

EXPORTING EXCELLENCE

SPOTLIGHT ON
THE SOUTH EAST

JANUARY 2024

Heathrow

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Executive summary

Exporting is vital to the economy of the South East and its future growth. From wind-turbine manufacturers in Portsmouth to vaccine makers in Oxford, the region exports over £44 billion¹ of goods per year, supporting 914,000 jobs².

The South East has the highest employment rate of any region, attracting more direct foreign investment than any area outside of London. The region's economic activity is supported by its proximity to Heathrow. Advanced manufacturers and pharmaceutical companies rely on 24/7 global supply chains that connect them to lucrative global export market³.

As the UK's only hub airport, Heathrow is a vital partner to businesses across the South East, helping connect them to 239 destinations in 89 countries and 95% of the global economy with a direct flight from Heathrow. Using Heathrow's global network, UK exports to non-EU nations via the airport were worth over £100 billion in 2023 alone.

This is linked to Heathrow's hub model, enabling the airport to pool passenger and cargo demand to increase route capacity and optimise opportunities for UK exporters, with 95% of the airport's air cargo travelling in the belly hold of passenger aircraft.

While the UK export market grows and evolves there is a wealth of untapped potential. In the South East alone, there are an additional 28,600 SMEs which do not currently export but could be exporting goods. Unlocking that capacity would increase the number of exporters in the region by 150%⁴.

Across the UK, that shortfall amounts to £290bn of potential export revenue a year⁵. Unlocking just 10% of this capacity could create 215,000 jobs, with an additional 50,000 jobs in the professional and scientific sectors alone. This will build on the 96,000 jobs that aviation supports in the South East today⁶. Currently, each exporting job in the region generates £48,000 of exports⁷.

After consulting with businesses across the country about the challenges and opportunities they face, Heathrow has published its national [Exporting Excellence report](#). The national report recommends actionable solutions which could boost exports, and starts a conversation on how government, industry, SMEs and Heathrow can work together to boost growth.

This *Spotlight on the South East* focuses on the great work of exporting businesses in the South East and how the exporting potential of the region can be unlocked with the right support.

SOUTH EAST EXPORTER SPOTLIGHT



Exporting excellence – Heathrow's plan for growth

Putting sustainability at the heart of trade and export policy

Businesses in the South East are working hard to reduce their carbon footprint. At Heathrow's Exporting Excellence roundtables, the businesses we spoke to explicitly called for government to support SMEs to export sustainably, whilst minimising extra burdens and costs.



Exporting Excellence: Spotlight on the South East

Air cargo can have up to 70% reduction in emissions if sustainable aviation fuel (SAF) is used. SAF is derived from non-fossil carbon resources, such as cooking oil and household waste. Heathrow is encouraging airlines to use SAF through its incentive scheme, which roughly halves the price gap between kerosene and SAF. This helps deliver the airport's sustainability plan which aims to cut carbon on the ground at Heathrow by at least 45%, and by 15% in the air by 2030. However, the UK may become reliant on imported SAF unless further efforts are made to unlock private investments in domestic SAF production. In the South East, the potential SAF plant in Hampshire could unlock up to £157m in GVA per annum and create up to 1,090 jobs.

The government has started to introduce policies which drive demand for SAF and address the price gap between SAF and traditional jet fuel. However, these policies will not start to take effect until 2025 at the earliest. There is significant appetite to invest in SAF in the UK, but investors want certainty in the longer-term take up of this technology before pouring in their capital. This can be achieved by introducing a price support mechanism – a solution which would help to cut the price premium and was successfully used to boost solar and wind technologies in the UK. Heathrow believes that this mechanism will reduce costs and the environmental impact of their exports. But it must be delivered urgently to have the impact needed.



