

AN ANALYSIS OF THE TDC PROPOSALS RELATING TO PORT RAMSGATE DATED 2 MARCH 2023

Prepared for Ramsgate Regeneration Alliance (RRA)

16 March 2023

This report has been prepared with the assistance of many individuals associated with RRA who have considerable experience in operational matters relating to Port Ramsgate and associated areas of expertise.

SUMMARY

Persistent efforts to return Ro-Ro to Ramsgate since the collapse of TransEuropa in 2012 have prevented proper consideration of alternative uses for the port. Cumulative losses since the failure of TransEuropa now exceed £30,000,000 and continue to accumulate at an average loss of £2,500,000 per year.

The underlying cause of these failures has been an unwillingness of operators to view the port, with its major size restrictions, as a viable business in the fiercely competitive arena of the Short Straits.

The re-emergence of the Ro-Ro option is the result of a Levelling Up Fund award of £19,800,000 on 27 October 2021. £9,300,000 of the award has been allocated to Port Ramsgate of which £3,400,000 is for infrastructure investment for the re-establishment of Ro-Ro and the balance for the creation of a Green Energy Hub.

Support for this infrastructure strategy is contained within the Infrata review of 16 February 2023. It recommends that an Unaccompanied Ro-Ro Freight Only Service will provide the best use of the port and additionally that a suitable partner, working with TDC through an appropriate concession agreement, should be sourced through an open tender for Expressions of Interest.

It is also being publicly stated that the longer term objective is to introduce passenger services though no analysis of this option is provided.

The commercial proposition for this service is based upon the premise that increasing capacity constraints at Dover, driven by growing demand, will provide an opportunity for Ramsgate to capture the Unaccompanied Freight business which will be displaced by the predicted increase in conventional Ro-Ro demand at Dover.

The Infrata report also recommends that, as a result of greatly increased Dry Bulk processing capacity at Ramsgate, following from the recent Berth 4-5 replacement, Windfarm vessel management (Vattenfall and London Array) and Dry Bulk processing (Brett's) should be jointly managed by TDC to make best use of the new berth. Actions to

implement these major initiatives, which are Key Decisions, have been put in place to go before Cabinet for approval.

Strong opposition to these proposals has been voiced by council members, RRA members and individual residents. These objections have not been satisfactorily resolved, despite expressions of serious concerns regarding the lack of openness and transparency relating to the entire project.

It is important therefore to review these proposals against the backdrop of the Governance recommendations made by the IMO in his report to Council of 9 May 2022 –some 10 months from the present date –which adopted the following overarching benchmark for good governance:

‘Organisations that have good governance use clear decision-making processes, behave openly by reporting on their activities, actively engage with their stakeholders, effectively manage the risks they face, and take responsibility for controlling and protecting their assets, including reputation. Each of these areas of governance activity contributes to an organisations success.’

The IMO made other significant observations:

- Page 5 – Key Areas of Concern

There has been a failure to involve councillors at an appropriate stage or with sufficient detailed information.

- Page 10 – Berth 4/5 Project

...during the interviews one area of operation was mentioned with such regularity that it warrants a mention in the lesson learned report. The resounding consensus was of concern regarding the quality of project management and the significant unforeseen expenditure.

- Following the recommendations of the IMO, East Kent Audit Partnership completed a post implementation review of the Berth 4-5 project. This report makes important governance and management related observations together with associated recommendations which impact greatly on the Ro-Ro and Brett’s projects presently under review by Cabinet on 21 March 2023.

This analysis challenges the recommendations of the Future Delivery – Port Ramsgate Report, and also of the Infrata Report, on the basis that, in the context of their objectives, impacts and risks, they are flawed and do not follow the recommendations of the IMO’s report, nor the East Kent Audit Partnership Berth 4-5 Project Report. As a consequence, we urge Thanet District Council to postpone the proposed decisions on both projects on the grounds that it is unreasonable to take such decisions without sufficient evidence and without consideration of viable alternatives.

