

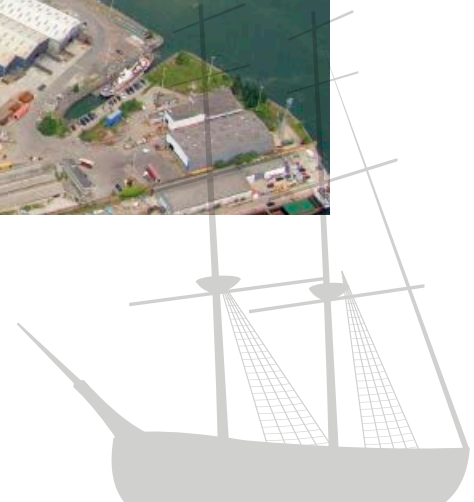
CHATHAM DOCKS ECONOMIC IMPACT REPORT

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March 2020



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INTRODUCTION

Chatham Docks has been in existence since 1613. For more than 400 years it has provided livelihoods for the families of Medway and the surrounding area and it has been at the heart of our national story.

This report sets out the value – economic, social, cultural and skills-based – that is provided locally, regionally, nationally and internationally through the work undertaken by the businesses currently operating in Chatham Docks.

The three basins today known as Chatham Docks, Gillingham Marina and St Mary's Island were constructed in 1871 with the purpose of providing a safe haven and ship repairing services for the Royal Navy.

In 1984 the Ministry of Defence decided to close Chatham Dockyard as part of a restructuring programme for the Royal Navy. At that time the Secretary of State for Defence signed a 999-year Lease assigning Chatham Docks as a working docks and manufacturing site that would provide employment to the people of Medway by permitting industry, manufacturing and port related businesses to take up residence on the site after the Royal Navy left the area.

One third of the site was retained as a working museum – the Chatham Historic Dockyard – which averages 190,000 visitors each year. The Historic Dockyard can also boast involvement in many films and TV programmes: *Les Misérables*, *Call the Midwife*, *Mr Selfridge*, *Sherlock Holmes*, *A Game of Shadows*, *Oliver Twist*, *The World Is Not Enough* and *Grantchester* have all made use of the historic location.

A further third of the wider site was redeveloped into more than 1500 homes and a luxury marina – St Mary's Island and Gillingham Marina respectively.

The final third – commonly known as Chatham Docks – is actively used for port and manufacturing operations. The first large scale business to take up residence was ArcelorMittal Kent Wire Ltd in 1987. ArcelorMittal is the world's leading steel and mining company, with around 209,000 employees in more than 60 countries. ArcelorMittal is the leader in all major global steel markets, including automotive, construction, household appliances and packaging.

Today Chatham Docks is a thriving port and manufacturing facility providing long term employment to highly skilled, well-paid Medway residents.

This Economic Impact Report focuses on Chatham Docks' port and manufacturing operations and provides detailed, evidence-based information regarding the importance of the site for highly skilled local tradespeople who continue the legacy of our forefathers that began back in 1613.



EXECUTIVE SUMMARY

Chatham Docks has been falsely portrayed as a dying facility, financially unviable, under utilised and unsustainable in its current format. Nothing could be further from the truth.

This report sets out the real value regarding the true picture of the strength and economic importance of Chatham Docks, locally, regionally, nationally and internationally.

The history of the site since 1984 has been a huge success story for Medway and the 800+ people who come to work every day, as well as for the twenty or so businesses that support employment on the site. From humble beginnings in 1987 when businesses started to arrive in the docks, it can now proudly boast a wide variety of operations, ranging from waste recycling, ship repairing, the importation of timber, cement and steel products. Of these, the most significant success has been in manufacturing.

The vision for the site back in 1984 has been achieved through the commitment and financial investment of the business leaders running the operations today. Plans are in place for continued significant investment and employment creation for the people of Medway for years ahead.