Making the UK the global leader in customs modernisation and digitalisation

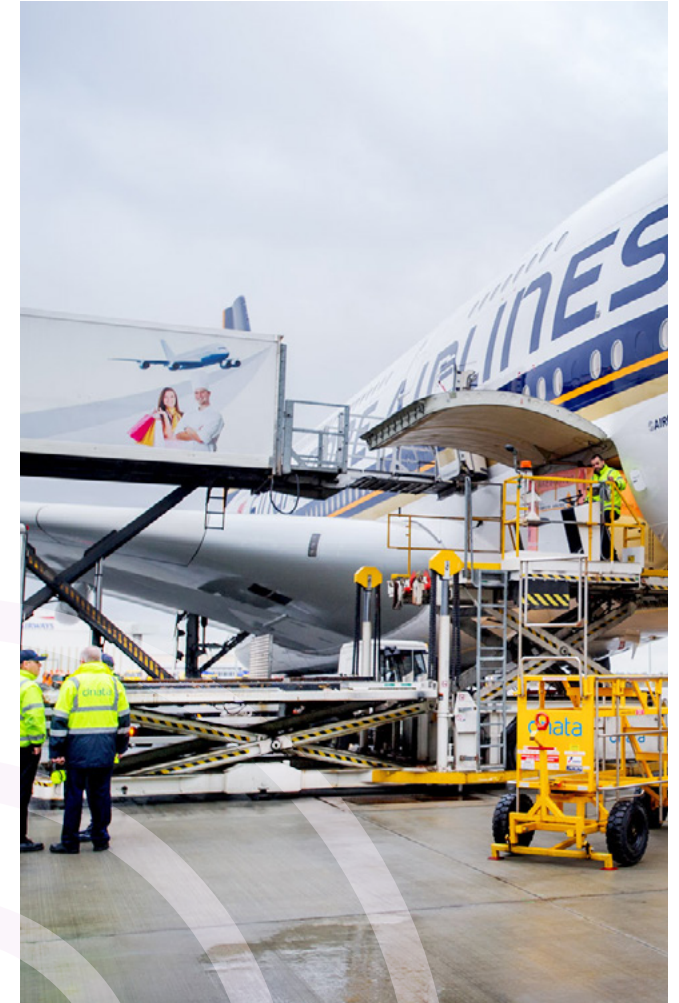
Exporting involves extensive paperwork. While exporters are constantly innovating, the exporting process has not kept pace. In 2022, exporters submitted 95.1 million customs declarations potentially spanning up to 12 pages each. If stacked, this pile of paperwork would reach six times higher than a plane's standard cruising altitude. Adopting a digital-first system under the UK's Border Target Operating Model could save businesses £190 million in importing costs alone.

There are clear actions the government can take straightaway. Moving towards a paperless system with a 'once-and-done' data approach will simplify exporting and reduce costs for businesses and their customers. Rolling out the national pilot 'ecosystem of trust' model and using digital means to avoid unnecessary rescanning of previously screened air cargo is crucial for efficient trade. Exempting securely trucked air cargo from current Department for Transport rescreening rules at UK airports would enhance border efficiency. These measures will cut costs and boost the global competitiveness of UK exporters.

Getting export skills to take-off

The UK cannot achieve its economic potential if the country does not have the right mix of skills to handle the complexities of compliance and logistics. During its tour of the UK, Heathrow witnessed new initiatives being developed to tackle the export skills shortage, many of them driven by businesses themselves.

But there is a consensus that the country needs to go further and faster. The UK needs a national campaign to highlight the potential a career in exports could offer. A campaign would combine the efforts of industry, government and business groups to encourage more people to join the sector. Delivering this campaign would involve local chambers of commerce, further education colleges, and government departments all working to create the right UK skills mix. This campaign would secure the future skills pipeline for exporters while creating opportunities for young people in the South East to build aspirational careers in international trade.



CASE STUDY

LAT Water

LAT Water is a British technology company at the forefront of developing new approaches to wastewater treatment and desalination. Headquartered in Berkshire, LAT Water operates across the UK but has a global reach, with supply chains and customers all over the world.

Heathrow has been critical to LAT Water's continued success. With domestic partners as far north as Aberdeen and international partners as far east as China, the fast and easy access Heathrow enables is critical to the continued success of the business. .

“ Heathrow is really important as a transport hub for our business. We need the airport's international connectivity to deliver key components and support for our global projects.”

Mark Hardiman

Co-founder and CEO, LAT Water, Rivermead



Conclusion

Implementing these solutions will be crucial to unlocking the full potential of the South East economy and helping the region's almost 19,000 goods exporters grow and succeed alongside new exporters and their supply chains. This will help boost exports, drive up jobs in the region and accelerate growth across the UK.

Find out more

If you have any questions or queries on how Heathrow can work with decision-makers and industry to unlock the opportunities of growing exports in the South East, please contact:

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6. Calculated using HMRC UK Regional Trade in Goods Statistics and Estimating the relationship between exports and the labour market in the UK', March 2021 (DIT)
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8. 'Assessment of the value of air freight services to the UK economy', October 2018 (Airlines UK) (These sources apply to all subsequent 'Regional Spotlight' tables)
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