



<b>Subject:</b>	Heathrow Expansion – procurement for logistics hubs
<b>Date:</b>	13 February 2019
<b>Reporting Officer:</b>	John Greer, Director of Economic Development
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<b>Restricted Reports</b>	
<b>Is this report restricted?</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<b>If Yes, when will the report become unrestricted?</b>	
<b>After Committee Decision</b>	<input type="checkbox"/>
<b>After Council Decision</b>	<input type="checkbox"/>
<b>Sometime in the future</b>	<input type="checkbox"/>
<b>Never</b>	<input type="checkbox"/>

<b>Call-in</b>	
<b>Is the decision eligible for Call-in?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

<b>1.0</b>	<b>Purpose of Report or Summary of main Issues</b>
1.1	<p>The purpose of the report is to:</p> <ul style="list-style-type: none"><li>• Update the Committee on the procurement process underway by Heathrow Airport to create a number of logistics “hubs” as part of their expansion plans</li><li>• Note that the Council has submitted a proposal to have one of the hubs located on the North Foreshore site.</li></ul>

<b>2.0</b>	<b>Recommendations</b>
2.1	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> <li>• Note that the Council’s North Foreshore site is one of 65 shortlisted as a potential location for a “logistics hub” to be established by Heathrow as part of their expansion plans</li> <li>• Note the scale of the development and the potential supply chain opportunities for local companies created as a result of the expansion of Heathrow Airport</li> <li>• Note the timeframe for future decisions on this project.</li> </ul>
<b>3.0</b>	<b>Main report</b>
3.1	<p>In 2018, the UK government approved a third runway at Heathrow. The expansion of Heathrow will be one of the largest infrastructure projects in the UK. In order to accommodate the third runway, it will be necessary to re-position and build over part of the M25 motorway adjacent to the airport, re-position some of the local access roads, divert local rivers, provide space for houses, offices, car parking and freight services and replace a number of existing airport facilities.</p>
3.2	<p>The airport expansion will increase capacity from 86 million to 130 million passengers per year. It is estimated that the development will create about 60,000 new jobs and generate around £70bn in total economic benefit by the 2050s. The scale of the construction project itself is unprecedented: the value of the works will be in excess of £15billion and there is a commitment by Heathrow to ensure that 60% of the procurement spend (£9billion) is spent outside of London.</p>
3.3	<p>In recognition of the scale of investment and the potential for all parts of the UK to benefit from supply chain and skills development opportunities, Heathrow sought expressions of interest for up to four Logistics Hub locations. The proposal was that these could be used as off-site centres for construction and manufacturing in order to help the airport to deliver its expansion plan, within an agreed timeframe and with minimal on-site disruption.</p>
3.4	<p>From an initial 121 applications, 65 potential sites were shortlisted. Six of the sites are located in Northern Ireland. In June 2018, senior representatives from Heathrow’s Procurement Team met with representatives from all sites as well as with some of the potential first and second tier suppliers for the expansion works. While limited detail has</p>

been given on the final number of sites that may be needed, there have been indications that there may be up to four sites selected across the UK.

3.5 In December 2018, the next stage of the procurement process was initiated, as Heathrow issued a PQQ to the 65 bidders. The closing date for the PQQ was 25 January 2019. Heathrow is seeking not only relevant sites for the hub but it also wants operators who will run these hubs. Belfast City Council would not have either the interest in, nor capacity to, operate a logistics hub. However, the presence of a hub in Belfast could support those local companies who are successful in securing work with the airport and could help leave a legacy in terms of the collective knowledge and expertise that may be located at the hub over the lifetime of the construction. If the North Foreshore was to be successful at the next stage of the process, the Council would have to initiate an open and transparent process to engage an operator or agree a lease with an operator for the land.

3.6 In terms of timetable for the works, Heathrow plans to open the third runway by 2025. However, given that the works involve re-routing part of the M25, as well as significant infrastructure works in nearby towns and villages, the work programme is likely to last for up to ten years. The first hub is likely to be open in 2020/2021.

3.7 The North Foreshore site is potentially attractive to those interested in operating a hub, given its proximity to road, port and airport connections. It is also adjacent to potential construction and engineering-based supply chain businesses based around the Harbour Estate.

3.8 Members should also note that, in addition to the potential logistics hub, there are also significant opportunities for local businesses to enter the supply chain and become a supplier to Heathrow. Officers from the Economic Development Team are currently working with Invest NI and the NI Chamber of Commerce to put in place a series of awareness-raising events as well as business support activities to help local businesses to win some of the supply chain opportunities arising from the airport expansion.

#### Financial & Resource Implications

3.9 No specific financial or resource implications at this point. If the Council enters into a lease agreement with a potential operator to provide access to the land, details of the commercial terms will need to be agreed by the Strategic Policy and Resources Committee. The Council will also need to agree to release the site for this use.

3.10	<u>Equality or Good Relations Implications/Rural Needs Assessment</u> No specific equality of good relations implications. No specific rural needs impact.
<b>4.0</b>	<b>Appendices – Documents Attached</b>
	None