Below, we document serious governance questions relating to the two projects presently pending decisions by Cabinet. These questions mainly revolve around the continuing failure to adopt the recommendations of the IMO and of the East Ken Audit reports. We oppose the apparent intention of Cabinet to take binding decisions relating to these projects despite the lack of reliable evidence to determine the viability, risk, and long term impact of those decisions.

It is our view that it is demonstrably unreasonable for cabinet to take these decisions given the present lack of evidence.

OUR ANALYSIS

The request for approvals made by officers in the Future Delivery – Port Ramsgate application brings together the Ro-Ro infrastructure Project and the Brett's Expansion Project as a composite application. We believe they are not related and should be evaluated separately. Indeed, we would make the point at the outset that the Brett's project has not been raised at all prior to this application and there has been no consultation of any kind with councillors or residents concerning this project!

The Unaccompanied Ro-Ro Freight Project

TDC has made many unsuccessful attempts to return Ro-Ro ferry services to Port Ramsgate since 2012, attempts which, with the exception of the ad-hoc GEFCO Car Storage Operation from 2016 to 2019, have failed.

Both TDC and Infrata claim, without verifiable evidence, that the biggest hurdle to attracting new operators has been the lack of investment, a hurdle to be removed by the £3,4 million LUF Infrastructure investment. They contend that this investment will enable the port to deliver a modern cross channel freight service the philosophy being: 'build it and they will come'.

The necessary infrastructure works will include:

- Refurbishment of berths 2 and 3
- The creation of HGV check-in booths and marshalling areas
- Border Controls and Customs infrastructure
- Modernisation of:
 - o Lighting
 - o Fencing
 - o Way marking
 - o Lane separation

Additionally, Infrata point out that, in order to accommodate the proposed max size vessel of 180m LOA:

- The Port of Ramsgate and TDC remain well placed to handle its share of this additional demand, albeit with **current ship size restrictions that will need to be addressed with CAPEX expansion plans.**
- A calculation to provide guidance on the costs to allow vessels with >180m LOA
- Will need to be provided. This will involve project costs for:
 - o Partial extension of the quay wall
 - o Alongside dredging
 - o Dredging on the approach channel and the turning circle
 - o Further OPEX are also likely for maintenance dredging

It is notable, and perhaps fatal, to consideration of this proposal that NO verifiable estimates have been made relating to ANY of these costs other than a statement that the LUF fund will provide £3,400,000. Given that Berths 4-5 alone have cost in the order of £2,300,000 it is difficult and indeed dangerous, to imagine that the much more extensive works outlined above can be delivered for £3,400,000.

