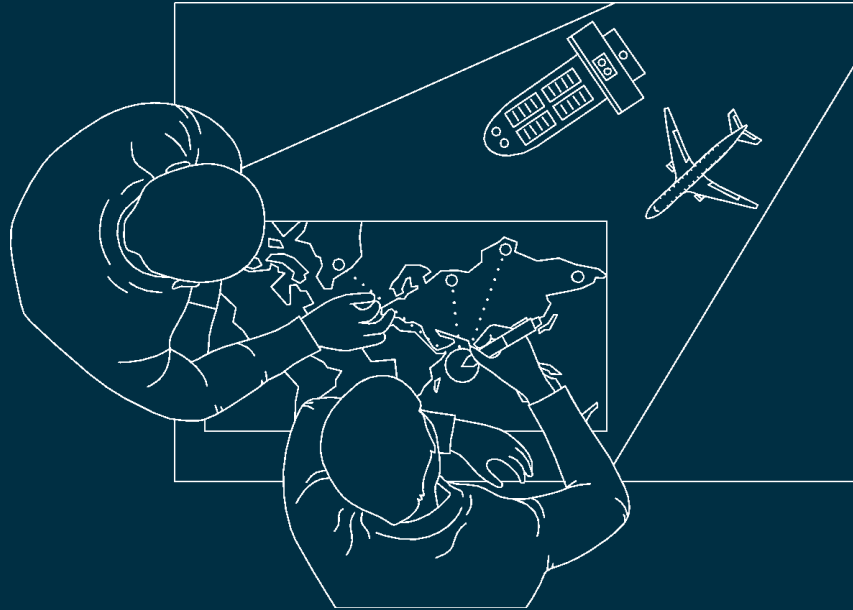


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Port of Ramsgate Strategic Advice: Summary Board Paper

Prepared for: Thanet District Council- 16^h February 2023

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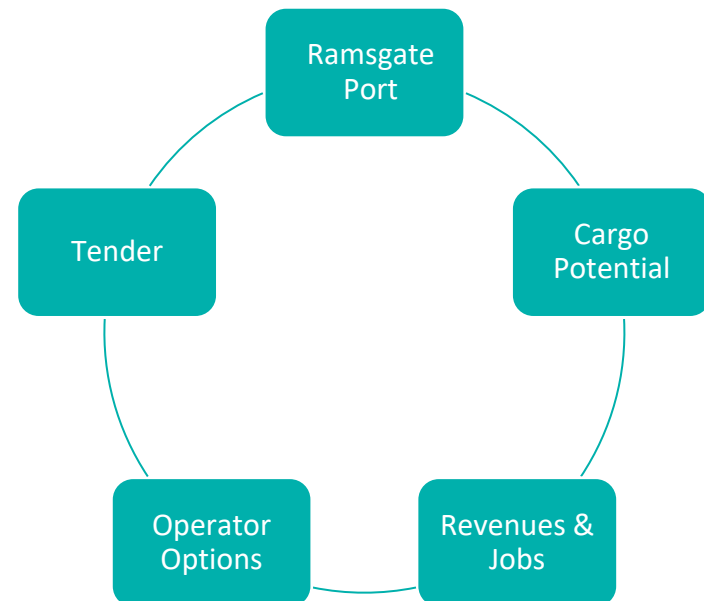
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Introduction to Project

Thanet District Council is considering options for Port of Ramsgate operations and cargo handling

- Thanet District Council (TDC) is considering various options and opportunities with respect to operations and future demand potential for the Port of Ramsgate.
- TDC also confirmed that there is available funding for the port, with a total of £3.5 million ear-marked for port infrastructure, including as part of a grant awarded from the Government's Levelling Up Fund.
- It is necessary for TDC to consider the various different operating structures available for the Port of Ramsgate and, importantly, the best approach to achieving this objective while maximizing the revenue potential and job creation potential available.
- Consequently, this Report will provide the following assessment:
 - Section 1: UK port market structure
 - Section 2: Port of Ramsgate historical performance
 - Section 3: UK ro-ro market & South/Southeast market
 - Section 4: Assessment of Options for Ramsgate
 - Section 5: Market Forecasts and revenue potential
 - Recommended conclusions and next steps

