

Tritax Symmetry (Hinckley) Limited

HINCKLEY NATIONAL RAIL FREIGHT INTERCHANGE

The Hinckley National Rail Freight Interchange Development Consent Order

Project reference TR050007

Written Statements of Oral Case ISH4 Appendix D Update on Need for HNRFI and Logistics Demand & Supply Assessment

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Planning Act 2008

The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009
Regulation 5(2)(q)

Consolidated Note on the Need for HNRFI

NEED FOR HNRFI

1.1. This note is accompanied by the following appendices:

- Appendix 1 - Leicester and Leicestershire Strategic Distribution Sector Study (Final Report) Nov 2014
- Appendix 2 – Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change (April 2021 amended March 2022)
- Appendix 3 - Leicester and Leicestershire Strategic Warehousing and Logistics Needs SoCG (Sept 2021)
- Appendix 4 – LLEP Economic Growth Strategy 2021-2030

1.2. A summary of the need for the delivery of national networks is provided in the Green Box on page 9 of the NPS-NN (*Government’s vision and strategic objectives for the national networks*). This delivery is required to meet the Country’s long-term needs; supporting a prosperous economy and improving overall quality of life as part of wider transport systems.

1.3. The Government states that there is a ‘*critical need*’ to improve the national networks (NPS-NN 2.2). At NPS-NN 2.10, the Government concludes that at the strategic level, there is a ‘*compelling need*’ for the development of the national networks.

1.4. The need for development of strategic rail freight interchanges is set out on pages 20 – 23 of the NPS – NN¹.

1.5. The drivers for the need for strategic rail freight interchanges are described at NPS-NN paragraphs 2.46 – 2.52 (Drivers of need for strategic rail freight interchanges) under the following headings:

- The Changing Needs of the Logistics Sector;
- Rail Freight Growth;
- Environmental; and
- UK Economy, National and Local Benefits – Jobs and Growth.

¹ A strategic rail freight interchange (SRFI) is a large multi-purpose rail freight interchange and distribution centre linked into both the rail and trunk road system. It has rail-served warehousing and container handling facilities and may also include manufacturing and processing activities. Further details are provided at section 26 of the Planning Act: <http://www.legislation.gov.uk/ukpga/2008/29/section/26>.

- 1.6. The Government’s vision for transport is a low carbon, sustainable transport system that is an engine for economic growth, but is also safer and improves the quality of life in our communities. The Government therefore, believes it is important to facilitate the development of the intermodal rail freight industry (NPS-NN 2.53).
- 1.7. To facilitate modal transfer, a network of SRFIs is needed across the regions to serve regional, sub-regional and cross-regional markets. The Government states that in all cases, it is essential that these (SRFIs) have good connectivity with both the road and rail networks in particular the strategic rail freight network, as shown on NPS-NN Appendix C (NPS-NN paragraph 2.54). The Proposed Development has excellent connectivity with road and rail as illustrated on Figure 4 in the Planning Statement (Document reference 7.1A, APP-347).
- 1.8. The Government has concluded that there is a ‘*compelling need*’ for an expanded network of SRFIs. The NPS-NN acknowledges that it is for developers to bring forward sites, within a commercial framework (Footnote 61) and that by reasoning of the locational requirement, the number of locations suitable for SRFIs will be ‘*limited*’.
- 1.9. In March 2023, the Government consulted on a draft of the revised National Networks NPS, which is considered to be an ‘*important and relevant consideration*’ in the determination of this application.
- 1.10. The draft NPS-NN recognises the important role that all modes play in the transportation of freight across the UK’s transport networks, which is stated as being vital in achieving the country’s economic goals, domestically and internationally through facilitating effective and efficient movement of freight (Draft NPS-NN paragraph 2.2).
- 1.11. The Government concludes that there is a need for long-term strategic action through Government and industry collaboration, to bolster the freight network as a whole through improvements to infrastructure with multi-modal impacts (Draft NPS-NN paragraph 2.3).
- 1.12. The NPS and the Draft NPS-NN explain that the aim of a SRFI is to optimise the use of rail in the freight journey, by maximising rail trunk haul and minimising some elements of the secondary distribution leg by road through co-locations of other distribution and freight activities (NPS-NN paragraph 2.44; Draft NPS paragraph 2.15). A SRFI is a large multi-purpose rail freight interchange **and** distribution centre linked into both the rail and trunk road system NPS-NN (footnote 42 Paragraph 4.83). The Proposed Development satisfies these functions.
- 1.13. The drivers of need for SRFIs in the draft NPS are set out under the sub-headings of (Draft NPS-NN paragraphs 3.83 – 3.99) namely:
- User needs;
 - Connectivity and supporting economic growth; and
 - Environment.

