

Future Delivery - Port of Ramsgate

Extraordinary Cabinet	2 March 2023
Report Author	Mike Humber, Levelling Up Project Director
Portfolio Holder	Cllr Ashbee, Leader of the Council
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Expenditure not in budget and exceeding virement rules/Significant effect on communities
Ward:	Central Harbour Ward

Executive Summary:

Thanet District Council has an exciting opportunity to turn around the fortunes at the Port of Ramsgate, and realise the opportunities the commercial Port provides. Since 1998 the Council has operated the Port of Ramsgate, which in the past hosted a scheduled cross channel service operating on a daily basis for 15 years. However, there has been no scheduled ferry service for a number of years, which has contributed to a financial deficit being reported for the Port. There are a number of factors that have now provided the chance to turn this around, the Council has diversified the offer at the Port of Ramsgate, with an aggregate facility and two offshore wind farm operators. The Port is currently underutilised, and with changes in the short sea ferry market following the UK's exit from the EU, increases in fuel and the cost of living crisis, and a successful award from the Levelling Up Fund, with £9m allocated to projects at the port, including investment in the Port infrastructure, the time is right to agree a way forward for delivery.

This report is informed by external consultants and port specific legal advice, with further detail included in the report annexes. The report discusses market opportunities and describes recent work to develop options for future port delivery, with the objective of creating a sustainable and financially resilient business model, alongside an increase in local employment.

Recommendation(s):

1. That Cabinet approves the future model for delivery of the Commercial Port as set out in Option 5, in Section 10;
2. That Cabinet gives delegated authority to the Chief Executive Officer to develop the procurement framework and process to be followed, to secure a port operator in accordance with Section 11 of this report;

3. That Cabinet gives delegated authority to the Chief Executive Officer in consultation with the Leader, to secure a Port Operator through an open and competitive process. And to negotiate and award a concession contract and enter into an accompanying lease, in accordance with Section 11 of this report;
4. That Cabinet gives delegated authority to the Chief Executive Officer in consultation with the Leader to enter into negotiations and following this enter into a subsequent contractual agreement with accompanying new (or revised existing) lease with the aggregate operator, subject to a best value exercise to ensure the arrangements add value to the Port of Ramsgate, the Council and its communities. Negotiations will also cover any requirements in terms of formal approvals required being achievable for the expansion.

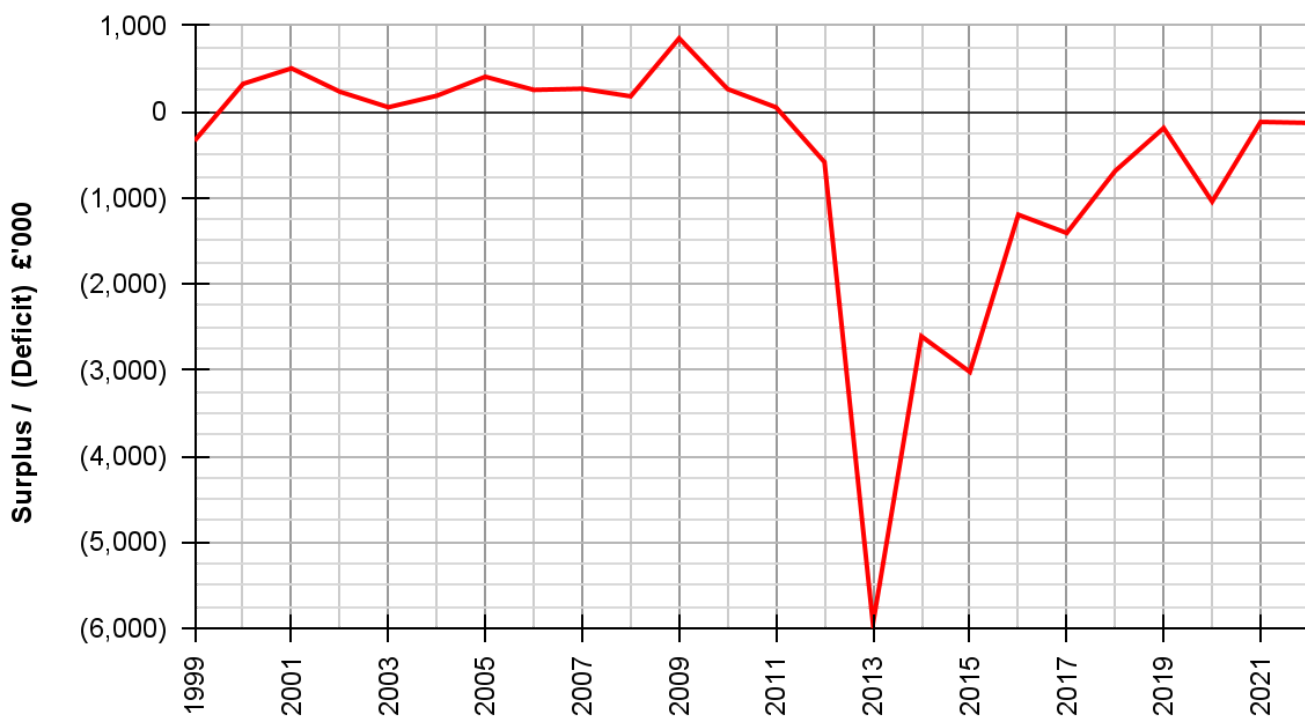
Corporate Implications

Financial and Value for Money

As set out in the body of this report, the story of the operation of Ramsgate Port since it came under the council's control in 1998 is demarcated into two clearly defined chapters; with a ferry operator from 1998 to 2013 and then without a ferry operator from 2013 onwards. The financial performance of the port has been subject to local and regional attention in the past and the financial performance can also be seen to differ across these two distinct chapters in the port's recent history.

The chart below shows the financial performance of the Port from 1999 onwards to the current financial year.

Port Financial Performance (1999 to present day)



The chart above illustrates that from 2000 to 2011 the port made recurring annual surpluses. Financial surpluses ranged between £50,000 to £850,000 per annum, with an average net surplus of almost £300,000 per year and a cumulative surplus for this eleven year period of £3.6m.