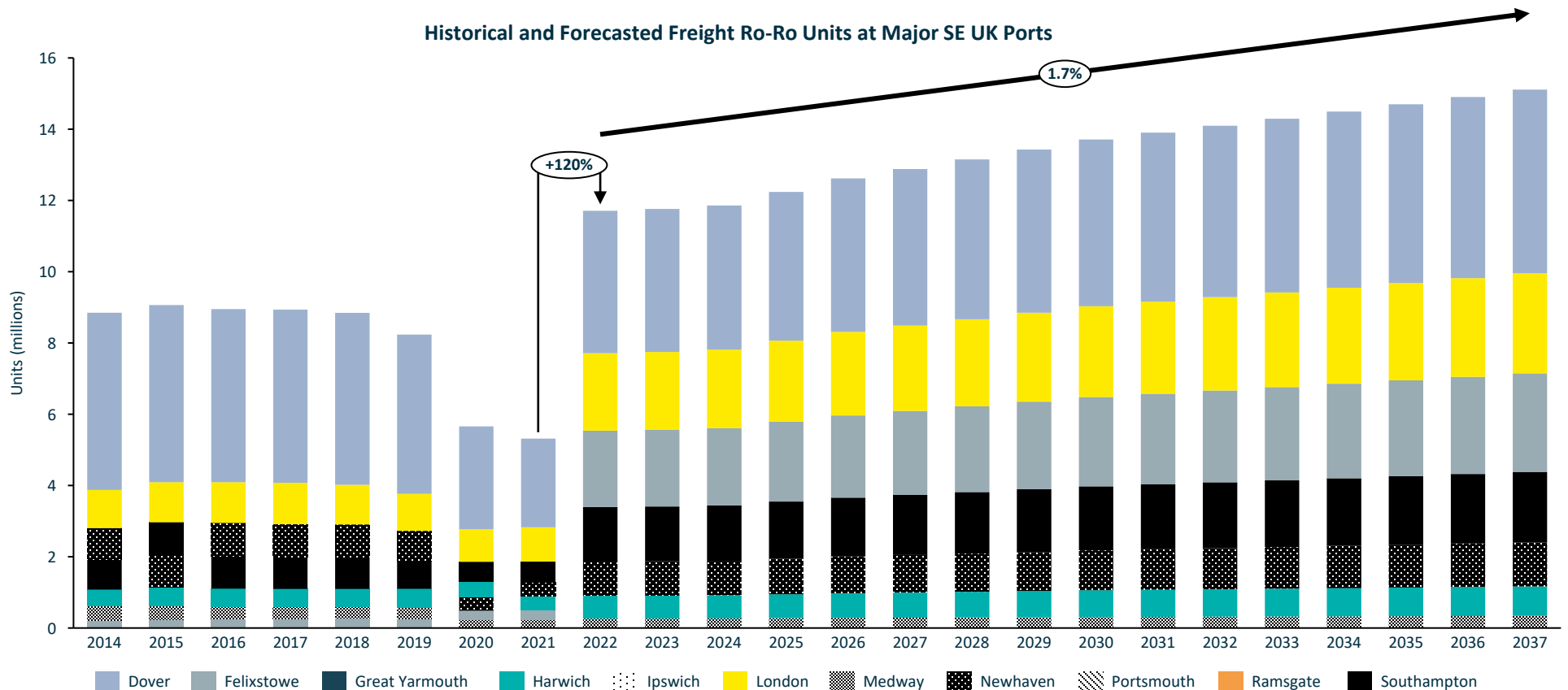


Cross Channel Market Development – Total Ro-Ro cargo

Future volume forecasts – Ro-Ro million units at major ports in South-East England by port

- High level trend analysis and forecast based on historical volumes realised between 2014 and 2021.
- Demand forecasts have been calculated with effect from 2022 by estimating the 2022 base year from Q1-Q3 actuals.
- The industry average elasticity of 1.4 has been used in conjunction with UK GDP forecast from IMF to provide growth rates for the demand forecasts.
- The impact of COVID-19 is clearly noticeable, although a large rebound did occur in 2022 and subsequent market growth is anticipated thereafter.

