared to deliver the demands required by the Port and this will mean having staff and other resources available to meet an uncertain demand. Quite how this scenario will be dealt with has yet to be decided, however, it will be necessary to have sufficient office accommodation available as well as the IT infrastructure at both the Port Inspection Facility and any external office.
19. Staff will have to be recruited well in advance of the opening date so that training can be delivered to ensure the service is prepared to meet its commitments from day one.
20. The Port Health Service will require assistance from other City of London Departments to arrange office space, recruit new employees and install IT infrastructure and equipment to enable the Port Health Service to function as required at the port.

Options

21. The Port Health Service must have sufficient staff to be able to meet the demand to inspect the full range of imported food and animal feed presented at the inspection facility to meet the Statutory Duty placed upon the London Port Health Authority.
22. The current options are:
 - (i) to employ a completely new set of employees or
 - (ii) redeploy existing staff with new employees back filling the vacancies left by those transferring to London Gateway Port.

Proposals

23. Option (ii) is preferred because this makes best use of the available in house expertise and will provide consistency of operation for both the Port Operator and the Port Health Service.
24. The costs involved are not known at the moment, however, a meeting with the Port Operator is arranged for 10 September 2012 when some of the issues raised in the report may become clearer.
25. It is proposed to fund the start-up costs from the Products of Animal Origin Reserve (PoAO) Fund that was approved by your Committee and the Finance Committee in 2000. One of the express purposes of the report was to obtain approval for the fund to be used for the new port.
26. Nearly £400K is held in the PoAO reserve fund. This fund has been set up to enable excess income from the provision of the inspection service to be held in reserve for use in the eventuality of a down turn in trade. In these circumstances the costs of the service may not be covered by the charges levied and the reserve can be used to balance the budget. The inspection service is provided on a full cost recovery basis but cannot make a "profit". The reserve fund is a prudent arrangement to deal with fluctuations in trade and may also be used in the current circumstances. Nevertheless, additional finance may be required as the reserve may not cover all of the initial costs.
27. Should additional funding be required this will be the subject of a separate report.
28. Once the port is up and running, costs will be recovered for inspection service where the legislation allows. There will still be costs that have to be met from the local risk budget as not all imported food controls are self funding.
29. In order to keep your Committee informed of developments, a further report will be presented within six months, or earlier if the position becomes clearer.

Corporate & Strategic Implications

30. The City of London vision statement is relevant to this development

"The City of London Corporation will support and promote the City of London as the world leader in international finance and business services, and will maintain high quality,

accessible and responsive services benefiting its communities, neighbours, London and the nation.”

31. The Port health Service Business Plan identifies the preparation and planning for the London Gateway port as a key objective.
32. Failure to provide the service will reflect poorly on City of London as a place to do business and could have implications for the viability of the project if first class services are not available.

Implications

33. The financial implications cannot be accurately quantified. One of the reasons for this report is to draw attention to the situation and alert the Committee that substantial expenditure could be involved. Once further information is available, a more detailed assessment of costs to the Authority, and charges that can be levied will be made.
34. The legal implications relate to imported food control. If checks required by EU and National law are not performed the Port Health Authority faces censure by the Central Competent Authorities. There would be loss of confidence in the Port which may affect long term business investment and possible claims for loss of business.
35. Office accommodation will be required outside the port boundaries. The availability of suitable space may become limited as the Port develops and it is important that sufficient space is obtained at an early stage that can accommodate current and future requirements.
36. A major recruitment exercise is likely as well as dealing with the implications of relocating existing staff to work in the new Inspection Facility. The timescale for the expansion of the port is crucial when planning resource allocation, and advice from HR has been requested to deal with morale issues and relocation costs.
37. The key risk is that adequate resources are not deployed sufficiently early in the lead up to the opening of the port and delays to imports will detrimentally affect the port operation reflecting badly on the Port Health Authority (and by implication the City of London Corporation) which in turn will have a negative effect on the business of DP World Port.

Conclusion

38. London Gateway Port will be opening in the last quarter of 2013. The Port Health Service has a number of work streams to address to ensure that the service is ready for the opening planned for the last quarter of 2013.
39. This is an exciting opportunity to show the country and the international business community that the Port Health Authority can meet the challenge and provide a first class service.

Background Papers:

Report to Port and City of London Health and Social Services Committee, Proposed Rolling Reserve Fund: Inspection of Products of Animal Origin, 25 April 2000

Report to Port Health & Environmental Services Committee, Shaping the Port Health Service, 24 July 2007

Appendices

Appendix 1 - Port Health Structure diagram, ports map and staffing chart

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