

PLANNING ACT 2008
INFRASTRUCTURE PLANNING
(APPLICATIONS: PRESCRIBED FORMS AND PROCEDURE) REGULATIONS
2009 REGULATION 5 (2) (h)

PROPOSED PORT TERMINAL AT FORMER TILBURY POWER STATION

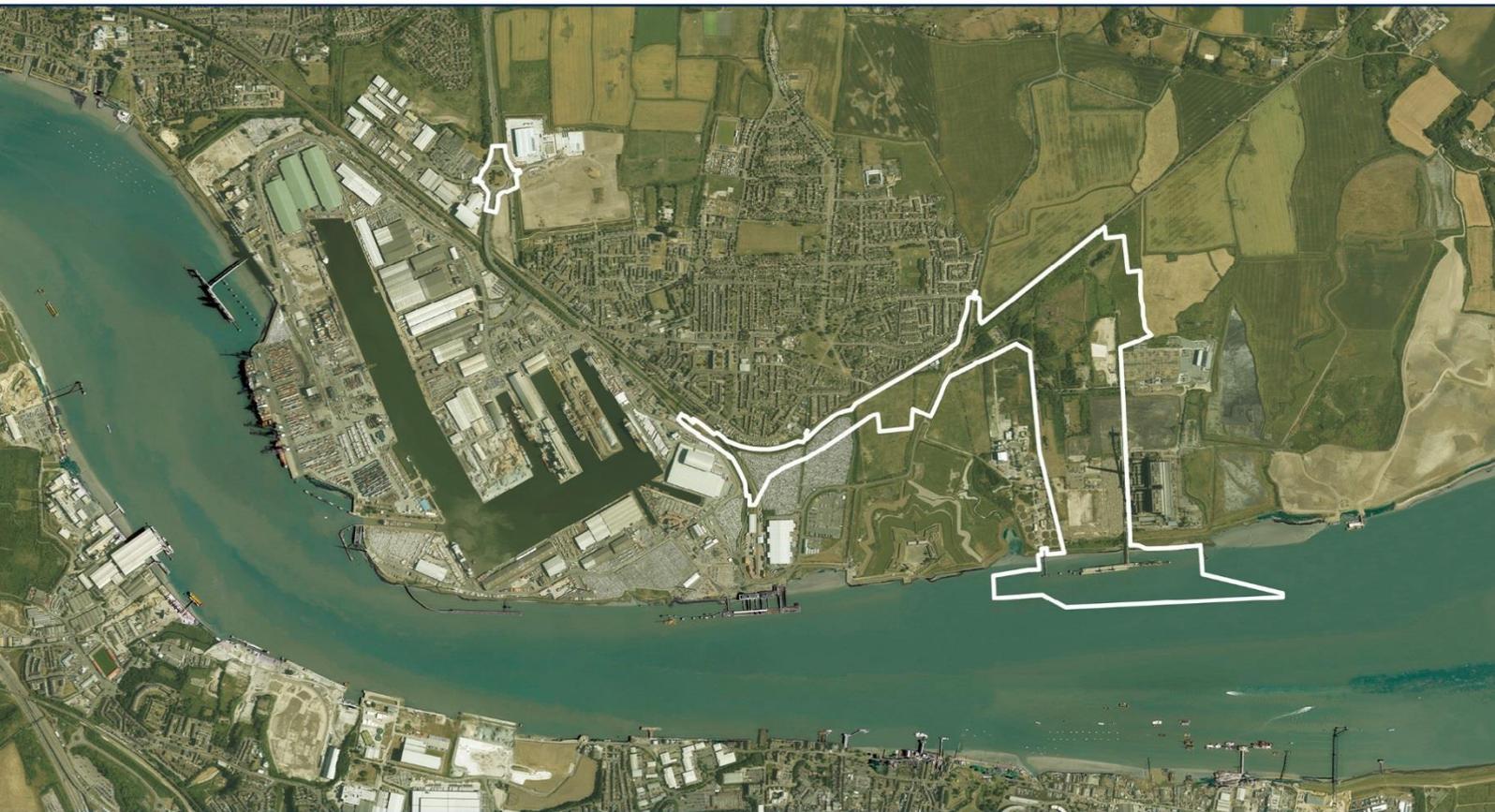
TILBURY2

TR030003

VOLUME 4

FUNDING STATEMENT

DOCUMENT REF: 4.2



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INTRODUCTION

- 1.1 This funding statement is prepared in compliance with the requirements of Regulation 5(2)(h) of The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (the “APPF Regulations”) and in accordance with the following Department for Communities and Local Government Guidance:
- “Planning Act 2008: Application Form Guidance”; and
 - “Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land”.
- 1.2 This statement is submitted in support of an application by Port of Tilbury London Limited (Company No. 02659118) (referred to as “PoTLL”) under the Planning Act 2008 (as amended) for the Port of Tilbury 2 (Expansion) Order (the “Order”).
- 1.3 This statement has been specifically prepared to detail the funding position of PoTLL in the event that compulsory acquisition powers are required. This funding statement covers the matters required by the APFP Regulations and should be read alongside the Statement of Reasons (Document 4.1).

PROJECT DESCRIPTION

- 2.1 The application site comprises 152 acres (61.5 Hectares) and the Order, if granted, will provide development consent for a Port which includes the following elements which shall be referred to in this funding statement as the “Works”:
- The enhancement and operation of an existing deepwater jetty structure on the River Thames at Tilbury to facilitate the mooring of vessels in the estuary directly adjacent to the onshore terminal facility and allow Roll-on/Roll-off (“Ro-Ro”) access;
 - Dredging of the approach channel and berth area;
 - Construction of a facility for importing and processing bulk construction materials – Construction Materials and Aggregates Terminal (“CMAT”);
 - Creation of areas of external storage for a variety of goods; and
 - Associated infrastructure including road and rail enhancements.

All as more particularly described in Schedule 1 of the draft DCO and the application documentation.