Historical and Forecasted Freight Ro-Ro Units at Major SE UK Ports

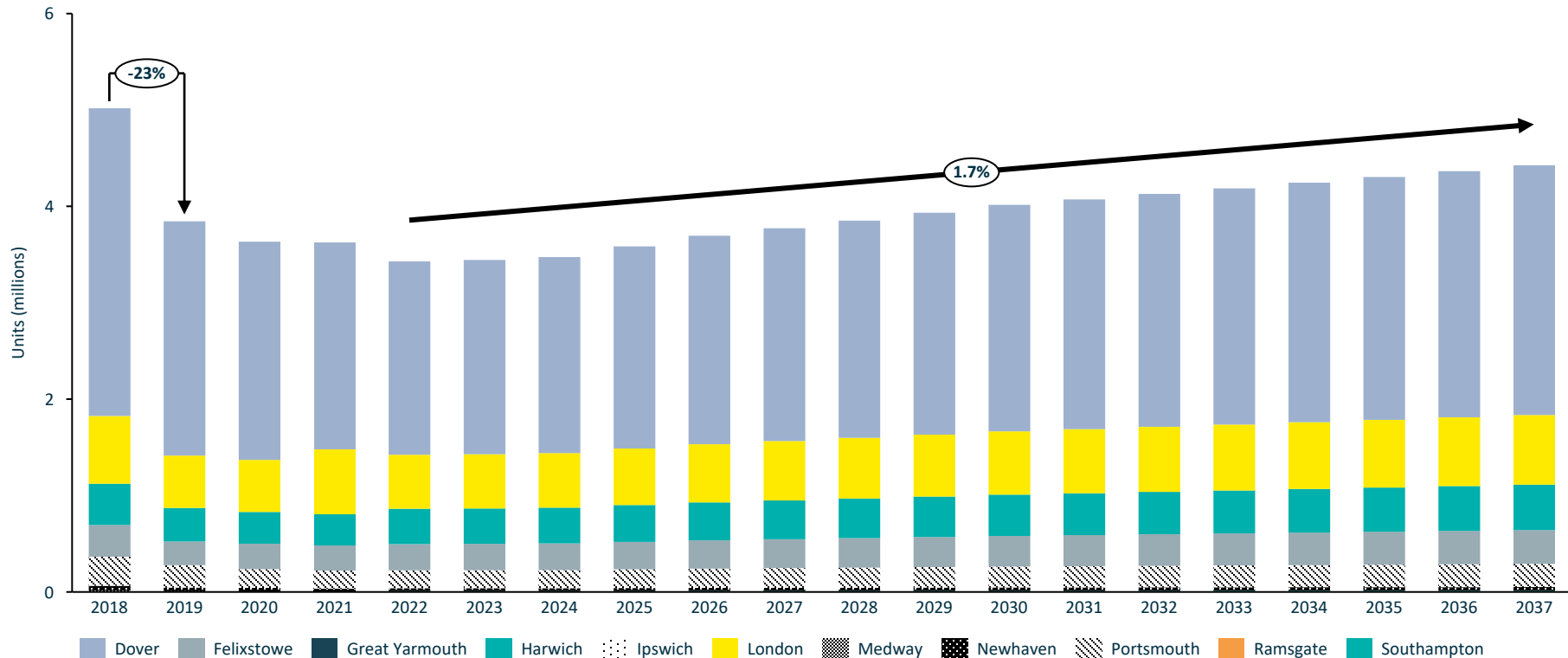


Cross Channel Market Development – Accompanied Ro-Ro

Future volume forecasts – Ro-Ro Freight - million units at major ports in South-East England by port

- High level trend analysis and forecast based on historical volumes realised between 2014 and 2021.
- Demand forecasts have been calculated with effect from 2022 by estimating the 2022 base year from Q1-Q3 actuals.
- The industry average elasticity of 1.4 has been used in conjunction with UK GDP forecast from IMF to provide growth rates for the demand forecasts.
- Ro-Ro freight units have historically declined since 2018; however, the COVID-19 pandemic had noticeably less impact than on total Ro-Ro units.
- The largest number of accompanied ro-ro freight units is handled at the Port of Dover.