When the site was reassigned by the Secretary of State for Defence in 1984, Medway (Chatham) Dock Company Ltd took control of the docks and began the task of attracting businesses to take up residence. Companies such as News International, Rupert Murdoch's global organisation, had a business known as Convoys that imported paper for newspapers and books. Nordics also operated in the docks for many years importing timber, and ArcelorMittal Kent Wire Ltd established a new business, manufacturing vital steel reinforcement products for the UK construction industry.

By the early 1990s Medway (Chatham) Dock Company sold the site to Mersey Dock & Harbour Company, and in the early 2000's Mersey Dock and Harbour Company sold it to Peel Land & Property. This deal included the docks in Liverpool, Chatham and Sheerness.

Peel L&P is a privately owned, Isle of Man registered, property developer. It currently has plans to develop the site for luxury housing and retail uses, and not for its original intended purpose of providing high value employment for the people of Medway.

This Economic Impact Report will show to its readers why it is vitally important to protect the long-term future of Chatham Docks, and to protect the future employment for the people of Medway not only today but for future generations to come.

EMPLOYMENT

The Chatham Docks site is a major source of high-end value-added employment ranging from blue-collar manual jobs (both semi and skilled work) through to high-end CAD white collar work, with staff educated to university degree level and beyond.

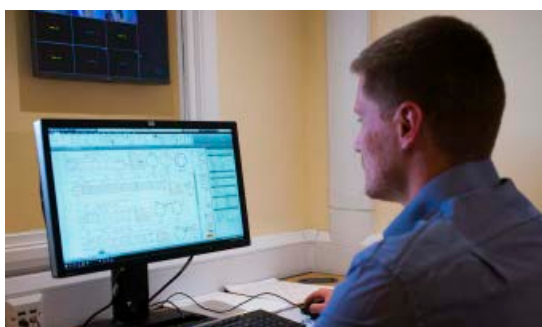
There are currently over twenty Small and Medium sized Enterprises (SMEs) based on the site. Between them they employ over 800 Full Time Equivalent (FTE) staff. The companies also employ sixteen apprentices. Future employment plans project a growth from the current combined workforce of 860 up to 1016 by 2025, with further increases planned beyond that time.

Many of the current jobs are in manufacturing, associated with or benefiting from the port location, with many of the skilled workers earning £33k or upwards. Oxford Economics advise that manufacturing sector workers enjoy significantly higher wages than the median averages. Nationally the median wage in the manufacturing sector is £27,430 against £23,084 in the economy as a whole. This positions workers on the site at Chatham Docks significantly above national average generally, and by sector.

The majority of workers are local to the Medway area and their wage spend makes a significant contribution to the local economy.

Companies based at Chatham Docks employ a number of trainees as well as sixteen apprentices. They have plans to expand this number. The Docks is in close proximity to two major universities and a technical college. There is already a two-way flow between businesses on the site and these FE and HE institutions and the links are projected to grow considerably over the short, medium and long term.

Employers on the site currently employ offenders on licence from HMP Sheppey as part of their rehabilitation, and a number of ex-offenders have gone on to occupy full time posts.