- 2.2 The vast majority of land within the order limits is controlled or owned by PoTLL other than the proposed infrastructure corridor. PoTLL is seeking to acquire land by agreement so far as possible and negotiations with landowners and beneficiaries of third party rights are continuing, but, nevertheless it is necessary to include powers of compulsory acquisition in the DCO as at the time of making the application, not least due to the presence of common rights over parts of the land to be used for the infrastructure corridor. Additional detail explaining the position reached at the date of submission is contained in section 4 and the Statement of Reasons (Document 4.1).
- 2.3 PoTLL has adopted a cautious approach and included powers of compulsory acquisition within the Order to ensure that clean title is secured and the Works can therefore be delivered in a timely fashion and will not delay the wider project. This funding statement addresses how funds for the acquisition of the land and interests required and any related liabilities arising will be secured and demonstrates that adequate funding is available for the construction of the Works.

COMPANY BACKGROUND

- 3.1 PoTLL is the Applicant for the Order. PoTLL is a wholly owned subsidiary of Forth Ports Limited (Company No.SC134741) ("Forth"). PoTLL has been, and continues to be, funded by way of equity subscriptions and intra-group loans from Forth or its other subsidiary companies reflecting the third party debt held at the Forth Ports Group level. The Annual Report of Forth is attached at Appendix 1 to this statement in order to demonstrate the sound financial position of Forth and the external funding in place and available.
- 3.2 Forth is a leading UK multimodal ports owner and operator whose ports are strategically positioned and serve as logistical gateways across the UK. The Forth Ports Group own and operate eight commercial ports on the Firth of Forth, the Firth of Tay and the Thames: Tilbury (London), Grangemouth, Dundee, Leith (Edinburgh), Rosyth, Methil, Burntisland, Kirkcaldy.
- 3.3 Through Tilbury2, PoTLL would be developing a leading new deepwater riverside port terminal to meet increasing demands of imports and exports in the South East of the United Kingdom.