Historical and Forecasted Ro-Ro Freight Units at Major SE UK Ports

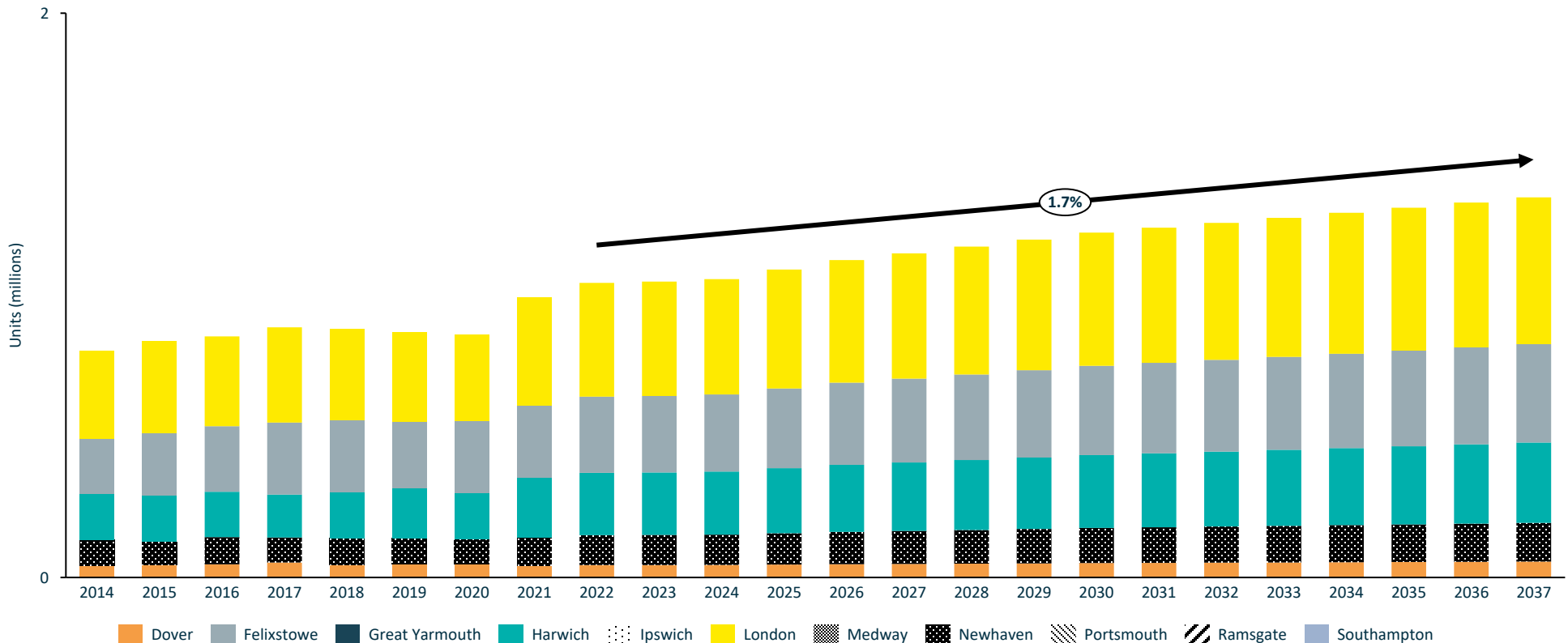


Cross Channel Market Development – Unaccompanied Trailers

Future volume forecasts – Unaccompanied Trailers, million units at major ports in South-East England by port

- High level trend analysis and forecast based on historical volumes realised between 2014 and 2021.
- Demand forecasts have been calculated with effect from 2021.
- The industry average elasticity of 1.4 has been used in conjunction with UK GDP forecast from IMF to provide growth rates for the demand forecasts.
- In the southeast, London, Felixstowe, and Harwich maintain the highest markets for unaccompanied trailers, followed by Portsmouth and Dover.
- Ro-Ro unaccompanied trailers were not very impacted by the COVID-19 pandemic.

Historical and Forecasted Unaccompanied Trailers - Units at Major SE UK Ports

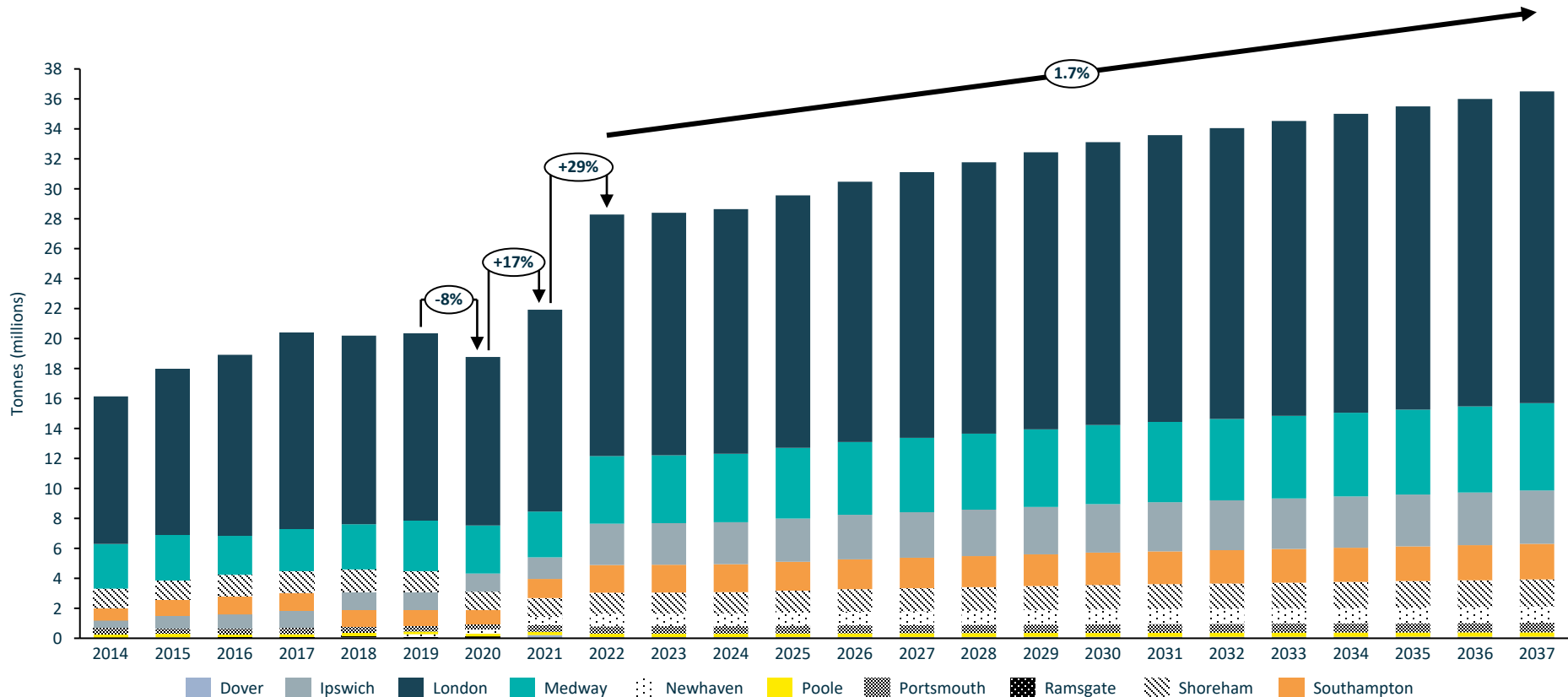


Cross Channel Market Development – Dry Bulk Cargo

Future volume forecasts – other dry bulk tonnage at major ports in south-east England

