



Unite Submission to the Port of Dover Privatisation Consultation

1 Introduction

- 1.1. Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport, local government, food, agriculture, education, health, not for profit and of particular relevance to this submission, the docks, rail, ferries and waterways sectors.
- 1.2. Unite's docks, rail, ferries and waterways sector has just under 19,000 members and is continuing to grow. Unite has membership in port-based and coastal maritime activity in companies such as Associated British Ports, Hutchison Port Holdings, Forth Ports, DP World, as well as British Waterways canals. Unite has members who are tug boat operatives and masters in companies like Svitzer. Unite also organises ferries in Scotland, Liverpool and Southampton. Unite is the biggest maritime union in British waters, uniting masters and ratings. Therefore Unite welcomes the Transport Committee's inquiry into the proposal for a National Policy Statement on Ports.

2 Executive Summary

- 2.1. Despite assurances from the Dover Harbour Board over continued independence, once in the private sector it is difficult to see this being maintained unless the government retains a controlling interest.
- 2.2. The privatisation will end the obligation on the port to support the local community's charitable works and therefore, Unite believes, any such move would not be in the interest of the local population. It will also terminate a lucrative revenue stream back into the HM Treasury's central funds.
- 2.3. There are a number of alternative options open which could provide the port with the funding it claims it requires for redevelopment which stop short of full privatisation. These would be better for the local community and those who use the facility. Unite believes these options need to be more fully explored.
- 2.4. Unite believes there is a clear need for an overall plan to cope with demand through the ports rather than relying on the vagaries of market forces and a race to the bottom in terms of price, often at the expense of quality and safety.

- 2.5. This potential reduction in safety, which is likely to result from privatisation, also increases the likelihood of temporary port closures and disruption to the connection between Dover and mainland Europe.
- 2.6. Dover provides a vital link to Europe and resilience to potential disruptions to the Channel Tunnel or air links. Should a problem occur with these alternatives, it would create a sizable opportunity for private sector profiteering.
- 2.7. One of the key reasons given by the port authority for privatisation does not stack up. The authority claims that further investment is needed to develop more capacity, yet one of the ferry routes that operates the route to France from Dover has halved the number of ships on the route from early September due to over capacity.

3 True independence

- 3.1. Having defeated the 'Access to Ports Services Directive' and the 'Services in the Internal Market Directive' (commonly referred to as the 'Bolkestein Directive')¹ Unite repeats its request to the Government to give assurances, that it will not support any measures for liberalisation of the UK ports.
- 3.2. In October 2008 Dover Harbour Board made a series of statements to guide thinking around potential governance structures. The first of these was that their "*Long term vision: any restructuring must preserve the values and independence inherent in trust port status and continue to develop a sustainable, successful and commercial business*". Once in private hands where the direction of the company is at the influence of the shareholders, how can true independence be maintained especially if these shares are for sale on the open market, unless a controlling interest in the ports is maintained by the government.
- 3.3. Unite has recently witnessed the attempts of a consortium including, the Peel group to effect a hostile takeover of Fourth Ports. Fortunately the independence on that occasion was retained, seeing off the potential for a virtual monopoly of the ports in Scotland.
- 3.4. In its potential governance statement the harbour authority has stated that the move towards a privately owned company would enable the "*Removal of constraints to enable growth: access to capital with no statutory or artificial constraints on the Port's development and growth; optimisation of its capital structure and user charges*".
- 3.5. LD Lines has recently announced the redeployment of one of its two ferries on the Dover to Boulogne route at the end of August due to the over capacity on this route². P&O Ferries has also warned staff of cutbacks due to lack of demand and Sea France has accumulated debts estimated at €180m as the battle for business with the Channel Tunnel. The move to therefore increase the capacity potential of Dover as a ferry port cannot be justified and any "*optimisation*" of user charges can only lead to an increased burden on the ferry operators who provide the service.