However, from 2012 onward the port has incurred successive years of financial deficits, most notably between 2013 and 2017 when substantial losses were incurred primarily due to one-off items such as the write-off of Transeuropa debt and legal costs associated with the temporary cessation of live animal exports. From 2018 onwards the financial performance of the port has been improving, in part due to the implementation of significant cost and budget savings in 2018/19 and 2019/20 but also due to the port attracting trade car imports which generated income over a six year period.

Despite the significant impact of the pandemic on commercial activities, the port's finances came close to break-even in both 2020/21 with a loss of £117k recorded.

It should be noted that all of the above figures exclude accounting adjustments for depreciation, asset impairments and pension adjustments. Whilst these adjustments are not insignificant in scale, over the 23 year period they accumulate to approximately £25 million, they have minimal bearing on the overall financial health of the council and are reversed out of the accounts so that they do not impact on the taxpayer. In the place of accounting adjustments for depreciation or impairment a much better financial data set to consider is the amount the council has invested in the ports assets and how this investment has been financed. The council has detailed records on the financing of port specific investments going back to 2016/17, during which time £3.3m has been spent from a mix of financing sources, with approximately £2m financed from borrowing. Because this capital investment will benefit the port for a long period of time the associated borrowing is also spread over the same timeframe, as such the annual cost of debt repayments associated with port investment is approximately £100,000. This is significantly less than the equivalent depreciation and impairment figures, which have averaged £1.3m over the same period.

If the council is successful in attracting a new operator for the port then a return even to the average surpluses of approximately £300,000 seen previously would be a welcome boost to the council's overall financial position.

The recommendations arising from this report will result in a competitive multi-stage procurement process including a tender stage to attract and secure a port operator for the two primary roll on roll off (ro-ro) berths, by way of a services concession, and associated port side land. Expressions of interest will potentially be sought via the Kent Business Portal, the council's eProcurement Portal and evaluated against agreed Price, Quality and Risk weighting criteria to determine the most advantageous submission. The procurement process undertaken will be fair and transparent and subject to a thorough due diligence process. Section 11 of the report sets out the detailed procurement process that will be followed, including details of an indicative timeline to expected contract award, should Cabinet approve the recommendations set out in the report.

The proposals in this report are unlikely to have a detrimental impact on existing port staff. This is because the council has made significant budget savings including a reduction in staffing at several points since the cessation of cross channel services in 2013. These cost saving exercises included some berth decommissioning in 2019 to further save on

maintenance and staffing budgets. The current maritime team deliver services across the port and harbour estate and the proposal to commission a port operator is unlikely to involve any loss of staff or transfers under TUPE arrangements, with staff duties focussed to the remaining areas of the port and the Ramsgate Royal Harbour estate.

The port remains operational and hosts long term wind farms and aggregates operations. Other shorter term business has also occurred, most notably trade car imports from Zeebrugge on an ad hoc basis since 2016. The level of activity at the port over the last ten years however has not been sufficient to meet income target and budget needs and accounting losses have been reported for the Port in all of the financial years since 2013. See Annex 1 for a summary of published accounts over the last three years.

The council is proposing to promote the opportunity at the Port of Ramsgate in a transparent and open way in compliance with the council's financial procedure rules and CSO's and The Concession Contracts Regulations 2016, where applicable.

VAT advice has been sought and the council is using its third party contractors to advise on the VAT implications.

Legal

This report deals with the legal implications of procuring a private operator to run a part of the port for Thanet District Council, which will remain the Statutory Harbour Authority (SHA).

The local legislation that underpins this is the Ramsgate Corporation Act 1934 and the Ramsgate Harbour Revision Order 1979. The latter piece of legislation conveys the powers described in the 1934 act to the Port which was constructed from 1979 and became operational in 1981. The powers exist to allow the council to charge fees for the services provided and to maintain the port and harbour estate including undertaking dredging, maintenance and renewal of infrastructure.

One further piece of legislation is the Port of Ramsgate (Pilotage) Harbour Revision Order 1988. This act is relevant to both the port and harbour and describes the Council's powers to set compulsory pilotage requirements and define pilotage limits for Ramsgate.

A legal review of the delivery models for future port operations has been undertaken. This review looked at the following delivery options:

- a pure land transaction, whereby a lease is granted to a third party operator and the operator is free to operate the dock as it wishes
- an open procurement of a services concession contract with an operator
- in-house delivery of the operation services, and entry into a preferential user agreement with a third party cross-channel ferry End User service provider

The second of the above three options was found to offer the lowest level of both legal and commercial risk. This report therefore proposes an open procurement process under a services concession contract in the above report recommendations.

Risk Management

This report highlights the risk and challenge the council has faced due to an underperforming commercial port. These have been considered in the development of the Levelling Up Fund bid, in order to bring in infrastructure investment, and the advice that has been sought in developing the proposal being put forward.

The council has adopted best practice in the identification, evaluation and cost effective control of risks to ensure that they are mitigated and reduced to an acceptable level or eliminated. Through the development of the Levelling Up Fund bid submission the council developed a robust risk assessment on the delivery of the programme. The project lead, who is responsible for implementing the strategy for the future delivery at the Port of Ramsgate, will be the responsible officer for developing and updating the risk register. Where risks are considered to be corporately significant, these will be placed on the Corporate Risk Register, which is reported and considered at the Governance and Audit Committee.

Risks that the council needed to consider, including any significant impact on its staff, and on the district Communities were considered in the development of the brief for specialist advice from Infrata and external legal team. Other risks include not gaining any permissions required, which has been covered by the legal advice being received by considering what is required when the council is the Statutory Harbour Authority. Infrata has also considered risks in terms of seeking a ro-ro operation, and whether there is capacity and demand in the market. These, and other risks will form part of the project risk report, this will continue to support decision making should the situation change, or relevant matters arise.

Through the external advice sought from Infrata, and in the development of the Options identified in the report, the Consultancy Team completed a financial and risk analysis. This includes a risk versus reward consideration, which requires the council to consider best value, but also not creating undue risk for its communities through the decisions that it makes. The financial and risk analysis on each of the options supported Infrata's recommendations in relation to which model of delivery the council should choose for the Port of Ramsgate.