- 1.14. The Government states that the transfer of freight from road to rail has an important part to play in the low carbon economy and in helping to meet net zero targets (Draft NPS paragraph 3.100). The Government is clear on the benefits of rail freight and its commitment to growing the sector both through the Plan for Rail, where the creation of a freight growth target was outlined and the Call for Evidence from Great British Railways Transition Team to develop this target (Draft NPS-NN paragraph 3.101).
- 1.15. The Government maintains that the need for an expanded network of SRFIs is ‘compelling’ (Draft NPS-NN paragraph 3.105).
- 1.16. A compelling need for an expanded network of SRFIs is firmly established by the NPS-NN and the draft revision to the NPS-NN, in the national interest.

Sub-Regional Need

- 1.17. In 2013, consultants were appointed by the Leicestershire Housing Planning and Infrastructure Group (HPIG) to undertake a study examining the strategic distribution sector in the county. In November 2014, the final report of the ‘Leicester and Leicestershire Strategic Distribution Sector Study’ was published (attached as Appendix 1). The Report suggested that one further SFRI will need to be brought forward within Leicester up to 2036 (paragraph 5.8).
- 1.18. It was the findings of this Study which instigated the search for a suitable area of land for a SRFI by the Applicant focusing on land within the county. In (April 2021 amended March 2022) GL Hearn and MDS Transmodal published the study ‘Warehousing and Logistics in Leicestershire and Leicestershire: managing growth and change’ (attached as Appendix 2) on behalf of the local planning authorities in Leicester; Leicestershire County Council and the Leicester and Leicestershire Local Enterprise Partnership. The key messages from the Report include:
- *‘The most crucial component of this study has been to recommend a future volume of warehouse floorspace and area of land required to accommodate it that should be planned for from 2020 – 2041’.*
 - *‘Based on 43% of future need at rail served sites which reflects an expected increase in rail orientated freight in the future, there is a shortfall of 768,000 m² (307 ha) at rail served sites which should be planned for (including margins) after taking in to account existing supply. This would largely be met by the proposed Hinckley NRFI, should it be permitted’. (Emphasis added)*
- 1.19. In the Statement of Common Ground on Planning Matters with the LAs for HNRFI it has been agreed:
- That the Study above identifies a short fall of 718,875 m² of rail served sites which should be planned for the period to 2041 – and that a supply shortfall for rail served sites ‘starts to emerge around the mid 2020’s (Leicester and Leicestershire Authorities’ ‘Statement of Common Ground relating to Strategic Warehousing and Logistics Needs’ attached as **Appendix 3** (September 2021 paragraphs 3.4-3.5).

- 1.20. Both the ‘Warehousing and Logistics at Leicester and Leicestershire: managing growth and change’ (April 2021 amended March 2022), jointly commissioned by the local authorities in Leicestershire and the ‘Market Needs Assessment’ commissioned by the Applicant identify a need for rail served logistics sites but the differing methodologies for the studies give different results in terms of the quantum. It is agreed that there is a need for rail served logistics sites and in principle HNRFI would meet this rail-related need.
- 1.21. That the ‘*Warehousing and Logistics at Leicester and Leicestershire: managing growth and change*’ (April 2021, amended March 2022) will form part of the evidence base for Leicester and Leicestershire planning authorities in the preparation of the reviews of their development plan in meeting future development needs.
- 1.22. Leicestershire County Council has agreed in the Statement of Common Ground that it has no objection to the principle of SRFIs and accepts the need for a SRFI to be located in south Leicestershire.