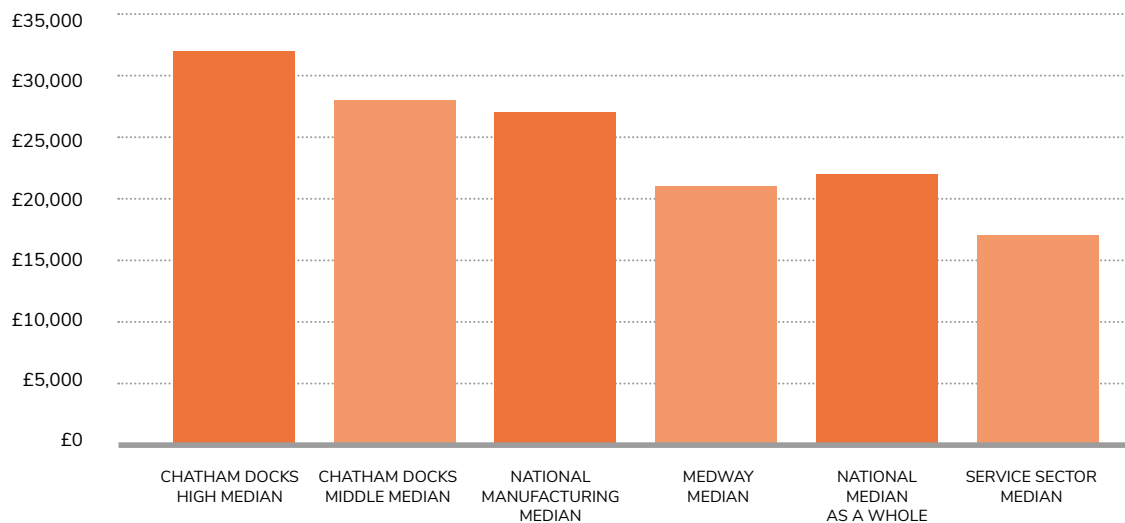


Were the jobs currently on site lost to the local economy there would be a very significant impact. Many of the different new jobs that it is claimed might be created if the Docks were closed down would, after the temporary construction phase, be in the retail and service sector. These would almost certainly be at, or near, the minimum wage. The national Minimum Wage is currently at £8.72 for workers aged 25+, £8.20 for workers aged 21-24, and £6.45 for workers aged 18-20. On these figures, the likely annual wages for any new workers employed in resultant posts in the area would range between £16,777 for older workers, £15,776 for 21-24-year olds and £12,409 for those in the lowest groups.

This assumes a FTE of 37 hours per week. However, jobs in the retail and service sectors are often part-time, or increasingly zero-hours contracts. These jobs are often low skilled and low value-added.

Therefore, even using a very conservative methodology, the threatened closure and change of use of the Dockyard would see a huge reduction in the level of wages per job. High and medium skilled, high value-added posts would be destroyed and be replaced by significantly lower skilled, lower waged work with all the associated issues of decline in national income taxes, fall in national insurance and the erosion of the local tax base.

Annual salary profile



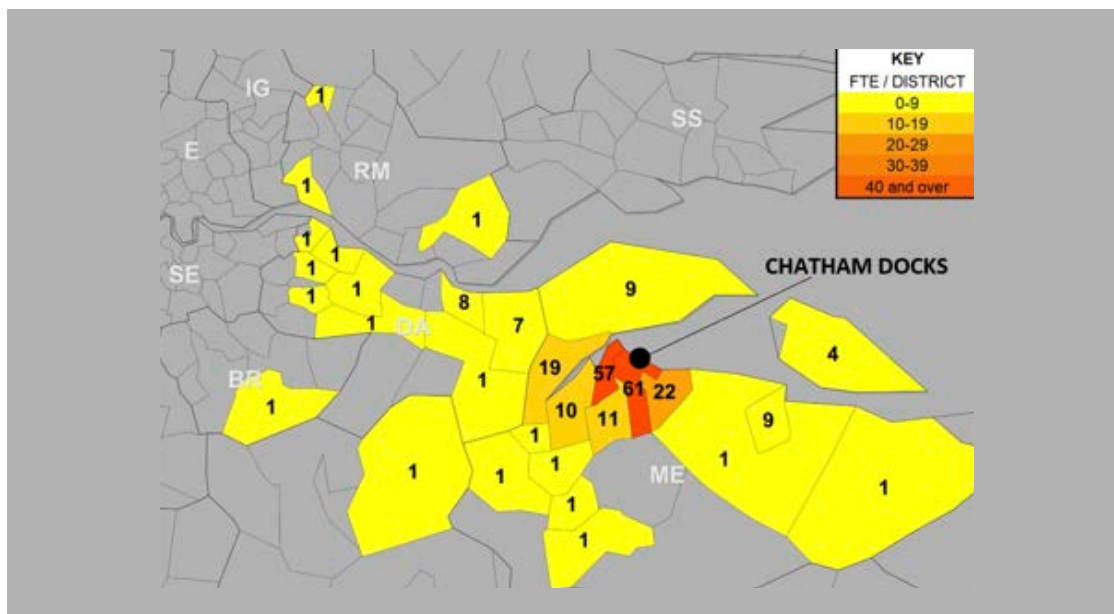
Employment structure

The employment mix is highly diversified in nature. The number of employees in the current companies operating there range from 10 up to 140. Studies show that there is a considerable benefit from engineering firms operating in close proximity, because they form what are known as 'industrial districts'.

