

EXPORTING EXCELLENCE



SPOTLIGHT ON
THE SOUTH WEST

JANUARY 2024

Heathrow

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Executive summary

Exporting is vital to the South West's economy and its future growth. From its famous clotted cream producers in Cornwall to leading aeronautics companies in Greater Bristol, the area exports £23.4 billion¹ of goods per year, supporting 430,000 jobs².

In September 2023, the 7.6% of the South West population were employed in the manufacturing sector, the highest proportion in the South of England³. The region's over 9,000 goods exporters need rapid access to global markets, with air cargo generating an additional £8.7 billion of economic growth in the region each year.

As the UK's only hub airport, Heathrow is a vital partner to businesses across the South West, helping connect them to 239 destinations in 89 countries and 95% of the global economy within 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, that enables 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 West alone, there are an additional 14,100 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.

i Heathrow prioritises domestic connectivity and encourages routes where possible through its domestic discount. In 2019, the Heathrow to Newquay route was used by 140,000 passengers – connecting the South West to the rest of the world.

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 48,000 jobs that aviation supports in the South West today⁶. Currently, each exporting job in the region generates £54,000 of exports⁷.

To understand how to overcome the challenges businesses are facing, and what is needed to help them to realise their potential, Heathrow visited the Cornwall Chamber of Commerce to hear from businesses first-hand. Using the feedback from these discussions, Heathrow published the national **Exporting Excellence report**, which sets out a range of actionable solutions to start the conversation on how government, industry, SMEs and Heathrow can work together to boost regional exports in the South West and grow the UK economy.

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

SOUTH WEST EXPORTER SPOTLIGHT



Exporting excellence – Heathrow's plan for growth

Putting sustainability at the heart of trade and export policy

Businesses in the South West 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.

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

“ Domestic support for Cornish businesses in terms of remaining connected is one of the top issues for a lot of businesses.”

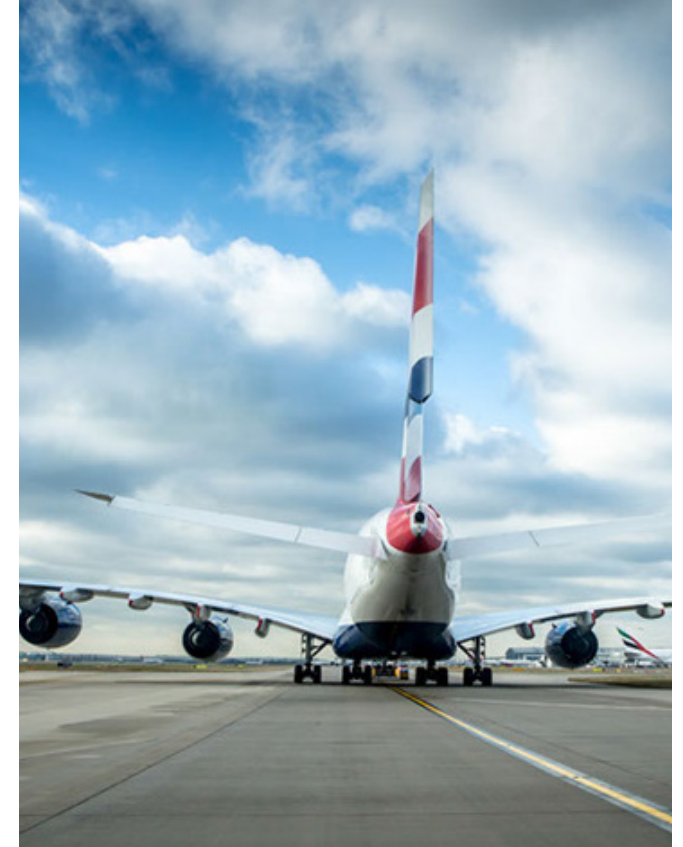
Roundtable attendee

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. Supporting the UK's SAF industry could create 10,300 jobs and generate nearly £1.8bn of GVA by 2030, rising to 60,000 jobs and over £10bn GVA by 2050.