Leicester and Leicestershire Economic Growth Strategy 2021 – 2030 November 2021

- 1.23. The Strategy (see **Appendix 4**) highlights a ‘*vision for achieving sustainable economic growth*’ (Foreword). It acknowledges that:
- Leicester and Leicestershire is [also] the UK’s central logistics hub, having gained significant jobs and investment due to the area’s strategic location.
- 1.24. The strategy identifies 4 Pillars, under the headings:

Productive

- 1.25. Four priorities are identified for meeting this aim and addressing the challenges including:
- Entrepreneurial, resilient and high growth businesses. Logistics is identified as one of the ‘Beacon Sectors’ (page 6).
- 1.26. Priority 4 is the provision of world-class business locations. The objective is stated as being to ‘*provide more employment sites and premises for growth*’. In the Long-term (2021 – 2030) reference is made to ‘*preparing for the next phases of extension to existing sites and large-scale office, technology, manufacturing and logistics sites and premises.*’ (page 33).

Innovative

- 1.27. The four main priorities for meeting this aim and addressing the challenges include:
- Innovation for sustainability. The Strategy states: ‘*Sectors such as food and drink, textiles and logistics will need support in the transition to sustainability*’ (page 4).

Sustainable

- 1.28. Priority 2 of the Sustainable pillar is sustainable transport and connectivity. The Strategy

states (page 65):

- *‘Transport sustainability will need to be built into all of our economic ambitions and plans...’*
- *‘The logistics sector which is a local success story will need to incorporate alternatives to fossil fuels and adopt the latest innovations and methods of working’.*

1.29. An objective under Priority 2 is to, *‘improve rail infrastructure and services. The Long Term (2021 – 2030) includes ‘support for greater use of rail freight transport’.*

1.30. The principle of an expanded network of SRFIs with provision for an SRFI is supported by the Councils’ evidence base for the preparation of the review of development plans and the requirement to meet the development needs arising therefrom. The provision of HNRFI is in principle supported by the Economic Strategy.

Logistics Demand & Supply Assessment (Document reference: 16.2)

1.31. As requested by the ExA, the Logistics Demand & Supply Assessment (Document Reference 16.2) has been converted to metric. These changes are shown as tracked changes. The following section provides the written update of the Property Market Area as set out by Mr Mark Powney of Savills at ISH4.

Assessment / Catchment areas

1.32. Document reference: 16.2 at Chapter 2 defines a Property Market Area (PMA) specific to HNRFI. The HNRFI PMA needs to be relevant to the Subject Site, namely it is the broad 'area of search' the site sits within that industrial and logistics (I&L) investors and prospective occupiers of large units above 9,290 m² (100,000 sqft) will consider when looking to lease space.

1.33. Effectively the PMA includes the competitor locations to the HNRFI for attracting this occupier demand. The warehousing component of the Proposed Development will compete within the general market with both rail-served and non-rail schemes. However, given the Proposed Development relates to nationally significant infrastructure, being a SRFI, it is also essential from a market perspective that this PMA captures key operational and supply chain linkages in addition to competitor locations.

1.34. Based on discussions with rail freight operators, it is considered a 20-mile truck-drive isochrone from the proposed HNRFI is appropriate. This equates to roughly a 45-minute truck-drive time, which most I&L companies would consider a reasonable distance from which to use the rail freight interchange, to either collect or drop off materials and goods as part of their supply chain.

1.35. Across the PMA, there is over 8 million m² of floorspace in I&L properties sized above 9,290 m². There is a further 5.5 million m² of I&L floorspace in units below 9,290 m² that also could utilise the proposed HNRFI as part of their supply chains.

1.36. The HNRFI PMA is different to the Functional Economic Market Area (FEMA) used in the Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change study. Inevitably this report is 'project blind' in that it relates to the generic subregional need for larger B8 units over 9,290 m² across Leicestershire. The Applicant accepts this geography as being appropriate to inform local plans within this geography but not for HNRFI specifically as HNRFI has specific operational characteristics which underpin the HNRFI PMA, as indicated above.

1.37. The below map shows the geographic coverage of both the HNRFI PMA and the Leicester and Leicestershire FEMA. They significantly overlap but the HNRFI PMA spans further to

is a robust market need case for the development of the HNRFI.

