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Written statement to Parliament

## Haulage update: 7 January 2019

Update on government contracts with ferry operators.

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From:

Department for Transport (<https://www.gov.uk/government/organisations/department-for-transport>) and The Rt Hon Chris Grayling MP (<https://www.gov.uk/government/people/chris-grayling>)

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The government has entered into 3 contracts with ferry operators to provide additional ferry capacity and services into the UK as part of no deal EU Exit contingency planning.

Whilst the ambition of government is to ensure an orderly exit from the EU, the Department for Transport has been undertaking a wide range of work to mitigate the impact on the transport system of a no-deal EU Exit.

Significant work has taken place to understand the effect that this would have on the UK border and the impact on flows of goods between the UK and EU. Whilst the government has made clear it is committed to ensuring frictionless movement across the UK border, the scale of the potential disruption to the Dover Straits, if additional customs checks were introduced in Calais, Coquelles and Dunkirk, where freight services disembark, could be very significant. Given the importance of these routes, contingency work is being undertaken to mitigate potential impacts and ensure that goods can continue to flow into and out of the UK as freely as possible.

A priority for government is to ensure that the Port of Dover and the Eurotunnel can continue to operate at the maximum possible capacity. The government is therefore working with both organisations and our French counterparts in Calais, Coquelles and Dunkirk so that any disruption or drop in throughput is managed effectively and mitigated.

There is a clear willingness to reach agreements which secure the continued operation of these vital trade routes in all scenarios and the government remains confident that there will not be major disruption to the flow of goods across the border. Nevertheless, the potential for a decline in throughput remains possible in a worst case scenario and the government is therefore planning for all eventualities.

As one of several contingency measures being undertaken, the Department for Transport has completed a procurement process to secure additional ferry capacity between the UK and the EU which can be used for critical goods such as medical supplies in the event of disruption to cross-Channel crossings. A negotiated procurement procedure without prior publication was concluded as allowed for by Regulation 32 of The Public Contracts Regulations 2015. An accelerated competitive process was carried out in order to ensure that capacity can be in place in time for a No Deal exit whilst at the same time securing value for money for the taxpayer. The Department approached a number of shipping providers capable of providing additional freight capacity in order to ensure fairness for the market and also engaged external expertise to ensure value for money for the taxpayer.

Bids were evaluated on the basis that they met our strategic aims of providing additional freight capacity for a No Deal Brexit scenario. Bids were reviewed against a number of criteria, including journey time, quality of delivery plans, and the pricing submitted by bidders.

The bids we received to provide capacity were subject to technical, financial and commercial assurance as part of standard due diligence procedures and consistent with that undertaken on all government contracts. This included a price benchmarking exercise to ensure that the taxpayer was getting good value for money, and assurance on the delivery plans of our bidders.

The department commissioned external advice from three respected professional advisers to support this work. Three contracts were agreed with operators totalling c£103 million.

Two contracts went to established operators, Brittany Ferries (£46.6 million) and DFDS (c£42.6 million). These contracts provide for additional capacity between the UK and EU on existing routes, via the provision of additional services and additional vessels. The contracts agreed with them include early termination provisions and other typical contractual provisions to ensure government has the right protections in place, such as in the event of an operator becoming insolvent.

The routes agreed with Brittany and DFDS are away from the Dover Straits, and will run from the Ports of Immingham and Felixstowe (DFDS) and Poole, Plymouth and Portsmouth (Brittany) to destinations in Germany (Cuxhaven), the Netherlands (Vlaardingen) and France (Caen, Cherbourg, Le Havre, and Roscoff).

The third contract was awarded to Seaborne Freight (£13.8 million), a new operator to provide a new service between Ramsgate and Ostend. Seaborne Freight has been preparing for some time to operate services on this route. The management team of Seaborne has extensive experience in the shipping and maritime sector,

including the operation of ferry services on cross-channel routes, freight brokerage, port management and vessel chartering.

Whilst the broad contract structure is the same for all three contracts including the provision that payment will only be made in arrears and on the successful provision of services, the Seaborne contract is also subject to the achievement of a range of key milestones including in relation to finalising funding and vessel chartering agreements.

As with many operators in the sector, it is not uncommon that they do not own their own vessels and will be chartering them through third parties. The department has reviewed their plans for sourcing vessels with the support of external advisers. A number of large institutional investors are backing this service and the government's contract represents a small part of the overall investment required by Seaborne to open this route. These lenders undertake their own rigorous due diligence before making financial commitments, providing a further level of assurance to government. Seaborne and my department are also working closely with Thanet Council to ensure that Ramsgate Port is ready to take new services. A programme of work to prepare the infrastructure is underway.

In total the additional freight capacity delivered by these three contracts will be equivalent to around 8% of normal flows across the Dover Straights. Whilst this will not be sufficient to mitigate the full level of disruption possible in a worst case scenario, it will enable the government to provide essential capacity for the highest priority goods including medical supplies.

In terms of next steps, the Department for Transport will provide support to and oversight of all operators to ensure that these services are delivered to meet the terms of the contracts agreed.

I will provide further updates to Parliament at the appropriate points.

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