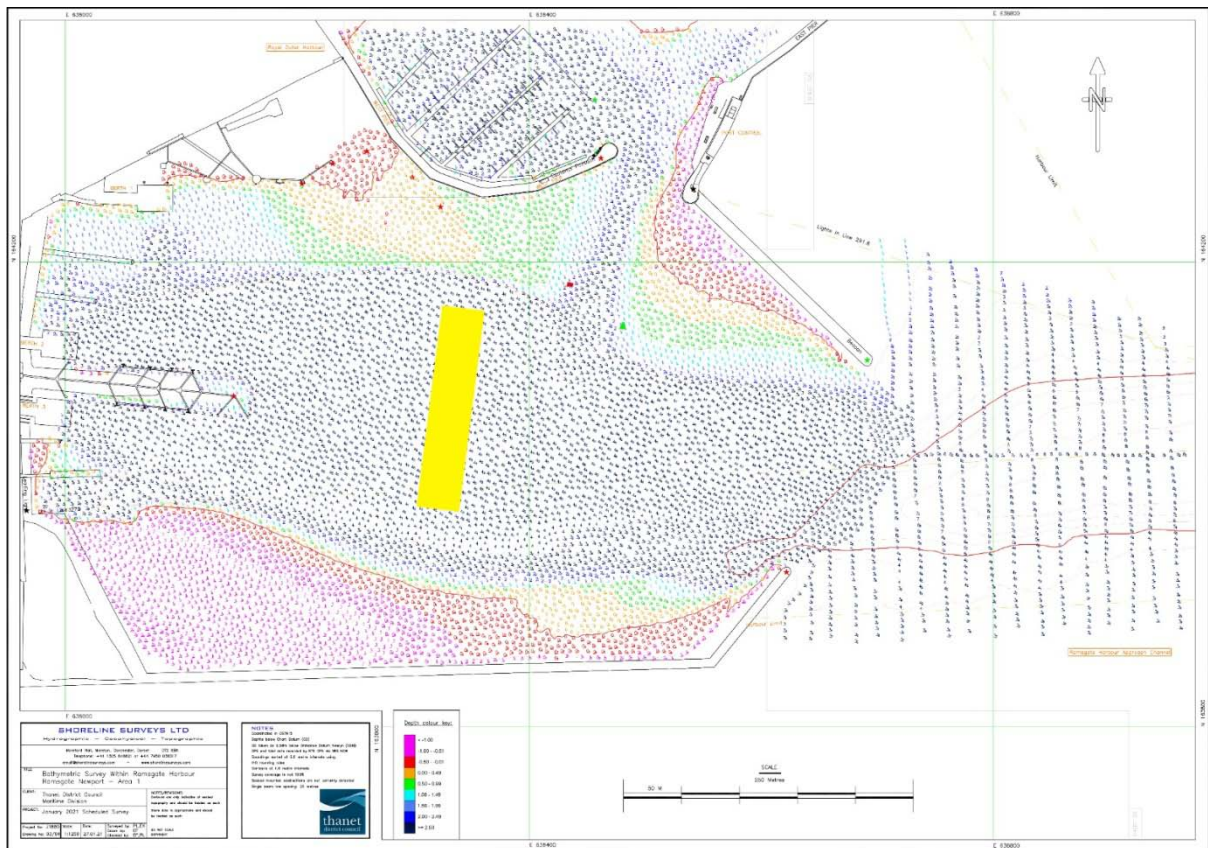
We would also add that, should the Ro-Ro operation evolve to include passenger (PAX) services, additional passenger related infrastructure will be required.

There is a further matter of concern:

It is proposed that the port can accommodate vessels of 180m LOA. However:

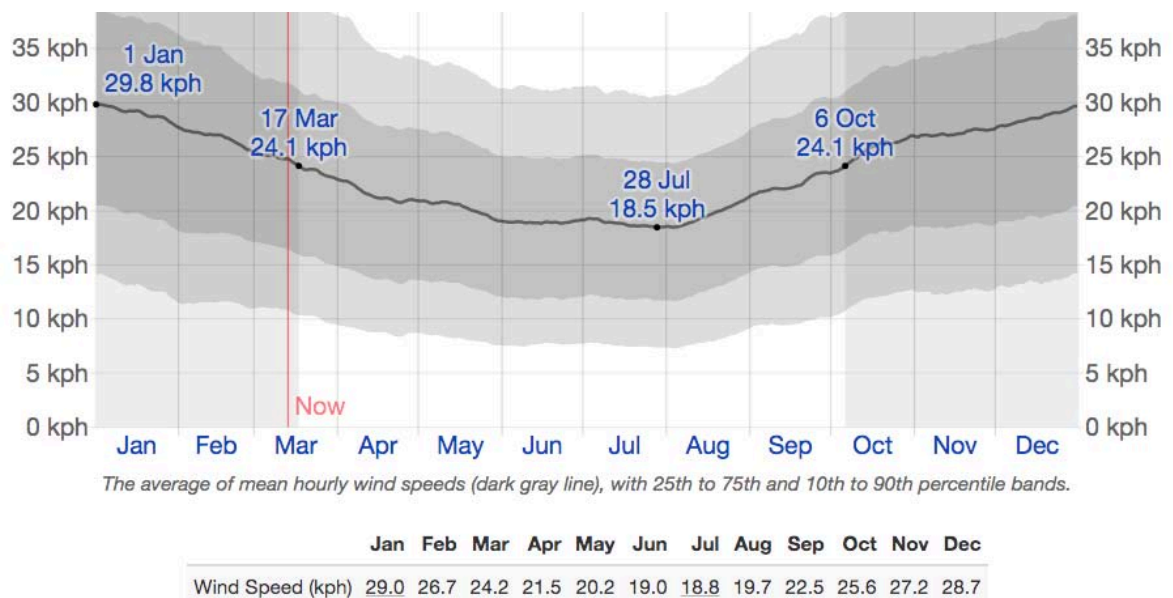
- Berthing tests conducted by P&O Ferries vessel Burgundy on 5 September 2010 were restricted to wind speeds of 15 kph for safety reasons. This was because the windage above this speed creates major problems for the vessel in the turning circle, especially when, as illustrated below, the vessel is broadside to the berth or in the approach channel.