- DfT defines ‘other dry bulk’ units as fertilisers, crude minerals, iron and steel, sea dredged aggregates, wood lumber and cork, etc.
- High level trend analysis and forecast based on historical volumes realised between 2014 and 2021.
- Demand forecasts have been calculated with effect from 2022 by estimating the 2022 base year from Q1-Q3 actuals.
- Industry average elasticity of 1.4 used in conjunction with UK GDP forecast from IMF.
- Some impact of COVID-19 in 2020, although market rebound in 2021 and 2022 and then growth occurring thereafter.

Historical and Forecasted Dry Bulk Volumes at Major SE UK Ports



Options for the Port of Ramsgate

Ramsgate offers capacity and established infrastructure – different options exist regarding operators

- There are a number of different potential options available to TDC with respect to the future operation and approach adopted at the Port of Ramsgate.
- The table below outlines the different options recommended by Infrata as needing further assessment, in order to derive the best choice for TDC to maximise the existing facilities at the port and which will deliver the most robust revenues for the future.
- Each of these options are outlined individually with respect to the following:
 - The commercial and practical considerations
 - Financial and risk analysis

Option	Description	Role for TDC
1	Existing UK port ro-ro operator	Landlord port authority
2	New operator to UK	Landlord port authority
3	Joint venture with another port operator and TDC	Landlord port authority and partner in operating concern
4	Another private terminal operator in sole control	Landlord port authority
5	M/P Hybrid option – splitting operations by cargo	Retain control of non-ro-ro traffic, with ro-ro cargo managed by third party
6	Self-operated	In charge of all port operations
7	Cease commercial operations	Stop cargo activities and allow development or marina expansion



- The availability of port capacity at an existing marine facility to serve an established but growing market represents an important largely untapped resource.
- On this basis, the infrastructure at the Port of Ramsgate, in a strong geographic location adjacent to the English Channel shipping lanes, offers opportunities at a lower cost than developing additional facilities in the wider competitive region.
- Ramsgate offers quick access to additional ro-ro capacity and/or space for other commodities. On this basis, it is reasonable to expect interest in the tendering process to be generated, before an Expressions of Interest (EOI) is released to the industry by TDC.
- In order to best-manage time and resources, releasing an EOI first, before then generating a more detailed RFP to invited parties is best practice and commonplace within the port industry on a global basis.

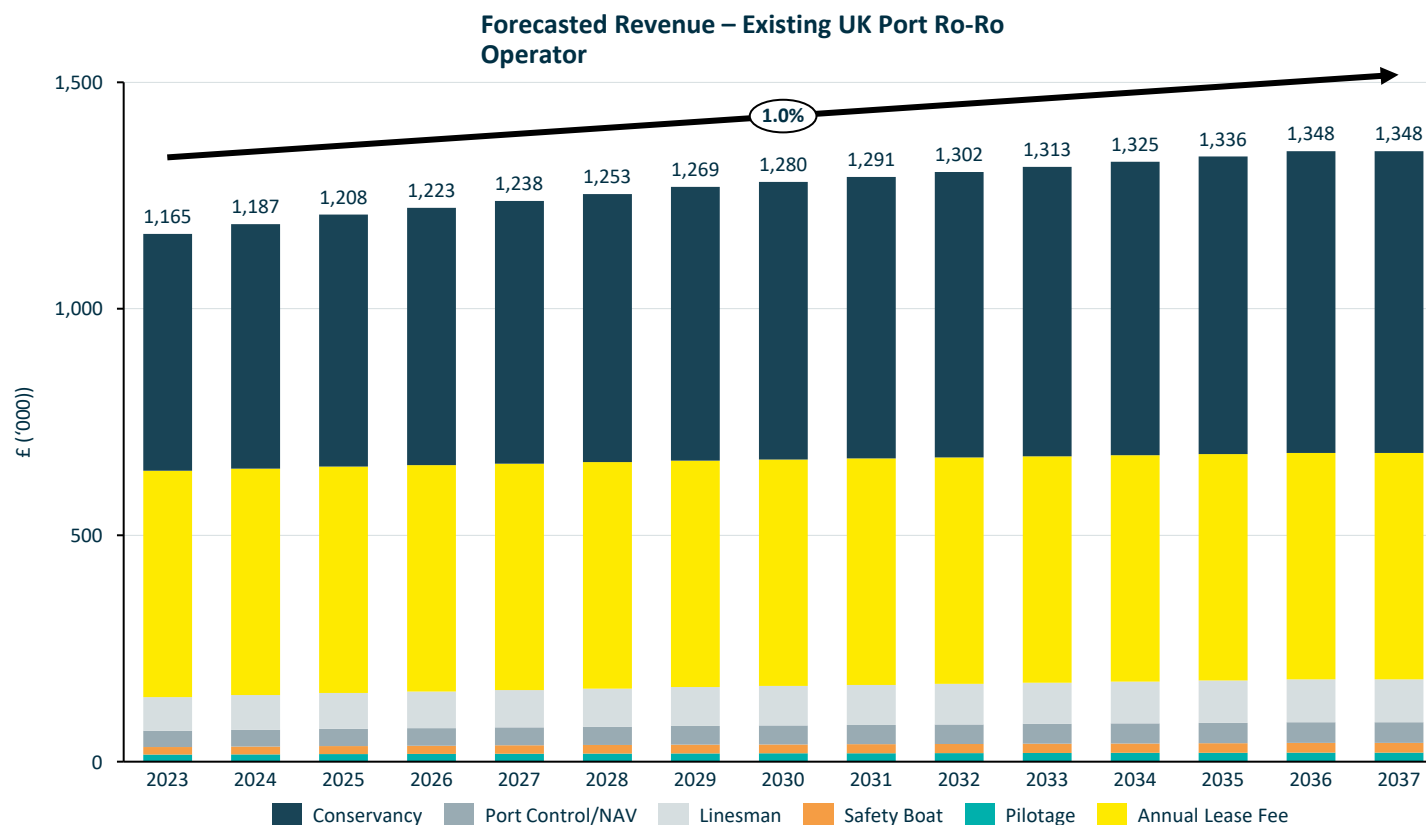
SWOT Summary of Options for Port of Ramsgate