¹ <http://www.espo.be/pages/ezine.aspx?newsletter=310>

² Source :- Lloyds List Tuesday 17 August 2010 page 3

- 4 Acceptability: having regard to the aspirations and interests of the Port's stakeholders and minimising objections.**
- 4.1. Unite does not believe that the proposed privatisation of the Dover trust ports can possibly be in the public interest. As a Trust port, the authority is obliged to send a percentage of profits back into central government funds and any surplus has either to be reinvested or paid back to the local communities and charities. On a commercial footing, Unite believes that this trend to help the communities will be at serious threat to the detriment of those very same charitable bodies.
- 4.2. Equally the Port has a considerable amount of land at its disposal which has been set aside for the transiting and short term storage of freight. Such land has significant commercial potential and for the development of housing. Once this land has been handed over for this purpose, however, it cannot be returned to its original purpose. As one of the country's principle ports of entry for road hauled freight, the loss of these areas could cause significant long term problems.
- 4.3. Although PricewaterhouseCoopers may not feel that a return to Trust port status is in the interest of the port and *"does not meet the requirements of its major stakeholders going forward and, indeed, acts as an inhibitor of progress and investment"* this does not preclude the move towards a company limited by guarantee or full privatisation.
- 4.4. Unite believes that the worst thing the government could do would be to release the assets retained by the Dover Harbour Board to the private sectors' investors who would be keen to strip away assets for a short term gain. Dover is a major UK asset providing the gateway for business to trade with our neighbours in mainland Europe and beyond. Unite is fearful that such a move to fully privatise would, in turn, result in the removal of government limitations on charges and therefore create an additional trade barrier.
- 4.5. Unite strongly believes that statement, at point 6 in the paper, to the effect that *"the benefits for the local community whilst the Port retains its current trust port structure can only be indirect benefits derived from the Dover Harbour Board administering, maintaining and improving the Port in the exercise of its statutory functions"* is completely misleading and inherently untrue. One of the main beneficiaries of the charitable donations which the trust is currently obliged to make is a scheme which forges links between schools and industry called Young Enterprise. This programme enables 15 to 19 year olds the opportunity to gain valuable personal experience of how business works. This charitable funding obligation is at risk if the sale goes ahead.
- 4.6. If there is justification for the port to be privatised then it should do so in line with the Portsmouth model where the only shareholder is the government. This would remove trust obligations but retain the benefits of having a limited company without relinquishing control to the private sector. Another option is to follow the Network Rail or Welsh Water model of a company limited by guarantee. Unite agrees that this option has not worked in either case to the satisfaction of its customers but believes it could if structured correctly.

- 4.7. One other option which has been proposed by local MP Charlie Elphicke is a move to ownership by a peoples' trust. Instead of a straight, old fashioned 1980s style privatisation, it is proposed that the port should be acquired and owned by the people of the Dover community through a mass membership, charitable, not for profit trust. This would enable the community to purchase the port of Dover in line with the "big society" policy of the Prime Minister.
- 4.8. The peoples' trust proposal could hold the key to ending the dispute between the port and its key users who account for some 5,000 local jobs. The scheme could also ensure certainty of ownership is effected in months rather than far off in 2012 as currently proposed by Dover Harbour Board and enable the people of Dover to have their say on the port's future in a community referendum. Such a move towards a peoples' trust would have the added advantage of ensuring that the ownership of the port remains in British hands.
- 4.9. According to this MP, advice taken in the City of London, from senior financiers indicates that the Dovorion Bonds could be issued to local residents for as little as £10 would find a ready market and raise the monies to acquire the port for the purchase price required, so long as the key port users are supportive. Either way this suggestion is far better than passing this national asset into the hands of investors who could asset strip the port and hold the country to ransom.