See below: Burgundy (in yellow) leaving berth 3:



The Burgundy has an LOA of 179.9m. It follows therefore that, for safety and to avoid the considerable costs of dredging out a larger turning circle, vessel limits should be set at a maximum of 175m LOA.

This recommendation is reinforced by examination of annual Ramsgate wind speed patterns produced by WeatherSpark:



These patterns show a very high level of potentially unsafe berthing wind speeds which warrant caution in the determination of permissible LOA.

In point of fact there has been some ambiguity in the publicly declare max LOA for the port ranging from 165m to 170m to 175m to the present statement of 180m. It would be useful to determine the number of 180m LOA Ro-Ro vessels which have berthed in the port in, say, the last 10 years?

For the purpose of this analysis we propose using a max LOA of 175m.

Infrata have identified 5 potential operators for the proposed unaccompanied freight only service for which existing fleet details are listed which can be used to identify suitable vessels available if required for a Ramsgate service. The underlying question in considering these operators, other than vessel availability, will be the scale and structure of the incentive(s) needed to attract them to Ramsgate. The Infrata report considers the mechanisms for such arrangements but does not state the likely scale which will impact the revenue due to TDC and therefore the business case.

Unaccompanied Freight (trailer) Demand and Revenue Forecasts

Infrata have recommended a Hybrid operational structure for the port based on one specialist port operator handling Ro-Ro cargo, with TDC retaining control of any existing and potentially new cargo streams.

An example of this scenario could be:

- Specialist operator to handle Ro-Ro and overspill cargo from competing port(s)
- TDC to handle existing dry bulk cargo (aggregates)
- TDC to handle a new cargo stream (Dry Bulk)

On this basis, a forecast projection is shown relating to the development of aggregate volumes at the port of Ramsgate, primarily based on historic volumes to date and anticipated future demand.

In terms of new cargo streams, Infrata has considered several possible options, albeit at a high-level at this stage:

- Dry bulk and other general cargo.
 - It is conceivable that the port of Ramsgate could attract other, new cargo streams which are currently handled at southeast UK ports.
 - For instance, in 2021, the port of Tilbury handled:
 - 1.7 m tonnes of agricultural products,
 - 900,000 tonnes of forestry products and
 - 170,000 tonnes of iron and steel products.

In essence the proposal is to increase cargo income from Ro-Ro by a considerable expansion of bulk cargo operations centred on the proposed expansion of Brett's aggregate imports. This expansion will, it is suggested, be enabled to a large extent by utilising the North side of the recently deployed Berths 4-5 pontoon. This issue is addressed separately in this analysis.

There are issues related to these proposals:

- It is suggested that trailer (unaccompanied Ro-Ro freight) traffic will migrate to Ramsgate as capacity to handle such traffic at Dover is exhausted. In reality, freight volumes at Dover have been in decline as evidenced by the ports annual statistics which show that Total Road Haulage Traffic through Dover has shown a steady decline since 2014, in the order of 6% per year

Road haulage traffic has been in decline at Dover since 2014 with throughput as follows:

Year	Vehicles
2022	1,997,458
2021	2,149,595
2020	2,268,525
2019	2,397,270
2018	2,497,804
2017	2,601,162
2016	2,591,286
2015	2,539,918
2014	2,421,537

Source: Dover annual traffic statistics

- As a result there is little indication that Dover will run out of capacity and, in any event, it can be expected to take measures to mitigate such possible capacity constraints.
- Revenue from Ro-Ro operation is forecast to increase at a compound annual growth rate of 1% with a strong ramp-up from 2030 onwards, when unaccompanied trailer are attracted from Dover once it has reached an operational capacity maximum in 2030.