Option	Strengths	Weaknesses	Opportunities	Threats
Existing UK Port Ro-Ro Operator *	Knows ro-ro market	Low revenues generated – i.e. just rental	A lower risk option for TDC to solve issue of port's role	Could promise volumes but provide none
	Needs more space	Ships may be too long to call Ramsgate		Defensive move to remove Ramsgate as competition
New UK Ro-Ro Operator *	Established port operator	No experience in UK market	Need to deliver UK ro-ro port interests / knowledge	Inability to generate cargo
Another private terminal operator in sole control *	Fresh ideas and investment potential	No guarantees of interest from private sector	Onus on new operator to succeed	Insufficient interest from private sector
Joint Venture with other port operator *	Maintains more TDC control	Reduces incentive of new operator providing cargo	Guaranteed rental and some new operator expertise/contacts	Defensive move to remove Ramsgate as competition
M/P Hybrid option: splitting operations by cargo	Spreads risk between more than one cargo type	Reduces available space for one specific sector	Specialised operators for specific cargoes	Reduced space and share of port may reduce interest
	Avoids the same issue of 2013 and loss of all traffic		Can be combined with any of 4 options above *	Share of each sector needs to be sufficient to maintain interest of operator
Self-operated	Maintain full control of operation	High risk option – pressure to generate cargo		Inability to attract shipping lines / cargo
	Keep more of revenues	Need experienced port operating/management		
Cease commercial operations	Solves issue of no ro-ro port business	Existing users of port under contract	Allows redevelopment of port land	Stakeholder engagement shows support for port development

Revenues – Case 1: Existing UK Port Ro-Ro Operator

With the existing UK port ro-ro operator option, Ramsgate would start to absorb excess ro-ro freight from Dover in 2030, resulting in increased revenue potential