The individual companies on site benefit from the collective skill base, allowing workers to move between employers; they create an industrial micro-climate able to support apprenticeships, training opportunities and help support high skilled / qualified jobs in local FE and HE providers. This micro-ecology contains a host of embedded skills and knowledge which would effectively be destroyed by either the Docks' closure or closure with partial relocation.

The site currently is the repository of centuries of engineering and naval manufacturing knowledge. This corporate memory is in jeopardy in the face of the redevelopment plans.

Demographics of FTE's Addresses



The map above shows the demographics of residential addresses for the FTE's working in Chatham Docks. The highest population density is in the post code area of ME4, with over 20% of the 800 workers living on the doorstep of the Docks and more than 65% living in Medway Towns.

The relatively close proximity of the vast majority of workers to Chatham Docks means the journey to and from work is short, which is making a significant positive contribution towards helping to meet Medway Council's own recently declared Climate Emergency Initiative.

ENVIRONMENTAL

There are significant green dividend contributions arising from the current operations. This is seen directly in terms of recycling on site and environmental engineering, and indirectly in terms of the transport of finished product via river and sea.

Relocation of these industries to another location would almost certainly involve an increase in carbon footprint. The creation of housing in place of the port and industrial operations would also markedly increase car traffic and the associated pollution. Currently many workers walk, cycle, or use public transport to access the site.

A comprehensive study has been undertaken and a report published by Mr. D. Sheedy MICRS entitled 'Analysis of CO₂ Emissions of Shipping in Chatham Docks Compared with the Use of Road Haulage'.

CO₂
EMISSION
REDUCTION

Globally,
AIR POLLUTION
is the second
leading cause
of **NCD deaths**



The key findings contained in this report are:

1. Closing Chatham Docks will increase CO₂ emissions by 12,610t/CO₂ per year.
2. To offset this increased level of CO₂ emissions would require more than 189,000 trees to be planted every year.
3. On the other hand, the full utilisation of Chatham Docks' port-related and industrial operations would generate additional CO₂ emission benefits to Medway of more than 60,000t/CO₂ per year.

CHATHAM DOCKS AS A STRATEGIC SITE

Chatham Docks offers a unique port and manufacturing hub in Medway unrivalled anywhere in the South East, with significant potential for expansion.

As a feeder port for near European trade it is vital for the continuity of materials from our neighbours in Europe to service the UK Construction industry and exports of recycled products used in energy generation.

Chatham Docks is also home to ship repairs and maintenance, a tradition dating back to 1613 and still thriving today. Dredging vessels, Cross Channel Ferries, London Clippers and luxury yachts for the likes of Alan Sugar are regularly seen in Chatham Docks undergoing critical repairs and maintenance.

Chatham Docks offers the best waterside facility to meet the needs described above because it has lock-enclosed basins which are non-tidal, meaning there is always a constant water level of 8 metres. This improves the safety for loading and unloading vessels and provides a safe harbour in all weather conditions.



LOCAL, REGIONAL AND NATIONAL IMPACT

The combined turnover of the twenty plus business on site is currently some £172 million.

Businesses on site currently have investment plans for more than £60 million in capital spend and certainty of tenure would allow even greater confidence to invest.

The SMEs on site project the creation of a further 200 highly skilled well-paid jobs in the area predicated on this investment and tenure certainty.

Figures from Oxford Economics advise that manufacturing industry has a significant multiplier effect. They estimate that for every £1 million that the manufacturing sector contributes to UK GDP itself, a further £1.5 million is supported across the wider economy through indirect and induced multiplier effects.