- 1.41. The logistics sector has been on a high growth trajectory, well above historic levels being driven by various factors such as housing growth, increased online shopping, higher freight flows and Brexit and Covid induced shocks such as re-shoring³ and increased stockpiling to guard against supply chain breakages. Some of the key data presented to evidence this conclusion within Document Reference 16.2, is the fact take-up in the East Midlands for units above 9,290 m² was **113% above the long term average** in 2021 (1.2 million m²); the highest on record⁴. Take-up in the East Midlands in 2021 accounted for around 22.5% of national take-up, highlighting the strategic importance of the region, and by extension the HNRFI PMA, in the I&L market. However, the supply of premises is at an historically low level as evidenced by a regional **vacancy rate which stands at just 1.40%**⁵ - **the lowest of any region nationally**. The average transaction size in the East Midlands has increased substantially in the last year to circa 38,300 m², highlight the shifting occupier demand towards larger units. Take-up in the West Midlands too reached a new record in 2021, with 871,400 m² accounting for 17% of national take-up⁶. This means that together, the East Midlands and the West Midlands, which the HNRFI PMA sits within, accounted for nearly 40% of national take-up in 2021.
- 1.42. The logistics sector is also important to the national economy, both in terms of jobs and GVA contributions but also because of the critical function it plays in serving other sectors of the economy and the country's growing population. For, instance the I&L sector is a significant employer of at least 3.8 million people in England and produces £232 billion of GVA annually⁷. Jobs growth in I&L has outpaced the wider economy at 26% growth vs 14% growth. Gross Value Added (GVA)⁸ per job, is currently at £58,000, 12% higher than the average of all sectors. Its productivity is also predicted to grow at a faster pace, increasing by 29% between 2025 to 2039 compared to 18% across the UK economy as a whole⁹. These are argued to be important statistics given that the UK's labour productivity currently lags many of its western European peers.
- 1.43. Against this context of exceptional growth in the sector, Savills experience and evidence points to the fact that demand has been outpacing supply both nationally and within HNRFI PMA. This is evidenced by the fact that the availability rate for large B8 units has been below the 5.5% equilibrium rate (at which supply and demand is considered to be in balance) in 8 of the last 10 years. Current availability is just 2.8%, lower than the availability across England which is at 3.2%. Also leasing demand, as measured by net absorption, has been higher than the delivery of new floorspace which has maintained

³ Moving a business that had gone overseas back to the country from which it had originally relocated

⁴ Savills Research (2022), Big Shed Briefing (January 2022)

⁵ Ibid

⁶ Savills Research (2022) Big Shed Briefing – The Logistics Market in the West Midlands. 0

⁷ ONS (2021), Workforce Jobs by Region and Industry - Jobs in Manufacturing, Transportation and Storage for March 2020; ONS (2021) – England, Regional Gross Value Added (Balanced) by Industry – GVA for Manufacturing, Transportation and Storage in 2019 – England

⁸ Gross Value Added (GVA) measures the contribution made to an economy by one individual producer, industry, sector or region.

⁹ Oxford Economics (2019), GVA by Sector and Employment by Sector for Manufacturing, Transportation and Storage - UK

downward pressure on the availability rate. The strong demand against the lack of supply has seen rents across the PMA grow by 66% between 2011 and 2021, more than twice the rate of inflation over the same period at 25%¹⁰, and higher than the national rate of 61%.

1.44. Savills contend that the methods typically used to estimate logistic demand, as specified in the NPPG (ie past take up, labour demand etc) and within the Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change study, do not accurately consider lost demand (referred to as ‘suppressed demand’) due to historic supply constraints, nor current and future growth drivers such as the increase in online spending. Instead Savills adopt an alternative method which considers market signals as required by Paragraph 31 of the NPPF and relevant sections of the Planning Practice Guidance (PPG) as follows:

- *Analyses ‘market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies’¹¹; and*
- *Applies ‘economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector.’¹²*

1.45. In addition to being NPPF / PPG compliant, the Savills approach to estimating future B8 demand is considered to represent industry best practice. It has been endorsed by the British Property Federation (BPF) and a number of major commercial investors in the ‘Levelling Up – The Logic of Logistics’¹⁶ report including St Modwen, The United Kingdom Warehousing Association, IM Properties, Newlands Developments, Segro, GLP, Tritax Symmetry and the BPF itself (Savills approach was also shortlisted for an RTPI Award for Research Excellence 2022). This report has also been referenced as part of the Government’s recently published ‘Future of Freight Plan’¹⁷ and has been the focus of several discussions with senior officers at DLUHC, DfT and DBT.