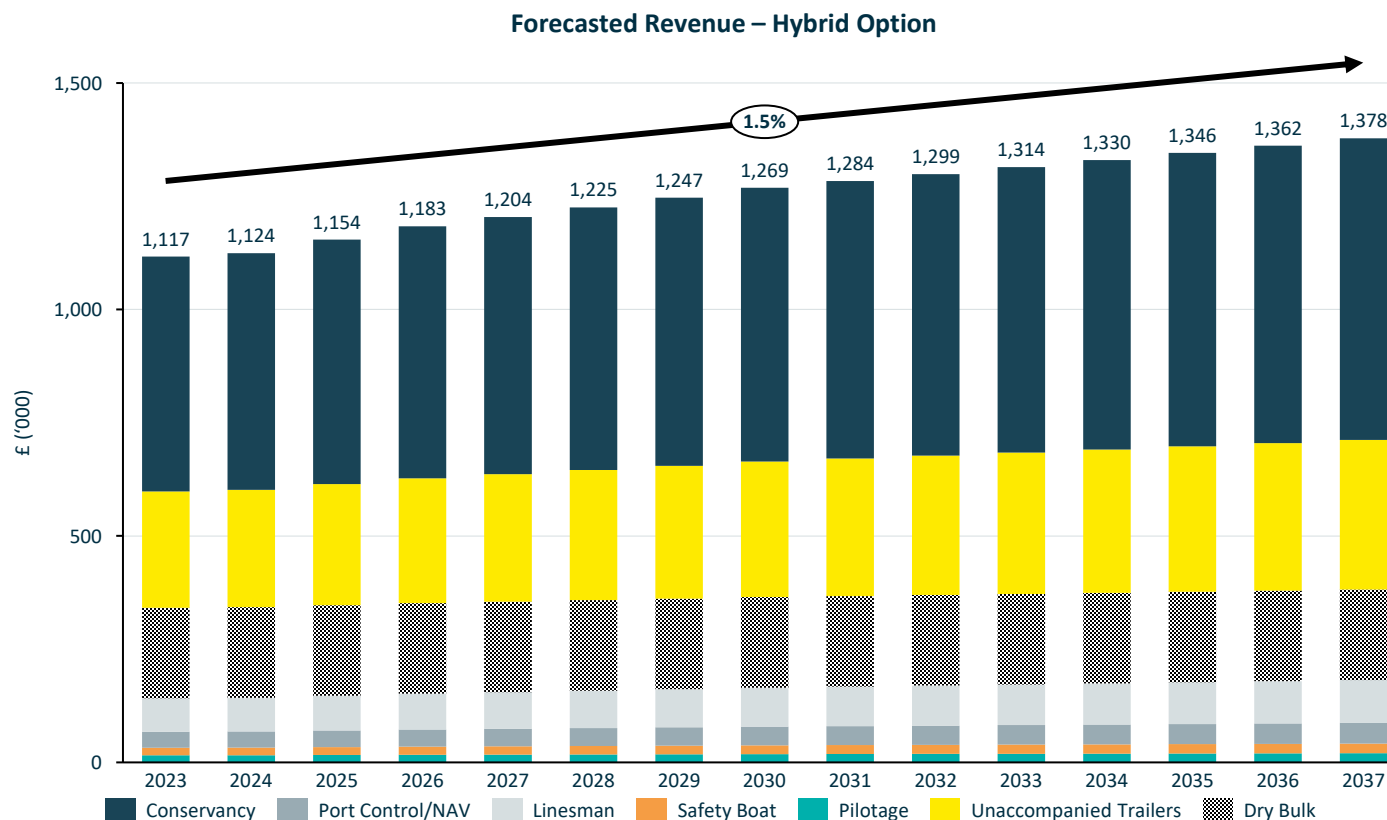
- As previously identified, the Case 1 option involves Dover overspill cargo moving to Ramsgate, once Dover is estimated to become capacity constrained. A conservative estimate has been used regarding Dover’s space issues, with the port able to manage it operation during the current decade.
- Under this option, between 2023 and 2037 the revenue for TDC is forecasted to increase at a CAGR of 1.7%, with a stronger ramp-up from 2030 onwards when unaccompanied trailers are attracted from Dover when it has reached an operational capacity maximum.




Revenues – Case 3: Specialist Operator & TDC

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.



Commercial Ranking of Options for Port of Ramsgate

	Existing UK Port Ro-Ro Operator	New UK Ro-Ro Operator	Another Private Operator #	Joint Venture (JV with TDC)	M/P Hybrid – link to any of 4 previous 	TDC Self- Operated	Cease all Commercial Operations
Volume Potential for Ramsgate	***	**	**	***	***	*	
Investment Requirement from TDC	*	*	**	**	**	***	*
Investment from partner / each option	****	****	****	**	**	*	
Revenue Potential for TDC	***	**	**	***	***	**	*
Partner Risk Spread (1 = high, 5 = low)	**	**	**	****	****	*	
Job Creation Potential to Thanet region	***	**	**	**	***	***	*
Support Stakeholder Aims for Port	**	**	**	***	***	***	**
TOTAL	18/35	15/35	16/35	19/35	20/35	14/35	5/35