There is a potential risk to providing up to two acres of the site to the aggregates operation, however the negotiation will take into account the financial modelling for the Port in terms of ro-ro operations and the best value requirements, before any terms are agreed, in order to reduce this risk. Expanding the area allocated to aggregates has the effect of reducing the space available for ro-ro operations. For context this reduction will be up to 12% of the space previously available for ro-ro freight operations. This will still leave capacity to assemble or store freight of sufficient volume to operate a cross channel service at Ramsgate. With some reconfiguration of the operational space there is potential to use space in the north west corner of the port as part of the freight operation which would offer a net increase in the space available for the ro-ro operation following a potential expansion of the aggregates operation.

In going out to the market through an open procurement process and inviting expressions of interest, the council is reducing its exposure and risks associated with bringing in a third party operator. Through the open expression of interest process, the council will require bidders to identify the risks that they have considered in the development of their proposal, what their risk management process is, and the mitigations they have considered.

Corporate

The recommendations in this report are aligned with the Local Plan Policy SP11 for the Port of Ramsgate, and the strategic direction proposed in this report is set out in the Ramsgate Future: Town Investment Plan. The council was successful in securing £19.8m of Levelling Up funding in 2021 with more than £9m allocated to projects at the port.

The council has also published a clear narrative that outlines the context and background to the current position at the Port of Ramsgate. A link to the narrative can be found in the background papers below. This report, and Cabinet's decision on the future delivery of the Port of Ramsgate support the diversification and the economic sustainability of the Port.

The Port of Ramsgate was constructed to service cross channel passenger and freight demand. The local legislation which defines the council as a Statutory Harbour Authority also conveys powers to operate and maintain the port and its approaches. The objective of the recommendations described in this report are aligned with reestablishing a commercial freight operation. This will not constitute a change in use and the investment required is likely to constitute permitted development under the legislative framework including the General Permitted Development Order. Commercial port operations that result from this project will not require an environmental impact assessment (EIA). Construction works undertaken in conjunction with the project will be screened for the requirement for an EIA.

Equality Act 2010 & Public Sector Equality Duty

The proposal has limited relevance to the duty in respect of the protected characteristics. It is the officer's assessment that the duty is not engaged by this proposal and no impacts have been identified. Should any issues arise as a direct result of this proposal in the future, they will be assessed accordingly. The duty may, (subject to the option approved by Cabinet) be relevant to subsequent work and the implementation of the option approved and this will be assessed as part of the evaluation process.

Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1.0 Report Summary

1.1 The Port of Ramsgate was opened in 1981 with the primary purpose of hosting cross channel ferry services between the UK and the continent. There has been no scheduled cross channel service since 2013 and this has had a significant impact on income, and therefore the budgetary performance of the port. An outline of the background of the port can be found in Section 2.0, highlighting the changes and impact of the shipping sector on the Port of Ramsgate. The council has pursued an approach of diversifying the commercial operations at the Port, which includes an aggregate operation and two offshore wind farm operations and maintenance (O&M) bases. Pursuing further commercial operations at the Port of Ramsgate supports its sustainability and economic security for the future.

- 1.2 The council has completed a significant amount of research and evidence gathering, including stakeholder engagement over the recent years to understand the future opportunity for the Port of Ramsgate. In 2019 the council commissioned WSP to complete a high level study, which was published in January 2020 and is included as a background paper to this report. Through the Local Plan, the council has been through a robust process of evidence gathering and examination, before adopting the Local Plan. The Plan clearly supports the use of the commercial port for cross channel services. The information from the Local Plan and WSP's report were used to support the evidence in developing the proposals for the Ramsgate Levelling Up Fund bid, which was supported and funded by central government and includes more than £9m allocated to projects at the port. It is worth noting that other planning uses on the commercial Port would currently be contrary to the adopted Local Plan. It is also worth noting that through stakeholder engagement in the development of the Levelling Up Fund bid there was a strong community perspective that the Port operating in a commercial way is fundamental to the future and regeneration of the town (background papers).
- 1.3 In order to draw this evidence together the council commissioned the specialist freight and logistics consultant Infrata to support a review of the required model of delivery that the council could adopt, in ensuring a successful ro-ro operation at the Port of Ramsgate. The Infrata report identified in Annex 3 has been used to evidence the recommendation for the proposed model of delivery. Through the commission, Infrata considered the various options and opportunities with respect to operations and future demand potential for the Port of Ramsgate. This was used to consider the different operation structures that are available for the Port of Ramsgate, importantly, the best approach to achieving this objective while maximising the revenue potential and job creation potential available. Infrata's evidence and advice is set out in Annex 3, and it is recommended that their report is considered alongside this Cabinet report.
- 1.4 The Ramsgate Levelling Up Fund bid provides funding not only for infrastructure investment in the Port of Ramsgate, but also investment linked to the growth and development of the offshore wind farm sector. The council recognises that the decisions made about the modernisation of the port facilities, and enabling the reintroduction of ro-ro services, needs to take into account the growth requirements of its existing businesses at the Port. The aggregates operation at the Port of Ramsgate has indicated the need for further land to support its continued operation in Ramsgate. This has been considered alongside this report, and it is proposed that up to a further two acres of land could be leased to the operator. Negotiation for this would happen alongside the marketing of the Port operation for Ramsgate, and will take into account financial modelling and best value requirements. Such requests from existing businesses at the Port is one of the reasons why the council considers a hybrid management of the Port of Ramsgate to be the best model for management.
- 1.5 Through the engagement of Infrata, and a specialist legal team, the council is in a position to have the required information in order to complete a robust and transparent tendering process, as set out in Section 11 and Annex 4. This activity will follow the legal process and allow the council to review proposals that come forward in terms of best value for both the council and its communities. If the proposals that come do not offer best value, then the council will be required to consider other models of delivery, and/or types of uses. Other uses will need to be considered through a Local Plan process.