1.46. Savills approach has also recently been used in the ‘Warehousing and Logistics in the South East Midlands’ study and it is understood that it is being used as one of the estimation methods as part of the current Phase 3 ‘West Midlands Strategic Employment Sites’ Study.

1.47. Based on Savills’ demand methodology, over a 20-year plan period, large B8 demand in units over 9,290 m² is estimated at 1,772 ha. This level of demand is 150% higher than the current supply of 709 ha, resulting in over a 1,000 ha shortfall between demand and supply. This indicates HNRFI is needed to help address part of this shortfall.

1.48. HNRFI is also evidenced as being needed as part for the Warehousing and Logistics in the South East Midlands’ study consistent with Savills Logistics Demand & Supply Assessment (Document Reference: 16.2). This is why the issue of need has not been raised as part of

¹⁰ According to the Bank of England inflation calculator between 2011 and 2021

¹¹ In accordance with PPG, Paragraph: 031 Reference ID: 2a-031-20190722

¹² Ibid

the Statements of Common Ground and is accepted by LCC, BDC and HBBC in particular.

E-commerce Uplift and Double Counting

- 1.49. The ExA during IDH 4 noted that a written representation has raised the issue of potential double counting as part the 'e-commerce uplift' component of the Savills approach.
- 1.50. As referenced at paragraph 7.2.15 of Document Reference 16.2, the strongest growth drivers underpinning logistics demand are population growth and the move to online shopping, which the Covid-19 pandemic has accelerated. Demand arising from population growth is considered to be largely captured by increases in online sales which are a function of household spending and household growth. For this reason, the Savills approach also considers the move to online shopping in addition to its suppressed demand calculation.
- 1.51. In order to estimate future increases in B8 demand linked to e-commerce growth, the Savills approach first establishes the share of demand that has historically been linked to e-commerce and then determines how much higher this is likely to be in the future. This process removes any issues around double counting as the e-commerce uplift is only applied to that part of demand within e-commerce related sectors and at levels above the historic trend. On this basis, double counting is not considered to be material.
- 1.52. As detailed in paragraph 7.2.16 of Document Reference 16.2, the sectors which are typically linked to e-commerce are Retail, Transport and Warehousing and Wholesale. Across the PMA these sectors account for 64% of leasing demand. An estimate of how much additional floorspace this part of the market may need in the future can be made by reference to future retail spending estimates provided by Forrester, a respected source of this information.
- 1.53. Even if the e-commerce uplift was removed from the Savills approach, the shortfall between demand and supply within the HNRFI PMA would still be in excess of 500 ha, which is roughly double the size of the Proposed Development.

Rail Market Need

- 1.54. The central hub for the UK's distribution system is the Midlands, often referred to as the Golden Triangle, as a c.4-hour trip to serve most of the UK's consumers and production centres is possible from here. It is also a large consumer market and manufacturing region in its own right. Unlike the South East, North West and North East, the Midlands has no coast. So nearly everything coming into or out of the Midlands, must be transported by road or rail.
- 1.55. To put this into context, as of August 2022, the total UK road freight sector has a revenue of c. £33.3bn comprising c. 58,874 businesses. Of these, the Midlands has by far the highest proportion, at 27.7%, followed by the East of England at 11.5% (primarily servicing Felixstowe and London Gateway) and then the North West at 11.4%.
- 1.56. By comparison, the rail freight sector currently has a revenue of c£1.2bn, comprising c.

102 business, with only 4 major train operating companies, DB Cargo (26.5%) Freightliner (24%), GB Railfreight (19.7%) and Direct Rail Services (8.2%). There is therefore considerable potential for rail freight to increase its market share in terms of both volumes and revenues.