5 Need for an overall plan rather than leaving it to the market

- 5.1. Unite believes it is important that government has a strategic overview of port development over the next 30 years, similar to that which we have seen in aviation. Port development is too important to be left to the vagaries of the 'free market'. 95 per cent of UK international trade by volume is transported through our ports and over 15 per cent of international passenger movements³. A market led approach to ports has not been beneficial. It encourages ports to compete with each other, with no overall plan, which in turn leads to inefficiency and a race to the bottom on terms and conditions for the workforce.
- 5.2. Leaving the market to decide the future will lead to short term thinking with the aim of creating maximum profit from minimal investment. The results of this market force led approach can clearly be illustrated by the energy industry where the markets' short-term thinking has led to a far greater reliance on natural gas fired generation (despite predictions of spiralling future gas prices and supply insecurity) rather than investment into more dependable avenues for the generation of energy. This has left the country facing a future which will suffer potential blackouts and a far stronger link between the cost of both energy sources. This market failure could undermine the benefits of a move away from fossil fuelled vehicles to electrical modes of travel.
- 5.3. In the logistics industry more than any other there is a clear need for an overall strategy. Transport is second only to energy generation as the principal source of greenhouse gas emissions. The use of short sea shipping of freight and passenger and freight movement through rail and other alternative means, offers a far greener alternative over an ever increasing reliance on the road for long distance journeys.

³ UK MG statistics presented to the draft NPS event in London

Such a strategy could significantly reduce the congestion and increase the safety of our road networks, improve the predictability of service times and reduce green house gas emissions. Dover forms a vital link in that chain linking the UK to Europe, which should not be handed over to private ownership.

6 A race to the bottom caused by competition can put lives at risk and cause major delays.

- 6.1. In the private sector in particular the ports industry has moved to using casual workers, recruited through agencies. But casual workers are largely unskilled and untrained in dock work. Currently any training is offered voluntarily by employers, but as trained staff may then be 'poached' by rival employers there is no incentive to train, particularly when agency staff, are easily available and cheap. Unite has also witnessed an alarming increase in zero hours contract workers in the privately owned ports in particular who only receive basic instruction. Such an alarming increase in untrained and unqualified staff in the industry can only lead to an increase in injuries and accidents.
- 6.2. Unite believes that allowing the sale of Dover to the private sector would open up the port to an influx of untrained, unskilled labour resulting in the dramatic decline of safety of both the people who work at the port and those using it. There is no way in which a properly secured road tanker should have slipped off the back of a ferry, as was the case on the HSS Stena Voyager⁴, if it had been properly secured, especially in calm conditions. The use of the parking break alone is not enough. This incident trapped 153 passengers and 33 crew onboard, for 18 hours longer than they had anticipated. If this had happened at Dover, it could have had far more severe consequences to one of the nation's principle connections to mainland Europe.
- 6.3. Currently none of the agencies or bodies (HSE, Ports Safety organisation) or regulations (ILO, Ports Passport scheme) has any teeth as they are voluntary and therefore have not been able to create extensive improvements in safety. Responsibility for safety and training rests with port authorities, and as a result only tends to be acted upon when there are potential financial implications from a lack of training or poor safety (e.g. the damage to expensive equipment, insurance claims or injury claims).

7 Pressure to increase profits

- 7.1. Dover is a vital terminal for the provision of Roll on Roll off traffic and passenger connectivity to Europe despite the direct competition from the Channel Tunnel and aviation. It only takes one incident, such as a fire or the wrong type of snow to create a failure of the Channel Tunnel or another ash cloud to result in wide spread disruption. If Dover was in private hands, it is envisaged that the pressures from the shareholders to increase profitability would result in a higher cost to these passengers.

⁴ The transcript of the investigation report can be found at http://www.maib.gov.uk/cms_resources.cfm?file=/Stena_Voyager_Report.pdf

- 7.2. The wider purpose of seaports in facilitating trade and generating economic and social benefits is best stressed by public-owned Trust Ports as it is in other countries. If the only purpose of reviewing the ownership of ports is to raise capital for port development then this could be achieved by issuing bonds or seeking investment from the companies who would most benefit from expanded facilities for long term preferential treatment or reduced costs.

8 Conclusion

- 8.1. Unite firmly believes that the privatisation of Dover is against the national interest and should not proceed. There is simply too much at stake to leave the running of this vital link to Europe in the hands of those who may asset strip and milk this long term national treasure at the expense of the travelling public and British commerce.

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