2.0 Background

- 2.1 The Port of Ramsgate is one of 23 municipal ports in England and Wales and it requires a diverse mix of activities to be economically sustainable and financially resilient. Importantly, the port is currently operational but is under-performing financially with large amounts of space that is underused. A lack of a clear identity and the need for infrastructure investment have hindered the progression of opportunities presented at the port for economic and job growth. The following background section provides contextual information to the recommendations within this report.
- 2.2 The Port is located adjacent to Ramsgate Royal Harbour. Construction of the port started in 1979 with commercial activities commencing in the summer of 1981 via a single ro-ro berth. The port expanded rapidly throughout the 1980's to meet the demand for cross channel services with three successive reclaims of land from the sea and the construction of a further two ro-ro berths.
- 2.3 Scheduled freight and passenger services operated between 1981 and 1998 to France, Belgium and Holland, serviced by conventional ro-ro ships, high speed catamarans and by passenger only Jetfoils. During this period, access to the port was via the centre of Ramsgate and through the Royal Harbour, however in 1999 a c.£33m bypass tunnel was completed, linking the port directly to the A299 and avoiding the town.
- 2.4 In 1998, the two ferry operators and the private port operator ceased trading following the cessation of Duty Free concessions. In 1998 the Council became a port operator, taking over from the private company, Port of Ramsgate Ltd. Thanet District Council took over the operation of the port and successfully attracted a new operator, TransEuropa Ferries (TEF) which ran freight and car passenger services to Ostend. TEF operated up to six ships twice a day on this route until they ceased trading in April 2013.
- 2.5 To date there has been no scheduled cross channel ferry service from the Port of Ramsgate since 2013. This has impacted heavily on the financial position of the port which is described in detail in the Corporate Implications section above.
- 2.6 Prior to the cessation of cross channel services the port had already diversified its business model, with long term wind farm operators and aggregates customers establishing bases at Ramsgate. Currently there are two wind farm operators servicing four wind farms via their established O&M facilities at Ramsgate. There is a core fleet of circa ten crew transfer vessels, supplemented during the summer months by additional vessels to accommodate planned maintenance. Here, there is a close interconnection between Ramsgate Royal Harbour and the commercial port as the crew transfer vessels have permanent mooring facilities in the Harbour but enter the port daily to take on crew, equipment and supplies for their daily work schedule.
- 2.7 Brett Aggregates operate an aggregate importation facility in the south east corner of the port, utilising Berth 4/5, for self discharge vessels. The aggregate landed is used in the local construction industry and also supplies a concrete batching plant within their curtilage for the same purpose.

3.0 Strategic Position

- 3.1 In 2019 the council commissioned a high level feasibility study for the Port of Ramsgate. The aim was to commission a study that would inform future development, enhancement and diversification of use of the Port of Ramsgate. The study was considered to be phase one of the Port of Ramsgate's strategic future and would explore and review the available options. The council at the time wanted all potential options considered to test proposals and suggestions that had come forward, this included market opportunities in relation to commercial, residential and leisure. WSP were commissioned for the work, and they finalised the high level study in January 2020. This report provided the council the opportunity to engage with residents, communities, businesses and stakeholders to understand their views and comments in relation to the high level findings. The report can be found linked in the Background Papers.
- 3.2 The consultancy team from WSP identified that there could be the possibility of a mixed use development on the Port and Harbour, but that there would need to be further work, and special consideration or mitigation measures implemented for some of the commercial proposals, if residential and leisure developments were also to be considered around the Commercial Port. The leisure and residential proposals were considered to be most relevant close to the Harbour, however, through the development of the Levelling Up Fund bid, this area was instead considered to offer significant opportunities for job growth working alongside the wind farm operators in the development of a 'Green Campus'.
- 3.3 The WSP report identified that developing a mixed use site which retains the potential for ro-ro ferry services, while adding light-medium industrial zones, a larger renewables O&M facility with better-located berths, would maximise the value which can be derived from the current Commercial Port site.
- 3.4 Following the 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, commercial fishing facilities, amongst others. These do not link back to the Local Plan.
- 3.5 The adopted Local Plan identifies that the Port of Ramsgate is a cross channel port with capacity for passenger and freight services to mainland Europe. It has also firmly established itself as a base for servicing offshore wind farms. Within the strategic priorities, priority one aims to create additional employment and training opportunities, to strengthen and diversify the local economy and improve local earning power and employability. One of the ways to achieve this is by supporting the sustainable growth of Ramsgate Port. The Port is identified as a major infrastructure asset and a potential catalyst for growth. It is important for the manufacturing and green sectors and as a wharf for the movement of minerals. Through approval of the Local Plan the council has endorsed and supports the growth of port related uses and ultimately the reintroduction of a roll-on/roll-off passenger ferry service. The Local Plan has been through significant engagement and consultation, and these policies in relation to the Port of Ramsgate have been adopted.

- 3.6 Within the Local Plan the specific policy that relates to the Port of Ramsgate is Policy SP11 which states that:

The council supports further development at Ramsgate Port which would facilitate its improvement as a port for shipping, increase traffic through the port, and introduce new routes and complementary land based facilities including marine engineering, subject to:-

- a demonstrable port-related need for any proposed land based facilities to be located in the area of the port, and a demonstrable lack of suitable alternative inland locations; and
- compatibility with the character and function of Ramsgate waterfront and the Royal Harbour as a commercial leisure facility; and
- an acceptable environmental assessment of the impact of the proposed development upon the harbour, its setting and surrounding property, and
- the impact of any proposed land reclamation upon nature conservation, conservation of the built environment, the coast and archaeological heritage, together with any proposals to mitigate the impact. Land reclamation will not be permitted beyond the western extremity of the existing limit of reclaimed land.

Development will only be permitted under this policy where it can be demonstrated that it will not adversely affect any designated nature conservation sites through any pathway of impact, including increased visitor pressure. Development proposals must comply with the requirements of SP28, SP29 and GI01.

- 3.7 In terms of other relevant policies, over and above the Local Plan, it is important to note that the Kent Minerals and Waste Local Plan 2013-2030 safeguards the port for the importation of minerals into Kent (Policies CSM6 and CSM7 apply).

4.0 The site

- 4.1 The Port is built on land reclaimed from the sea. The council does not own the Port in its entirety. In general terms the part of the port which is constructed over the former intertidal area of the foreshore (between the chalk cliffs and the former mean low water mark) is owned by the council. The part of the port which is generally constructed in the former sub-tidal zone is owned by The Crown Estate. For the part of the port owned by The Crown Estate there is a lease in place until 2106 subject to terms. The lease conveys rights related to the council's occupation, management and operation of the relevant section of port land. The lease also conveys rights over an area of the sea including the turning circle enclosed by the rock breakwaters and an approach channel 1.15 nautical miles long which extends to the east of the port entrance. Consent from The Crown Estate will be required before any formal agreement for a third party operator can be put in place. In principle dialogue with The Crown Estate has indicated that consent for such a proposal would not be unreasonably withheld, and is likely to be supported.
- 4.2 The port has a number of existing tenants contributing to revenue income targets. The terms of existing leases vary but most are long term agreements. Attracting and retaining a diverse mix of activities is well aligned with the proposed strategic direction as it improves the resilience of port income and employment. In support of this diversity and to protect existing income, it is proposed that only the part of the

site that is required to operate an international freight or passenger service will be considered when seeking expressions of interest for future port delivery. A plan of the proposed area to be considered in any external port operator model is included at Annex 2. The area to be considered will specifically exclude parts of the port that are leased or sub leased to existing wind farms and aggregates tenants.