In summary,

- the forecast growth at Dover is not evidenced by the ports annual statistics

- Trailer operation revenue to Ramsgate from any overcapacity at Dover is not forecast to kick-in, if at all, until 2030 – that is in seven years time!!

It is proposed that the trailer operator concession arrangement will be based on an annual lease per square meter.

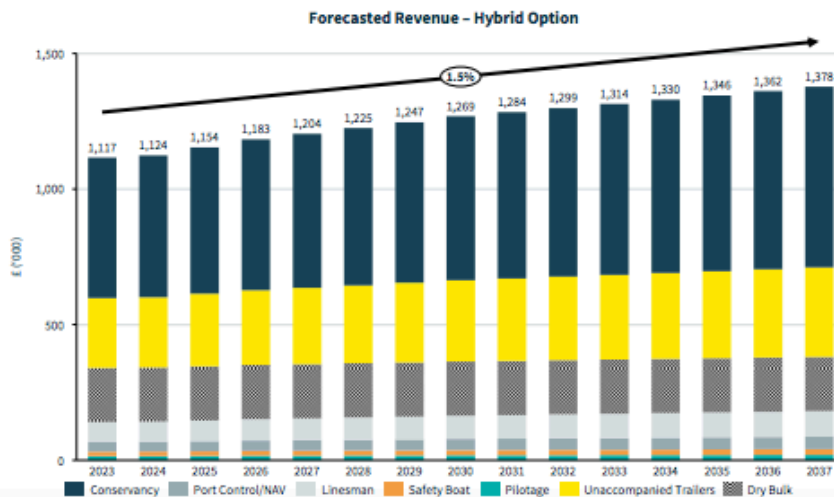
The Ro-Ro site is zoned to occupy 63,360 sqm (48% of the port area). If we examine the forecast revenue breakdown (page 11 of the Infrata report) we find (for 2023 in '000s):

Revenues – Case 3: Specialist Operator & TDC

infrata

Under the Hybrid option, Ramsgate could maximise revenue potential by splitting cargo types by specialist operators

- It has been assumed that a fixed annual £200,000 lease fee from Brett Aggregates provides the Dry Bulk revenues – of course, this can be amended if TDC is able or wants to supply the figure to be plugged in to the Revenue Model accompanying this report. It is possible that handling costs and vessel berthing revenues may also be collectable by TDC. However, the assumption here taken is that an annual lease fee is the only fee that TDC gets from the Brett Aggregates business. Infrata will update, if necessary, after further discussions with TDC.
- Taking into account this revenue amount and the volumes generated, between 2023 and 2037 the total revenue forecasted is expected to increase at a CAGR of 1.5% under the Hybrid option, as shown.



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For the purpose of calculating the impact of Trailer traffic on revenue we will remove the Dry Bulk (Brett's) from this analysis.

- Total annual cargo related income £1,117,000
- Cargo related income excluding Dry Bulk (Brett's) £ 917,000
- Conservancy - harbour ship management (berthing etc) £ 500,000
- Balance of fees for:
 - Port Control
 - Linesman
 - Safety Boat
 - Pilotage
 - Trailers Concession

TOTAL ADDITIONAL FEES £417,000

Of which Trailer fees are approx £250,000

The predicted number of trailers in year 1 (2023) is 44,000 and zoned area is 63,360 square meters

Therefore:	Concession fees to TDC	£ 5.68 per trailer
	Concession fees to TDC	£ 3.95 per Sqm

These figures should be modified to include income from support services, such as Conservancy due to TDC as a direct result of Trailer Traffic

The analysis suggests that the predicted demand model for Case 3 – Specialist Operator & TDC - contains considerable risk and should be presented on a best case/worst case basis.