COMPULSORY ACQUISITION OF LAND

- 4.1 The current position regarding negotiations with landowners and those with interests in the land affected by the Order is summarised in Appendix B of the Statement of Reasons (Document 4.1).
- 4.2 The total estimated costs to acquire land and rights requested for the infrastructure corridor, along with compensation under Part 1 of the Land and Compensation Act 1973, have been estimated by PoTLL to be in the region of £12.4m. This is based upon the estimates of value for the acquisition of rights derived from a number of agreements in connection with the Tilbury 2 Project and the Port of Tilbury for both leasehold and freehold purchases. These have been open market negotiations that provide direct comparables for similar property to that over which the rights are required and independent third party valuations have been obtained. PoTLL has been advised at all times by suitably qualified members of the RICS with experience in compulsory acquisition valuation. Given the current state of negotiations with various parties this figure is not broken down further in this statement but takes into account valuations in all agreements and negotiations.

BLIGHT

- 5.1 It is not anticipated that claims for statutory blight will arise as a result of the promotion of the Order.
- 5.2 The concept of blight derives from the provisions of section 149 to 171 of the Town and Country Planning Act 1990 (“TCPA 1990”). The blight provisions operate as a form of reverse compulsory acquisition, where a person owning the land within certain limited categories of landowner, is able to require the acquisition of land by an acquiring authority, which if the Order is confirmed will be PoTLL and Forth. That ability arises where the land is or may be subject to powers of compulsory acquisition, as provided under paragraph 24 of Schedule 13 to the TCPA 1990. That paragraph applies the blight provisions to land which is subject to an application for development consent which seeks authority to acquire compulsorily the land in question.
- 5.3 A blight notice can be served under the TCPA 1990 by owners of certain types of land. These are:
- where the land is or is part of a hereditament under Section 64 of the Local Government Finance Act 1988, which has an annual rateable value less than that specified by the Secretary of State in an order, which is £34,800 and the whole or a substantial part of the land is occupied by the owner. This predominantly applies to small businesses;
 - where the land is a hereditament occupied by an individual who occupies the whole or a substantial part of the hereditament as a private residence. In this case there are no private residences subject to compulsory acquisition; and
 - where the land is an agricultural unit or part of such a unit. The term “agricultural unit” in this context means land which is occupied for agricultural purposes including any dwelling house or any other building occupied by the same person for the purpose of farming the land. Given the nature of the site, this category does not apply to any part of the land that is to be subject of compulsory acquisition.
- 5.4 PoTLL has accordingly concluded that there is no land in relation to which a blight claim could be made, for the reasons set out above.
- 5.5 For a blight notice to be accepted, and compensation to be payable, it must be supported by evidence that the claimant has made reasonable endeavours to sell the land in question and that he has been unable to do so or could do so only at a price substantially lower than that for which it might reasonably have been expected to sell. Notwithstanding PoTLL’s considered view that the blight provisions do not apply here, there have been no approaches made to the port that potentially qualifying owners of land have sought to, or are seeking to, dispose of their land, thereby qualifying for a blight payment despite the extensive communication and consultation exercises undertaken.
- 5.6 In any event, as set out in sections 6 and 7 below, there is no doubt over the availability of funding for any blight claims, should they arise.

ESTIMATED PROJECT COSTS

6.1 The table below sets out the current cost estimate for the Tilbury 2 Project:

No.	Works	Estimate £m
1	Ro-Ro terminal	63.0
2	Material handling facility	23.9
3	External storage areas	10.7
4	Infrastructure corridor	22.8
5	Land for infrastructure corridor	1.2
6	Ecological mitigation and s.106	3.2
7	Part 1 compensation	11.2
PROJECT COSTS TOTAL		136.0

The capital cost estimate for the construction of the project summarised in 6.1 has been prepared by a number of contributing consultants using accepted industry cost estimating practices (details of whom are set out in Appendix 1). The estimate is informed by budget quotations where available and includes allowances for ecological mitigation and s.106 requirements. The estimate does not include contingency, escalation, the cost of interest or other costs of debt servicing and has been based on current pricing, taking into account where known likely price increases. As evidenced by the debt facilities and cash generation available to Forth Ports Group any additional cost of this nature can be easily covered as is clear from the funding set out in 7.4.