5.0 Operational Management

- 5.1 Under current arrangements the port and harbour are both managed by the Maritime team. Revenue budgets for operations and maintenance are defined separately but delivery is managed in a combined manner in the interests of efficiency. There is a single port and harbour maintenance team, the port control function coordinates marine traffic to and from the port and harbour, utilities are supplied and managed together and several commercial operations use facilities in both the port and the harbour on a regular basis. Security, dredging, cleaning and hydrographic survey contracts are in place for the provision of services at both sites.
- 5.2 Thanet District Council is a statutory harbour authority. The local legislation that underpins this is the Ramsgate Corporation Act 1934 and the Ramsgate Harbour Revision Order 1979. The latter piece of legislation conveys the powers described in the 1934 act to the Port, which was constructed from 1979 and became operational in 1981. The powers exist to allow the council to charge fees for the services provided and to maintain the port and harbour estate including undertaking dredging, maintenance and renewal of infrastructure.
- 5.3 One further piece of legislation is the Port of Ramsgate (Pilotage) Harbour Revision Order 1988. This act is relevant to both the port and harbour and describes the council's powers to set compulsory pilotage requirements and define pilotage limits for Ramsgate.
- 5.4 The Port of Ramsgate operates in compliance with the International Ship and Port Facility Security (ISPS) Code which is applicable to ports that accept vessels over 500 GT (Gross tonnage). This code requires the port to have a named Port Facilities Security Officer (PFSO) who maintains a security plan and ensures compliance. UK arrangements for port security are administered by the Department for Transport and are aligned with the ISPS. The PFSO is responsible for compliance of the entire port site.
- 5.5 Counsel advice has been sought to ensure that through this process the council does not compromise its position as a Statutory Harbour Authority (SHA) and its continued operational management of the Port and Harbour.

6.0 Aggregate Operation

- 6.1 The existing aggregates site at Ramsgate is operated by Brett Aggregates Ltd. The site occupies two acres of land on the south east corner of the port and is served by berth 4/5, which was replaced in 2022. The site also incorporates a concrete batching plant, which is served by some of the aggregates brought to the site via sea. Cement is brought to the site via road tanker and is stored in two silos. The concrete plant serves the local building industry in East Kent. Berth 4/5 and the existing Bretts site at the Port is safeguarded in the Kent Minerals and Waste Local Plan 2013-30.

- 6.2 A proposal has come forward for the extension of aggregate operations at the Port of Ramsgate. Having a diverse business base, with income from a number of entities, provides a sustainable operational port. There are a number of different businesses that operate out of the Port of Ramsgate and it is important that the council is mindful of the businesses requirements for growth and sustainability.
- 6.3 The expression of interest received is for up to a further two acres of land adjacent to the existing aggregates site. No heads of terms have been drafted to date but it is anticipated that additional income would be derived in three principle areas; the additional volume of aggregates handled at the Port, additional port dues associated with an increased frequency of vessel arrivals and lastly, from rent associated with a new lease for the additional land taken.
- 6.4 For context the area identified for ro-ro operations in the port zoning plan published as part of the Port Narrative in 2022 is 16.5 acres. The expression of interest for further land for aggregates would reduce the potential ro-ro area to 14.5 acres. Following a ro-ro capacity review of available land at the port, it is considered that there is a low risk of impacting on ro-ro viability in the event that the two acres in question is taken for additional aggregates. This is on the basis of evidence provided by Infrata through their commission and an understanding there will still be capacity to assemble or store freight of sufficient volume to operate a cross channel service at Ramsgate. With some reconfiguration of the operational space and in order to further mitigate any residual risk, there is an option to redesignate a three acre area of land in the north west corner of the port estate for ro-ro operations in the event that an operator requires it. This would therefore increase the area designated for ro-ro to approximately 17.5 acres.
- 6.5 Subject to Cabinet's approval, this expression of interest will be reviewed alongside the options for the future delivery of port operations. A land valuation exercise and best value review will take place in order to ensure that the council achieves the greatest value from its land holding for the benefit of its communities.

7.0 Levelling Up Fund programme

- 7.1 In 2021 the Government launched a £4.8 billion Levelling Up Fund (LUF) to invest in local infrastructure that would have a visible impact on people and their communities across the UK. The expectation was that proposals would include a range of high value local investment priorities, for local transport schemes, urban regeneration projects and cultural assets. Funding was prioritised based on the level of need in places, and Thanet was identified as a Category one area on the basis of its need for levelling up and economic growth.
- 7.2 At the end of 2021 the council was successful in securing £19.8m worth of investment for three projects in Ramsgate through the LUF programme. This included a package of projects, mainly focussed within the port and harbour. The Ramsgate LUF bid was developed by gathering views from members of the public and key stakeholders operating in Ramsgate and statistical information put together in a Ramsgate Evidence Atlas, which is linked in the Background Papers.

