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15 January 2009

Dear XXXXX

MODERNISING TRUST PORTS

Thank you and colleagues for coming in to bring the Department up to date with the Harbour Board's consideration of possible restructuring options. I agreed to write ahead of the Board's next consideration of these issues at its meeting on 26 January.

I explained that the Department is currently consulting on an updated version of its guidance document 'Modernising Trust Ports'. Amongst other things, this guidance strongly encourages trust ports to analyse their corporate structure and keep it under review, with a view to identifying opportunities to enhance their efficiency and get value from their assets. We expect that all larger trust ports should have reported to us within the next twelve months [not three years as erroneously included in the web version of the guidance] on their analysis of structural change, and to justify their intended course of action. The guidance goes on to suggest two possible models, including one driven by the disciplines and incentives of private investors.

We have also discussed with you the current interest within government of getting best value from public assets. xxxxxxxx is heading the asset strand of the Operational Efficiency Programme and is working with departments and the Shareholder Executive to consider the potential for alternative business models, commercialisation, new market opportunities and, where appropriate, alternatives to public ownership for a range of government assets.

This work includes continuing to explore options for the commercialisation of trust ports, including possibilities for recycling proceeds or dividends into port-related infrastructure. It has been given particular urgency for those larger trust ports, including Dover, who are classified as 'public corporations' and cover for whose borrowing has therefore to be found from the Department's budgets. No provision has been made in the Department's budgets, which have been fixed until 2014, for the new borrowing that would be required to finance your Western Docks development.

The Government wants to see a successful, safe and sustainable ports industry, whether it is in private, trust or public ownership. It has stated that it does not wish to use its powers under the Ports Act 1991 to force through the privatisation of a port. We have however also explained to you that we do not see any immediate prospect of altering the

Dover Harbour Board's constitution by HRO in a way that would remove your borrowing from the public balance sheet. It will no doubt be clear to you from our discussions of the restructuring options you have been exploring, that the Department would welcome any proposals which meet the Board's objectives for the port while also allowing any new borrowing you require to be made without having to compete with other priorities for capital spending within the Department's fixed budgets.

I hope that this background will be of help in the Board's further consideration of restructuring options.

Yours sincerely,

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