Based on the table below we can predict costs to the operator (paid to TDC) based on handling 44,000 trailers per year at 80 trailers per sailing, as £ 928,812 per year to which must be added the concession fee to be paid to TDC by the operator.

Against this operating income the cost of the operations detailed must be set together with the cost of operation, maintenance, repair and renewal of infrastructure such as berths buildings and employment.

The predicted income of £ 928, 812 will give an income of £ 14.66 per square meter for the zoned area.

This compares with an average port operating cost (expenditure) over the period 2016 to 2022, of £3,419,000 which, based on a port area of 132,000 sqm, gives an operating cost of £25.90 per sqm for comparison with predicted income of £14.66 from the 63,630 sqm proposed Ro-Ro operation. It also indicates the break even annual income for the zoned Ro-Ro area should be £ 1,480, 017 compared to the predicted income of £ 928,812 a shortfall of £ 551,295 per year (a 37% shortfall on break-even).

No. trailer units per sailing UNACCOMPANIED	80
Size of Vessels (GT)	30,000
Size of Vessels (Length - Metre)	180
Pilotage -Assumed Operating Draft of (Metre)	6.4

Description of Charge	Per Arr	Per Dep	Total £	Charge per Unit 2022/23
Conservancy per sailing	1,902.00		1,902.00	0.06
Port Control / NAV Aids	130.00		130.00	130.00
Linesman (Mooring)	135.25	135.25	270.50	135.25
Safety Boat for mooring per sailing/vessel	61.00		61.00	61.00
Pilotage with PEC	28.56	28.56	57.12	28.56
Unaccompanied Freight	471.20	471.20	942.40	5.89
Water	14.48		14.48	3.62
Total per day / sailing			3,377.50	

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COMMENTS ON PROPOSAL FOR THE RETURN OF Ro-Ro TO RAMSGATE

There is insufficient evidence to demonstrate the validity of this proposal. In particular:

- The Demand analysis and therefore Revenue Projection is based on assumptions of events at Dover which are speculative and are not predicted to take effect until 2030, in seven years time.
- The availability of vessels and operators to enter into a concession agreement with Ramsgate for a freight only unaccompanied trailer service is tenuous.
- No attempt has been made to estimate the costs, or indeed the extent of the works, to be borne by the port in terms of infrastructure preparation, repair, maintenance or renewal. Nor have reliable operating costs been determined.
- Without these data it is not possible to derive a business case for the proposal and importantly, determine the value of the project to Ramsgate now and in the future.
- Given these failings it is unreasonable for Cabinet or the Council to proceed with this proposal.
- We recommend that decisions relating to this proposal are postponed until such time as the required information to make an informed decision is made available.
- In the interim, careful consideration should be given to alternative uses for the port.

DRY BULK IMPORTATION

Infrata have suggested that there is a capacity to broaden the scope of Dry Bulk products, which could be imported using the north side of the recently completed Berths 4-5 and the additional space made available by an increase in the Brett's site by a further 2 acres (effectively doubling the site).

This has been a long standing ambition of TDC as illustrated in a video interview with the Harbour Master in 2016: see - <https://youtu.be/3tEw8ka6vg> - and by Berth 4-5 funding applications made to council in 2016, 2018 and 2019

Additions to marine aggregates might include:

- Agricultural products
- Forestry products
- Iron and steel products
- Project Cargo

The WSP Feasibility Report of 31st January 2020 reviewed the potential for additional Dry Bulk activities and took a very cautious view of the potential. This was largely because of the strong marketing and competitive positioning of existing players. (see pages 78 to 82 of the report).

That is not to say there is no opportunity simply that such considerations need to be carefully assessed as must:

- The implications of the protected status of the wharf which is limited to marine minerals importation
- The environmental impact of the selected/potential imports

THE BRETT PROPOSAL

An application to proceed with expansion of the Brett facility has been presented to Cabinet as part of the same application for the return of Ro-Ro to the port. The application is based upon a call from Brett to double the size of the facility by increasing the site area by two Acres (8093 sqm) to a total of 16,186 sqm, making this industrial site 12.25% of the port area.