- 7.3 Through the engagement conversations with local people, businesses and organisations the following priorities were highlighted for consideration and exploration in the development of the bid:
- A Ramsgate Economy that Creates Jobs
 - Supporting Local Businesses
 - Opportunities for Young People
- 7.4 Through a community questionnaire, respondents were asked to select their priorities for change, with investment in the Port and Harbour being ranked highly. Qualitative engagement suggested that there is a strong community perspective that the port is fundamental to the future and regeneration of the town, and that the focus should be on building on the port's potential to provide jobs, training and skills for local people.
- 7.5 In the development of the LUF bid, consideration was given to clarifying and defining the role of the port, and its contribution to the wider town with the potential to create opportunities for local people including jobs, skills and training. It was also identified that the port could provide great support for the green agenda, creating a green port for the future.
- 7.6 The LUF bid that was submitted and received a successful award was to deliver:
- Investment in Port Infrastructure to create a Green Port which will provide a hub for innovation and training, allied to a modern hybrid port, supporting renewable energy and zero carbon maritime logistics. Creating a Green Campus working jointly with the public sector and education to create a space for innovation in low carbon logistics and a hub for green business. This investment will unlock the opportunity to provide real economic growth, job creation and training places in the heart of Ramsgate. The port infrastructure includes improvements to the berths, mooring spine and check-in/border facilities.
 - Investment across assets in the Royal Harbour will link buildings to develop new and distinctive visitor assets that will provide important new training and employment pathways for residents. New visitor accommodation and a high end restaurant and a brasserie will provide meaningful apprenticeships and in work training in hospitality. These will be accompanied by vital investment in quayside fishing facilities to enable the local fleet to store and sell their catch, as well as providing new fishing and maritime jobs and training to support the growth and resilience of the town's fishing community. A repurposed and refurbished Clocktower will provide a heritage visitor focus for Ramsgate.
 - Investment in two community access points, including one at Newington and one in central Ramsgate will provide spaces for people to access information and first stage activity as part of wider career development. This will include training kitchens, community teaching space, opportunities for intermediate labour markets and information exchange, as well as space for existing local charities to operate out of.
- 7.7 The LUF monies provides the opportunity to deliver the much needed infrastructure investment required to support the diversification of the Commercial Port, and the ability for the assets to provide sustainable models of delivery. This has been recognised, and supported by central Government.

8.0 Opportunity

- 8.1 There are a number of reasons why the time is right to bring forward the decision for the model of operation and route to delivery for the Port of Ramsgate. Changes in the cross channel market following the EU Exit, investment through the Levelling Up Fund, supported by stakeholder engagement and strategic advice and evidence provided through the Infrata report
- 8.2 Nationally, the roll on roll off (ro-ro) market has been declining over the past few years, however demand in the south east has remained strong. Following the uncertainty in recent years due to the EU Exit, Covid Pandemic and operational issues challenging other short sea ferry ports, there is a market need for resilient freight routes to and from the UK, and Ramsgate is well placed to contribute to this market need. The report completed by Infrata (Annex 3) confirms that there is a demand for cross channel ferry freight services, with limited opportunities for expansion in other Ports, Ramsgate has a significant opportunity to take a share of the increase in cargo in the future.
- 8.3 The Infrata report (Annex 3) considers the current operating model at the Port of Ramsgate and alternative models, each of which presents its own balance of operational risk versus financial income potential. The report is informed by a recently completed study which scopes and appraises available operating models.
- 8.4 Over recent years interest has been expressed by ferry operators, EU ports and haulage companies for cross-channel operations. Although there is clear evidence of demand, the challenge for the council has been the need for investment at the Port of Ramsgate in order to provide the necessary infrastructure to service and meet this demand. Previously, Ramsgate lost out on ro-ro opportunities because private sector owned ports were able to invest in the required infrastructure, whilst the council was not in a position to do so. The challenge of a lack of capital funding is now resolved by the Levelling Up Fund grant award. Updating key port infrastructure at Ramsgate will constitute a step change in the attractiveness of Ramsgate to host a new cross channel service and will unlock new opportunities with potential operators. The Levelling Up Fund provided a timely opportunity to invest in the infrastructure in order to be able to fully service a ro-ro operation.
- 8.5 Ramsgate offers short duration sea crossings. This allows an operator to get more than a single rotation between ports per day from a vessel, which is important to the economics of the operation. Maximising vessel capacity and service efficiency is more important than ever due to the significant rise in fuel prices, which directly impacts this sector.
- 8.6 Fundamental changes are planned at EU borders with drivers and passengers from non EU countries required to complete biometric checks. The implementation timescale is still unclear but the checks are likely to require facial recognition and/or fingerprint scans. The risk is that this will add time to each individual check, causing delays at already busy borders. For a service from Ramsgate, the proposed biometric EU border checks would happen at the border in the EU port, with little or no impact on the ship's turnaround or other port activities at Ramsgate.

- 8.7 Kent has suffered significantly over recent years due to the challenges faced from strikes in EU ports, the impact of EU Exit, and capacity issues at peak times. It is expected that there will continue to be capacity and reliability challenges on short sea routes due to factors such as market growth and changes following EU Exit. This continues to have the potential to create a bottleneck for freight and passengers resulting in serious and long delays impacting not just the cross channel customers but residents and businesses across the south east. Adding capacity to the short sea ferry market through the Port of Ramsgate would provide the opportunity to remove some of the freight from busier ports, thus allowing greater throughput of passengers, and reducing the impact on the road network. It has been long argued, and recognised by other agencies that Ramsgate can provide the opportunity for capacity in this marketplace.
- 8.8 A significant opportunity was provided by the Levelling Up Fund programme with the council being successfully awarded funding for infrastructure improvements at the Port of Ramsgate. This funding is the missing piece, allowing the council to carry out the investment that has been required for a number of years to support the start up of a ferry ro-ro operator at Ramsgate.

9.0 Strategic Advice report

- 9.1 The report by Infrata at Annex 3 provides a detailed insight into relevant freight markets and describes options for future delivery. In developing and reviewing the options Infrata considered varying levels of risk versus financial reward. The current operating model (Thanet District Council as in-house port operator) is the baseline for the consideration of the options that were reviewed, it presents some higher level risks such as financial exposure, maintenance responsibility and insurance liability. However it also allows a higher level of operational control and increases the financial yield due to the direct nature of any contractual agreement with a ferry operator.
- 9.2 Infrata, in their report has outlined some of the reasons why the proposal to bring back ro-ro opportunities is such a positive step. It notes that Ramsgate has the availability of port capacity at an existing facility that would be ready to serve an established but growing market, it therefore represents an important, and underutilised resource. Ramsgate offers quick access to additional ro-ro capacity and/or space for other commodities. The Port of Ramsgate is in a strong geographic location and offers opportunities at a lower cost than developing additional facilities in the wider competitive region.
- 9.2 The options, including the benefits and downsides of each from the Infrata report in Annex 3 are included below:

Option 1 - Attract an existing UK port ro-ro operator to manage the whole port estate

Benefits include:

- Substantial operating experience in UK ro-ro market could be gained and potential to switch cargo immediately to Ramsgate potential
- Food links and relationships with vessel operators
- Interest in Ramsgate brings immediate benefits
- An East Kent hub option is possible, in theory
- Low risk option to Thanet District Council to guarantee some revenues

Downsides include:

- No guarantees of ro-ro traffic being attracted
- Vessels in service may be too long for Ramsgate
- Thanet District Council needs to ensure interest in Ramsgate not just a defensive move
- The council must avoid a low-rent payment and no cargo guarantees

Option 2 - Attract a new operator to UK to manage the whole port estate

Benefits include:

- Existing ro-ro port operations knowledge
- Existing relationships with vessel operators to leverage
- Bring funding to Ramsgate
- Bring new dry-bulk customers
- There is a history of previous successful service from Ramsgate-Ostend

Downsides include:

- No guarantees of ro-ro traffic being attracted
- Relationship with ro-ro shipping operators to leverage?
- Lack of knowledge of the UK ro-ro market
- Previous ro-ro service to Ostend went bust

Option 3 - Enter into a joint venture with another port operator

Benefits include:

- Thanet District Council maintains control over existing traffic/customers
- Spread risk across shipping sectors and operators
- Revenue generation potential from deal
- Maintain expertise of separate ro-ro operator
- Meets council directive to maintain existing opportunities and add layers

Downsides include:

- Split operation may not appeal to ro-ro operator
- Potentially preclude interested parties who also want non ro-ro cargo control
- Could be a more difficult venture to agree
- Dilutes interest of new operator

Option 4 - Another private port terminal operator in sole control

Benefits include:

- Hands full control of all aspects of commercial port to specialist
- Private operator relationship with vessel operators
- Existing knowledge of port operations and management
- Ability to raise private finance
- Ramsgate offers an opportunity to gain access to a UK port in a strategic location

Downsides include:

- No guarantees another private operator could be found
- Low risk option – but only if a private operator can be attracted
- Small facility / revenue potential will preclude many major terminal operators
- Desire to compete with Dover may not be attractive

Option 5 - Multi-Purpose Port Hybrid option

Benefits include:

- Ensures ro-ro expertise available
- Spread risk and avoid 2013 reliance on one operator and sector
- Potential for the council to maintain some control / interest
- Revenue generation potential from deal
- Meets council directive to maintain existing opportunities and add layers

Downsides include:

- Split operation may not appeal to ro-ro operator
- Potentially preclude interested parties who also want non-ro-ro cargo control
- Reduced space for each sector might lessen interest of operators

Option 6 - Self-operated - the Council retains all port operations

Benefits include:

- Full control of all aspects of commercial port and customers
- Thanet District Council retains all revenues generated
- Ability to generate more direct employment
- Return commercial port to positive revenue

Downsides include:

- High risk option
- Needs strong relationship with vessel operators
- Sole responsibility for attracting cargo
- Need port management expertise in-house
- Need to develop greater knowledge of port industry

Option 7 - Cease commercial operations - stop cargo activities

Benefits include:

- No pressure on Thanet District Council to make port a viable concern
- Frees-up port land for other uses
- Expand marina/yacht club
- Residential and retail opportunities

Downsides include:

- Legal process required for a revised Harbour Revision order, which may not be successful.
- Loss of any future revenue opportunities from port activities
- Removes any possible job creation (beyond some retail)
- Loss of opportunity to make a positive economic contribution to the local area
- Does not fulfil stakeholder interest in port regeneration
- Existing port users have to leave – compensation may have to be paid as under long leases

9.2 The majority of the options described will lead to a third party entering into a formal agreement to operate part of the port. In this scenario there will be a reduction in risk exposure on the basis that the third party will also be contracted to maintain and operate the berthing and port infrastructure. However, it is important to note that Thanet District Council will continue to be the SHA and therefore the council's ultimate liability for port activities cannot be delegated. Similarly any port dues for vessel and freight activity must be paid to the SHA, even when a berth is essentially operated by a third party organisation. This does not preclude a contract agreement

with a third party port operator and this model works elsewhere, but it will be important to consider the SHA obligations and income in the value of any third party contract. It is important to note that in accordance with the Harbours Act 1964, these dues are to be used to manage the operation of the Port.

- 9.3 It will be important to ensure that any future agreement with a third party to deliver port operations in any form is compatible with existing operations at the port and adjacent harbour. Both sites share a common entrance to the sea and the council as SHA will continue to operate the port control function.
- 9.4 The operation of Ramsgate Harbour (which is adjacent to the Port) is outside the scope of any of the alternative delivery models considered in this process and there are no plans to alter the current in-house nature of the Ramsgate Harbour operation. The impact of any of the alternative operating models on Ramsgate Harbour have been considered in the scoping work.

10.0 Options - Future Delivery

- 10.1 The report by the port infrastructure consultants Infrata contains evaluated options for the future delivery of operations at the port. Each option is described in detail in the report at Annex 3, and Section 9 above. Each option, identified below, has been evaluated and ranked against relevant scoring criteria. Cabinet are recommended to approve Option 5, which is considered to offer the best opportunity to the Council based upon the option ranking and external advice received.
- Option 1 - Attract an existing UK port ro-ro operator to manage the whole port estate
 - Option 2 - Attract a new operator to UK to manage the whole port estate
 - Option 3 - Enter into a joint venture with another port operator
 - Option 4 - Another private port terminal operator in sole control
 - Option 5 - Multi-purpose Port Hybrid option
 - Option 6 - Self-operated (Thanet District Council retains all port operations).
 - Option 7 - Cease commercial operations (Stop cargo activities)
- 10.2 Although Option 1 provides a low level of risk for the Council, there would be risks to it providing potential volumes. Option 2 would require significant research to understand interest and deliverability from a new operator to the UK, and they would not have the experience of how the UK market works. Although Option 3 would provide more control for the Council, there is some risk of being in a Joint Venue, and there is a reduced incentive of new operators providing cargo. Option 4 could provide greater investment and ideas to the Port, however it is understood that there is insufficient interest from the private sector in this type of proposal.
- 10.3 Option 5 - Multi-purpose Port Hybrid option is the recommended option for the Management of the Port of Ramsgate. The council would retain the management of part of the Port, thus splitting the commercial activity by the type of operation. The council would retain control of non-ro-ro traffic, with ro-ro cargo and traffic managed by a third party. This would give the council control over how the port is managed and run, by each of the commercial entities running out of the port, but it would have less risk and responsibility. The council already has a long standing relationship with those

businesses running their operations out of the Port of Ramsgate, and it would also have the flexibility to deliver the Green Campus, whilst providing potential growth opportunities alongside it, without having over all of the responsibility. The council has also managed different types of traffic in and around the port (including ro-ro freight, aggregates, wind farm operations and trade car arrivals/storage), and this would be set out in a clear agreement with a third party operator so as not to unduly impact any of the operations at the port. Implementation of this option would be via a competitive expression of interest process, leading to the selection of a successful submission, based upon the agreed scoring criteria. The subsequent agreement would take the form of a concession agreement with accompanying lease. This option would allow the flexibility to retain existing agreements with long term leaseholders (mainly wind farms operators and aggregates) and develop investment opportunities that may arise following the completion of the Green Campus project.