Looking at the number of jobs on the same basis, they estimated that manufacturing supported a total of 7.4 million UK jobs in 2016. For each job in the manufacturing sector itself, a further 1.8 are supported in other sectors of the UK economy. Using those multiplier figures the value to the local, regional and national economy of the businesses located on the existing Chatham Dockyard site is £258 million.

FUTURE INVESTMENT STRATEGY

Subject to guaranteeing the long-term future of Chatham Docks, the businesses in the Docks have committed to continue to grow their companies organically and through a wide range of investment projects. The two most significant areas of growth will be in people (FTE's) and capital investment.

FULL TIME EQUIVALENT EMPLOYMENT

After surveying the businesses, the increase in employment planned is significant. The current employment level is more than 800. Plans are in place for this figure to grow to in excess of 1000 people in port and manufacturing jobs. Included in this growth is a healthy increase in apprenticeships, growing from sixteen currently employed to more than thirty. This has clear ongoing benefits for Medway's youth and future local skill base.

The current median age of the workforce in Chatham Docks is 42.25 years. However, the upper quartile of the working population is 58.50. This demonstrates that the site's businesses provide a good opportunity through succession planning for people of Medway to join businesses in Chatham Docks and develop a long-term career in port or associated manufacturing related trades.

CAPITAL INVESTMENTS

A range of infrastructure investments, including erecting new factory space and warehousing, is planned to support growth in business opportunities that are available to companies in the Docks. Current plans provide for an additional 25,000 square metres of covered buildings costing in excess of £25m and associated handling and hard standing storage areas.

Green energy initiatives are also planned, including £39m for renewable power generation and waste recycling. Both projects will significantly contribute to Medway Council's Climate Emergency Initiative.

Currently there is more than 20,000 square metres of suitable warehouse and roof space capable of housing solar panels. Solar panels covering this area would generate in excess of 2,691Mwh/PA of green energy (data supplied by Trident Utilities) and support all of the businesses in the Docks and still be able to put additional green energy into the National Grid.



WASTE RECYCLING

Waste recycling is critical locally, regionally, nationally and internationally.

Chatham Docks is home to significant recycling specialists and they have plans to invest in their businesses at the Docks which will greatly benefit the people of Medway. This is a major growth area for the local and regional economy.



Processed drinks cans for recycling from PDMR

CONCLUSION

The Economic Value generated each year by operators and businesses in Chatham is £258 million, almost 10 times greater than that generated by Chatham Historic Dockyard. The Historic Dockyard produced an Economic Impact Report through DC Research (Economic Value and Tourism Impact of Chatham Historic Dockyard) published in October 2018, stating that the Economic Impact of the Historic Dockyard was £26.2 million in 2017/18.

This report has demonstrated that Chatham Docks economic contribution is far greater than other prestigious sites in Medway such as the much-loved Historic Dockyard.

The employment of more than 800 highly skilled people is likely to be lost because the uniqueness of Chatham Docks is not possible to replicate anywhere else in the area. As a consequence these high value jobs will be lost to Medway residents forever.

There will be a resultant impact to the supply chain and stakeholders, many of which are local businesses, who will also be adversely affected by the closure of the Docks. Should 800 jobs be lost due to the closure of the Docks it can be expected to affect a further 1440 local jobs that rely on the activities from businesses in Chatham Docks.

Today future planned capital investment and investment in job creation and training of young people from Medway is on hold. Businesses cannot implement their investment plans due to the threat that Chatham Docks will be closed down.

The United Kingdom is a proud trading nation. We rely on having open borders and a strong port infrastructure to handle vital goods to keep our economy functioning effectively. To allow the closure of Chatham Docks to accommodate luxury housing and mixed-use redevelopment, while destroying centuries of port activities and high value skilled employment is effectively economic vandalism for the sake of short-term profit.

In short Chatham Docks and the existing jobs represent a significant local, regional and national strategic resource. They provide a substantial contribution to the local and regional economy and help to create and sustain an important economic, cultural and social eco-system which is the result of many decades of work. All this will be lost forever should Chatham Docks be forced to close.

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