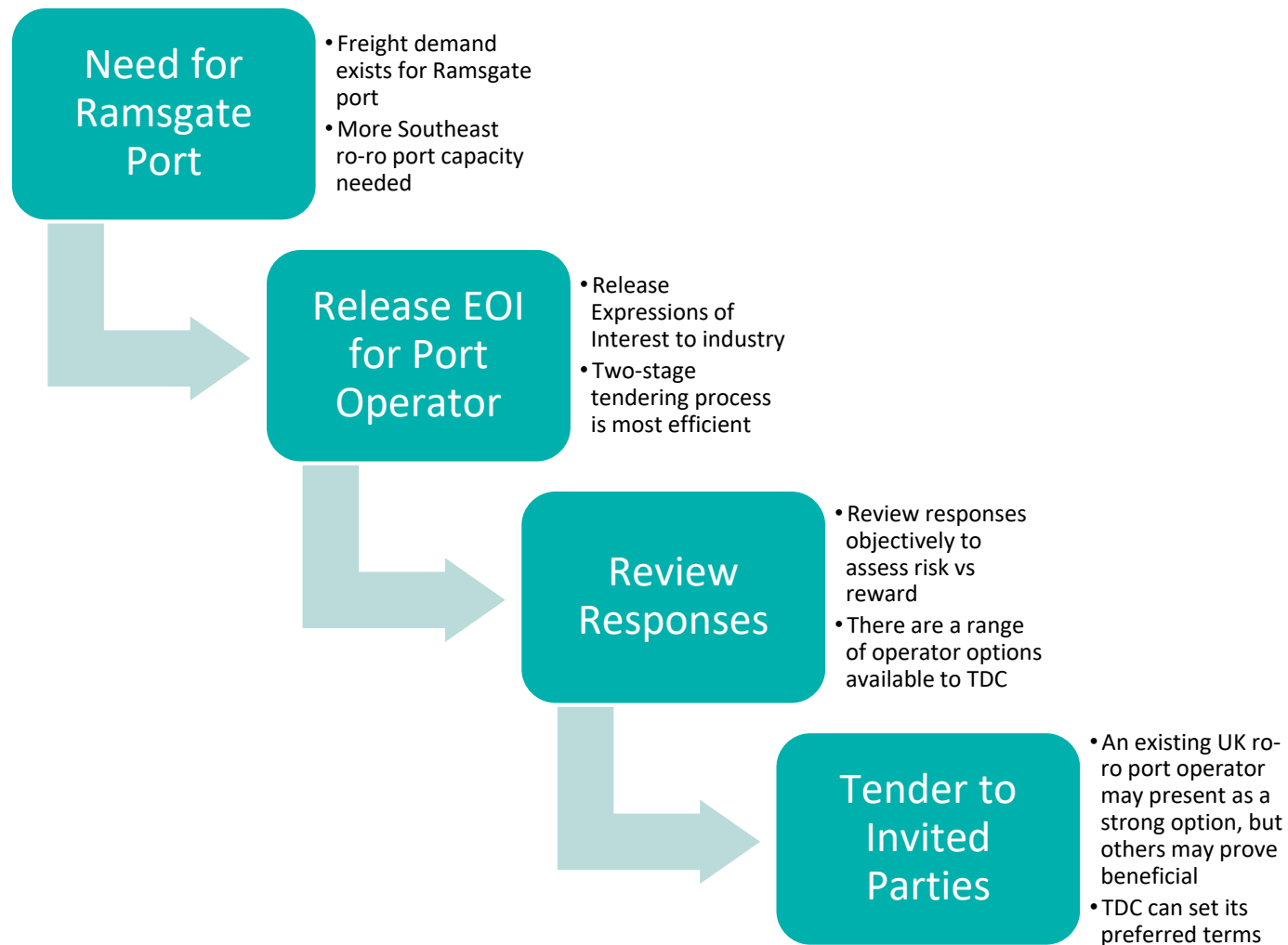
Note: Due to ownership status of Port of Ramsgate and role of TDC, an outright sale of the port has not been considered as a viable option. Also, Hybrid Option must include non-ro-ro to avoid complete loss of revenue that could occur if too reliant on one specific cargo sector. # Difficult to quantify objectively until further intel is known of any possible alternative operator that would be interested through a tender process

Commercial and practical considerations suggest the need for an EOI and tender process

- Previous elements of the report confirm that there is a demand for cross channel ferry freight services in the UK and that given restrictions in available space at the Port of Dover (the main port of interest for this type of cargo in the UK South/south-east) and limited opportunities to expand there, opportunities exist for another port located in the south-east of England to take a share of this cargo in the future.
- The Port of Ramsgate and TDC remains 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 the cost of the partial extension of the quay wall and also dredging alongside; on the approach and turning circle. Further OPEX are also likely for maintenance dredging.
- It is reasonable to assume that there will be interest from within the UK ro-ro port sector, but also from outside of the UK too.
- With this in mind, it is imperative that TDC utilises the tender process to its best possible advantage in order to ensure that the best available option is chosen for the site and TDC.
- A broad request for Expressions of Interest (EOI) will see who the serious parties are and offers of discounts in exchange for volume commitments will further improve the potential TDC bottom-line results.
- It is also envisaged that The Port of Ramsgate will continue to handle windfarm volumes under TDC control. This cargo type and revenue will be considered separately from the other cargo types and only included in a JV tender option.
- Existing contracts for aggregates and wind farms should not be ignored and need to be protected and grown. In this respect a hybrid option or a JV with TDC should be considered as part of any tender process.
- Whilst the report provides some guidance as to the best options to pursue based on known options in a qualitative and quantitative manner, it is important that all possible options need to be exhausted before providing a final conclusion.
- In addition to the sectors here covered, there is some possibility that either or both of cruise volumes or short-sea/coastal volumes would need to be addressed. However, it is Infrata's view that this would only be likely if an interested party from one of these shipping sectors appeared during the tender process. It is highly unlikely that these volumes would appear without an industry operator to bring them to Ramsgate.
- The provisional conclusion is that TDC need to start the tender process asap with a request for EOI.
- Infrata is well-placed to assist with any outreach programme to the terminal operating industry to gauge support and potential interest, having successfully completed similar processes in the past.

Summary Recommendations for Port of Ramsgate

Ro-Ro capacity needed in Southeast and a two-stage tendering process is the most efficient for TDC. An EOI will generate initial interest and TDC can then set preferred terms for deal to selected, invited parties



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