6.2 The capital cost estimate was informed by contributions from a variety of sources including those identified below:

- Experience of similar projects
- Industry recognised rates based upon experience on national frameworks (such as Network Rail, Highways England and the Environment Agency)
- Historical cost information sourced from in house resources
- Budget quotations from contractors
- Budget quotations from equipment suppliers
- Budget quotations from service suppliers

6.3 Updated cost estimates that incorporate construction contractor tender information will be produced for Tilbury 2, prior to commencement of construction and are expected to be lower given the competitive nature of the tender process.

PROJECT FUNDING

- 7.1 Forth is funded primarily by its two institutional shareholders, through a mix of equity and shareholder loans, and external debt. Forth has benefited from over £840,000,000 of capital raised through the issue of shares and equity based facilities. This demonstrates the confidence of funders. Forth has also benefited from the receipt of borrowings secured over its shares from institutional lenders. PoTLL will continue to be funded by intra-company arrangements with Forth or other members of the Forth Ports Group to give effect to the scheme.
- 7.2 Both PoTLL and Forth are harbour authorities subject to the requirements of public and local legislation applicable to them. PoTLL generated revenue of £122,200,000 in the year ended 31 December 2016 – the table below shows an analysis of the source of this revenue, showing statutory function revenues as well as rental revenues which are long term and secured by underlying lease agreements and other revenue secured by long term contracts:

	£m	%
Statutory functions/charges – ships/passenger dues	4.6	4%
Rental revenue	25.8	21%
Revenue secured under long term contracts	26.8	23%
Other revenue	65.0	53%
Total revenue	122.2	100

- 7.3 Forth generated over £60,000,000 of cash per annum from operating activities over the last three years.
- 7.4 Forth has in place the usual sources of funding for a project of this nature, including debt facilities, with committed facilities in place of £650,000,000, of which £76,000,000 is undrawn which includes debt financing to meet the construction and other related costs for the Tilbury 2 Project. This is in addition to the annual cash generation of over £60m as referred to in 7.3 so the costs set out in table 6.1 would be covered by operational cash generation over the two year construction period together with the aforementioned debt facilities. These facilities are already in place and available for draw down as required. These debt facilities are a mix of lending from UK banks (£320m term loan and revolving facility) and Institutional lenders (£330m loan notes secured for between 10 and 18 years).
- 7.5 The Executive Directors of Forth have previous experience of developing and financing large-scale resources and infrastructure development projects elsewhere. In particular, the Forth CEO, Charles Hammond, has over 20 years' experience in the ports industry with a particular focus on raising capital for projects.
- 7.6 Current returns demonstrate that adequate funding will be available for any compulsory acquisition. PoTLL and Forth confirm that before any compulsory acquisition powers are granted funds to meet the total cost of all compulsory acquisition as identified in paragraph 4.2 will be in place and ring fenced for use solely for that purpose and remain so for the period of time over which compulsory purchase powers will be available. However, if costs exceed those projected, Forth / its investors have resources to cover these.

CONCLUSION

- 8.1 PoTLL is an experienced port operator and developer which, with the backing of its parent company Forth, has sufficient financial resources to deliver the scheme and meet any blight or other compensation obligations as they fall due. Given the construction timescales, the majority of these costs are anticipated to be met from annual operational cashflows with undrawn facilities of £76m to cover any shortfall.
- 8.2 The funds required to complete the project on top of the cash flows generated by the group have already been committed by the lenders and are available to be drawn as and when required (as detailed in section 7.4).

Appendix 1 – Details of main contributing consultants and cost estimating practices

Contributing Consultant	Qualification/Experience	Cost estimate methodology
Atkins Ltd	Chartered Engineers with relevant industry bodies such as Institute of Civil Engineers, Institution of Highways and Transportation and Permanent Way Institute.	Cost estimates have been developed using industry recognised values derived from a number of national frameworks such as Highways England and Network Rail. Similar elements from other port engineering works have been used to develop the main maritime estimates.
Ardent	RICS qualified Chartered Surveyors, Valuers, Land Referencers and CPO Project Managers	Estimate of values and costs, with reference to property value indexes and comparables.