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 uptake 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.

“ Tax-free shopping is actually something that is good for the UK, in terms of increasing tourism revenues, and good for retailers.”

Roundtable attendee



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 rescanning 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 that 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 together 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 West to build aspirational careers in international trade.

“ *Connectivity is incredibly important, it's hugely important all the way down the value chain, both from investment through to operations.* ”

Roundtable attendee



CASE STUDY

Tregothnan Tea

Tregothnan Tea planted the UK's first tea garden in 2005, yielding the country's first ever home-grown tea. Fifteen years later, it has become Europe's largest tea garden, with over 20,000 tea bushes planted each year.

Tregothnan exports its produce to over 50 countries, and more than 100 countries have at some time bought Tregothnan tea. The business relies on Heathrow for its global reach and connections with the rest of the world.

“*Heathrow is a vital link to any small or medium sized business in the UK. We use them heavily for bringing our tea to customers, but also exporting tea or high-value products alongside passengers. Heathrow has fulfilled a big part of us becoming the largest tea garden in Europe, exporting fine English tea to the world and hosting tea connoisseurs in Cornwall from all over the world. The connection from Heathrow to Cornwall allows us to make the UK tea centre truly international.*”

Jonathon Jones OBE,

Managing Director of Trading, Tregothnan Tea, Truro



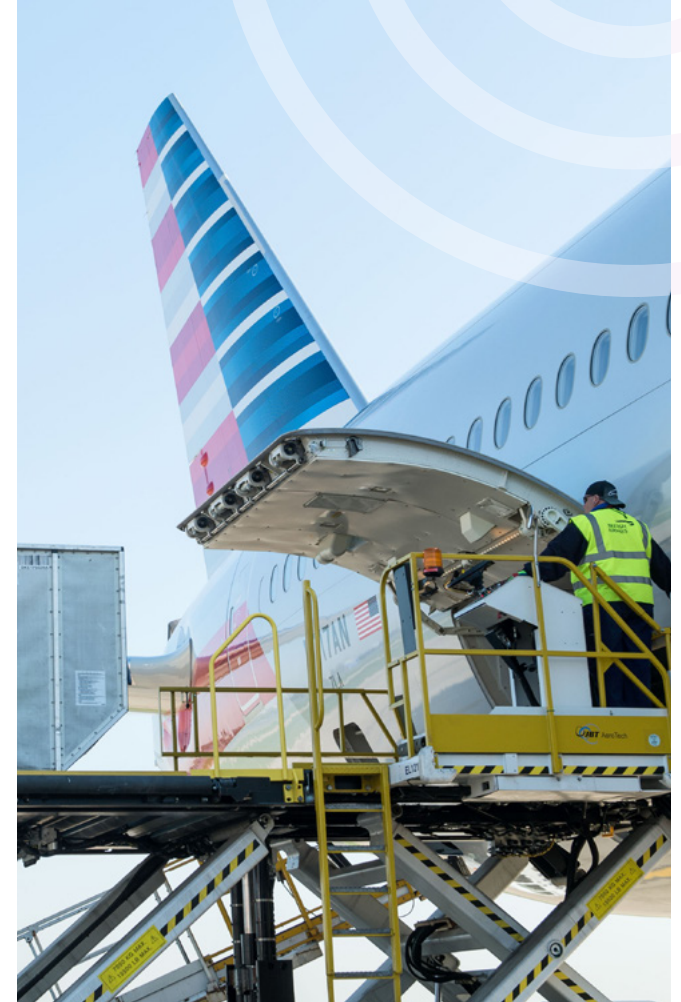
Conclusion

Implementing these solutions will be crucial to unlocking the full potential of the South West economy and helping the nation's - over 3000 - 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 West, please contact:

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