The Brett wharf is a protected wharf but only for the importation of marine aggregates. The proposal as detailed in the Infrata report is to expand Dry bulk operations utilising the North side of the recently deployed Berths 4-5

The replacement of the original Berth 4-5 was promoted as a like-for-like replacement which was not requested by Brett since marine aggregate throughput at the facility has remained quite stable for the past ten years.

In the event, it now seems that Brett now wish to expand the facility to accommodate an anticipated increase in demand.

No evidence has been provided of this demand surge and this expansion proposal has not, as required by the IMO, been open to discussion be either councillors or residents.

No consideration of need or value has been submitted by TDC nor any consideration of the environmental impact.

We consider this application to be unreasonable and failing the tests of openness and support to members since NO information of any kind has been submitted to enable a decision to be made by the Council, Cabinet or residents.

For these reason the application should be rejected.

GOVERNANCE

The Independent Monitoring Officer's Report

The IMO made clear in his report of 15 May 2022 that serious failures of governance had hampered the effective performance of TDC to the detriment of the council itself and to the community which the council serves.

The recommendations made required the council to adopt strategies of:

- Engagement with stakeholders
- Proper risk management
- Effective responsibility for and control of council assets, including reputation

The report further specified that councillors MUST be involved at an appropriate stage and receive sufficiently detailed information enable them to make reasonable decisions

Serious failures relating to Berths 4-5 were highlighted with a recommendation that the East Kent Audit Partnership should be asked to conduct a detailed audit of the project.

THE EAST KENT AUDIT PARTNERSHIP REPORT ON BERTHS 4-5

The audit report completed in January 2023 identifies serious governance and project management issues relating to this project and makes specific recommendations concerning the evolution, management and delivery of future projects which have a direct bearing on the Port related LUF projects. Of immediate relevance are:

- Proper and realistic project milestones
- Well researched and realistic Capital Project Bids
- Consideration of All options to secure value for money and improve Decision Making

- Better scrutiny of projects to ensure good governance and robust challenge before decisions are taken
- Openness and transparency
- Detailed communication considering the needs of all stakeholders

RELEVANCE OF THE IMO AND EAST KENT AUDIT RECOMMENDATIONS TO THE Ro-Ro AND BRETT EXPANSION PROJECTS

- In the case of Brett's expansion, none of these recommendation have been adopted
- In the case of Ro-Ro it is clear that:
 - o Councillors have not been provided with meaningful business plans and risk assessments nor have they been given sufficient time to consider
 - o The project lacks openness and transparency
 - o ALL options have not been considered. In fact, item 3.4 of the Future Delivery – Port Ramsgate, 2 March 2023, was released to councillors only days before it was due for consideration by the Oversight & Scrutiny Panel, states:

*Following publication of the WSP report there have been a number of proposals and pitches to the council in relation to activities that could be delivered within the Commercial Port. These proposals range from a housing development, removal of existing commercial uses, proposals for a tall ship to be based in the port. **These do not link back to the Local Plan.***

- In our opinion the present Ro-Ro proposal should be withdrawn until detailed revenue, cost and risk assessments have been completed and reviewed by stakeholders.
- In the interim, other viable options should be evaluated, such as:
 - The Maritime Village Option presented in the WSP report as the most financially beneficial option (page 8)
 - A housing development at the border of the Royal Harbour and the Port
 - A flexible workshop facility based on the well proven BloQs project in Enfield, should be considered as the Maritime Academy, incorporating repair, maintenance and training capabilities, as stage 1 of the Green Campus
 - Purchase of the tall ship, Bessie Ellen, as a going concern to provide:
 - A major tourist attraction
 - A 'living' link to the Clock House Museum
 - A source of repair and maintenance revenue for the proposed workshops
 - A lever to assist in an application to Sail Training International to bringing Tall Ships Regattas back to Ramsgate
 - Maritime skills training and local jobs
 - A working group should be established to scope and evaluate the proposed Green Campus

- Other possible projects such as a hotel/conference centre

References:

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