- 10.4 Option 6 - is the current mode of operation at the Port of Ramsgate and is therefore considered to be the baseline option.
- 10.5 With the exception of Options 6 and 7 the next steps that would be required to progress the approved options would be to seek expressions of interest from the market. This is most likely to be undertaken in a two or three stage process. Section 11 below details information about the procurement process required for this.
- 10.6 Option 7 would require the Council to follow a legal process concluding with a Harbour Revision order, it is worth noting, that such an application may not be successful, particularly in so far as it affects existing commercial users. There are a number of existing commercial users at the Port of Ramsgate who are under contract, with some long term agreements in place. Most of these contracts are in place because the businesses require to be close to the water due to the nature of their business, for example wind farm operators or the aggregates operation. There would inevitably be significant financial implications associated with changes to existing long term lease agreements. Ceasing commercial operations could not happen instantly, and would require changes in policies, including the council's adopted Local Plan and the Kent Minerals and Waste Local Plan 2013-2030, which safeguards the port for the importation of minerals. The council has pursued an approach of diversifying the commercial operations at the Port of Ramsgate and the ro-ro operation adds to this, if this was not taken forward then the council would still be challenged in ensuring that it has the right income levels required. Stakeholder engagement provides evidence that there is support for port development opportunities being recommended through Option 5.

11.0 Next steps

- 11.1 The next steps outlined below identify the proposed procurement process and the timeline for delivery of the process to be agreed by Cabinet.
- 11.2 Legal advice has been sought to outline the procedural process that the council should go through in order to complete the open process for engaging an operator for the Port of Ramsgate. It is understood that the council has the flexibility to design its own procurement process, subject to certain minimum procedural requirements being met. Included in Annex 4 is the proposed scoring criteria/Options Appraisal. This process would involve the following stages:

- **Stage 0: Pre-Market Engagement Stage** – before conducting any procurement process, contracting authorities should undertake an element of pre-market engagement so as to ensure that the contract opportunity is attractive to and achievable by the market. Such pre-market engagement can take many different forms;
- **Stage 1: Combined Qualification Invitation to Submit Initial Tenders Stage** – this is the first official stage of the procurement process (which would commence on the publication of a Concession Notice) which will result in a short list of bidders that the council wishes to invite to dialogue. It would involve two elements:
 - assessment of each bidder’s capability of meeting the minimum requirements (in terms of technical ability and financial standing) through evaluation of responses to a qualification questionnaire. The qualification questionnaire will be a mixture of pass/fail questions (which can include scored questions where the bidder needs to meet a minimum threshold to pass). Where a bidder does not pass one of the questions, the rest of its response will not be considered; and
 - evaluation of the bidder's initial tenders for the provision of the Services.
- **Stage 2: Dialogue Stage** – dialogue in a project of this nature would be really useful. It will enable the council to explore the bidder's solutions along with negotiating the contract. In terms of negotiation of the contract, those should also be limited to only certain terms so that negotiations do not become protracted.
- **Stage 3: Invitation to Submit Final Tenders Stage** – on the conclusion of dialogue, those bidders still left in the process will be invited to submit their final tenders for the opportunity.
- **Stage 4: Preferred Bidder Stage** – once the evaluation of final tenders has been concluded, and a preferred bidder identified, it is useful to have a short period in which to clarify certain elements of the contract with the preferred bidder;
- **Stage 5: Contract Award** – bidders will be advised of the outcome of the process, and a 10 day standstill period observed, following which the contract can be awarded.

11.3 An updated valuation of the Port land is being commissioned in order to understand the commercial opportunity that this expression of interest provides.

11.4 The below is an indicative timetable that may be subject to change.

Activity	Dates
Complete Pre-Market Engagement Stage and finalise briefs and documents required for the following stages.	3 March - 23 April, 2023
Invitation to Submit Initial Tenders (ISIT) Stage published	24 April, 2023
Site Visit / Bidder Open Day	w/c 8 May, 2023
Deadline for receipt of Bidder clarifications	12pm on 26 May, 2023
Deadline for ISIT Response return	12pm on 2 June, 2023

Evaluation of ISIT Responses	2 June – 16 June, 2023
Notification of shortlisting to Dialogue Stage	19 June, 2023
Dialogue with shortlisted Bidders	19 June – 21 July, 2023
Invitation to Submit Final Tenders Stage issued to shortlisted Bidders	24 July, 2023
Deadline for Final Tender return	12pm on 21 August, 2023
Evaluation of Final Tenders and notification of Preferred Bidder	21 August – 8 September, 2023
Notification of award	11 September, 2023

Contact Officer: Mike Humber - Levelling Up Project Director
Reporting to: Chris Blundell - Acting Deputy Chief Executive

Annex List

Annex 1 : Port Accounts Summary

Annex 2 : Port Plan - Zoning for Proposed Port Operations

Annex 3 : Infrata Report

Annex 4 : Scoring criteria

Background Papers

[Ramsgate Future web pages](#) - Ramsgate Evidence Atlas and Ramsgate Stakeholder Engagement Summary report

[Ramsgate Port Narrative](#)

[Ramsgate Levelling Up Fund Bid](#)

[Ramsgate Port and Harbour Feasibility Study January, 2020](#)

Corporate Consultation

Finance: *Chris Blundell (Acting Deputy Chief Executive)*

Legal: *Sameera Khan (Interim Head of Legal & Monitoring Officer)*