- 1.57. In the period since the launch of the NPS in 2014 many more pressures to use intermodal rail freight have emerged, ranging from the Government's environmental commitments and targets to reach Net Zero; shortages of HGV drivers; changing work and shopping patterns; through to global trade and geo-political disruptions that are forcing supply chains to adapt and provide resilient and sustainable transport solutions, that also meet corporate Environmental, Social and Governance criteria.
- 1.58. Intermodal rail has been growing and is now the largest rail freight sector at c. 39.5% of the market, with construction materials at 28.3%, other goods at 12%, metals at 8.6% and coal at 4.3%.
- 1.59. The British rail freight market has seen a significant growth in intermodal market share of rail freight, between 1998/99 and 2020/21, measured in net tonne kilometres moved. The 2015/16 jump reflected a drop in coal traffic, but clearly the overall trend is one of continued growth.
- 1.60. The Midlands share of the overall growing intermodal rail market in 2021, was around 32%, with the North West at around 30%.40 The market itself has increased 35% since 2015, enabled by the development of new SRFI terminals, such as Doncaster iPort and EMG; and a growth in containers moved by rail across many areas of the country, both to and from ports and to and from different terminals. The Midlands market has increased by 46.4%, showing a marked propensity to move more freight by rail when facilities are developed and come on stream. EMG is up to 6 trains a day within 2 years of opening.
- 1.61. HNRFI's location in the centre of the country, between the West Coast and East Coast Mainlines and immediate access to the National and Regional Strategic Rail Freight Network, makes it exceptionally well placed to serve a regional market function and a national rail hub function, as set out above.
- 1.62. The East and West Midlands market is the largest regional market outside of London and the South-East, with a very significant volume of manufactured goods being imported and exported to continental Europe via short sea shipping ports and to the rest of the world, via deep-sea shipping ports.
- 1.63. HNRFI is not being developed to take market share from other terminals or SRFI developments. It will provide a terminal in line with Midlands Connects plans, that will serve the Coventry to Leicester and Magna Park market within a c20 mile radius of the rail terminal; with an ability to readily serve deep-sea and short -sea ports without the need to route through Birmingham. HNRFI includes rail served buildings on site and the potential for rail connected buildings.
- 1.64. In terms of onward distribution, the rail element is one leg, with the next being either into an adjoining warehouse on the SRFI development, or into the surrounding region. For

HNRFI, having worked with terminal operators with road haulage services, the optimal maximum distance for the road leg is c20 miles / 45 minutes drive time.

1.65. This means that the Midlands market will primarily operate such that:

- West Midlands Interchange, will serve the Black County, Southern Staffordshire
- Hams Hall will serve north Birmingham and along the M42, to Solihull.
- Landor St will serve Central Birmingham,
- BIFT will serve Tamworth and North,
- HNRFI will serve Coventry through to Leicester South, including Magna Park for deep sea / east coast, west coast and domestic time sensitive flows.
- East Midlands Gateway will serve Leicester North, Nottingham and Derby
- DIRFT will serve Northants Fast Moving Consumer Goods National Distribution Centres and Magna Park for short sea, domestic and Channel Tunnel flows.
- Northampton Gateway will serve a similar market to DIRFT

This network of rail terminals is critical to maximise the ability of the region to move more long-haul freight by rail and allow the short haul cartage to be undertaken by EV HGV's.

13.1. Hinckley NRFI is critical to grow the key import and export markets for rail serving the Midlands, particularly deep sea which cannot be readily served by DIRFT or Northampton Gateway, and which it can do so exceptionally efficiently without all the constraints of Water Orton and the legacy rail connections of the Birmingham rail terminals. The deep sea ports need high volumes of freight to be moved by rail as the most efficient mode of hinterland transport. With a move to EV HGVs, the charge time required makes it critical for the Midlands in particular (as it has no coast) to have a high capacity of rail freight access to replace long haul HGV moves, as we move to a Net Zero carbon infrastructure.

Appendix 1 - Leicester and Leicestershire Strategic Distribution Sector Study (Final Report) Nov 2014

Appendix 2 – Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change (April 2021 amended March 2022)

Appendix 3 - Leicester and Leicestershire Strategic Warehousing and Logistics Needs SoCG (Sept 2021)

Appendix 4 – LLEP Economic Growth Strategy 2021-2030