



From Lord Berkeley, berkeleyafg@parliament.uk;
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Robert Courts MP
Minister for Shipping
Department for Transport
London SW1

21 June 2021

Dear Robert,

The Council of the Isles of Scilly Levelling Up bid for new ships etc

I write as a resident of the Isles of Scilly and a member of its Transport Board, although the opinions I express here are my own

There is no question, in my opinion that, for the Isles of Scilly to retain a passenger ferry service in the future, **there will need to be public intervention**. The Scillonian III, now in its 45th year of operation, was originally 60% Government funded through an interest free loan. The Fisher Study (2002) commissioned by the Council of the Isles of Scilly (CIOS) to look at the future of ferry and freight services to the Islands, concluded that whilst freight services were commercially viable the ferry service was commercially marginal and was unlikely to continue beyond the life of the current vessel without future public sector intervention. The Fisher Study gave rise to the Route Partnership Scheme which the Government declined to support in 2011 due to political controversy and reassurance from the current operator, the Isles of Scilly Steamship Group (IOSSG) that the private sector could fund replacement vessels without public support – a reassurance that has since proved ill-founded.

You will recall our correspondence earlier this year and, in particular, your helpful letter to me dated 23rd March 2021 encouraged me to seek to persuade the Council of the Isles of Scilly (COIS) to submit a bid that responded to your challenge to develop a high-quality bid to provide long-term proposals to modernise the Isles of Scilly transport system. Sadly, I believe that the COIS bid submitted last week does the opposite – it seeks to perpetuate the out-dated lift-on lift-off system for freight which has been superseded by RoRo on virtually every route in the UK, Europe and the developed world for reasons of efficiency.

The Strategic Outline Business Case prepared for the CIOS refers to the Ro-Ro option put forward by FRIST with help from a long-standing pro-bono adviser from the Scottish ferry industry, Bill Davidson. However, the preferred option of the COIS is the solution preferred by the current operator, the Isles of Scilly Steamship Company (IOSSG). Such a solution is the easy option for the Company and minimises the risk of competition as any competitor would need bespoke vessels or have to fund new harbour infrastructure to accept Ro-Ro vessels in order to compete. Given the current near monopoly situation, the disadvantage of higher operating costs with Lift On-Lift Off (Lo-Lo) is a cost transferred to the customer through much higher charges. As the IOSSG operates a fixed wing service there is a commercial incentive for closing the passenger ferry service in the winter. The lack of an affordable ferry route to the mainland during the winter causes great hardship

in the community and results in the islands being completely isolated when poor visibility closes air routes to the islands – a situation that can endure for a week at a time.

Passenger and freight services between the islands and the mainland are both limited and inordinately expensive compared to comparable islands in Scotland such as Islay. The proposed £48m levelling up bid by the COIS, to be allocated without competition, seeks to perpetuate the current highly inefficient monopolistic operation, effectively tying the islanders into an economic straight jacket for the life of the proposed new vessels – perhaps 30 years.

I therefore submitted an alternative outline proposal on behalf of FRIST¹ using a single Ro-Ro vessel for freight and passengers. The greater speed of Ro-Ro loading and unloading means that one ship can easily do two round trips a day, so separate passenger and freight ships are not required. The proposal is made to illustrate that there are more cost-effective options that reduce freight costs, provide a winter ferry service and aid the island economy. Such an option opens up the opportunity for competition. A summary is attached.

To achieve the above objectives, the first thing is to investigate the RoRo infrastructure needs; there can be no meaningful talk of RoRo vessels/competition until the viability (technical and funding) of RoRo infrastructure is certain. Low-cost vehicle access ramps would be required at St Mary's and Penzance. These would enable a variety of RoRo vessels to operate on the route, only subject to the tidal constraints.

Including the ramps and one new RoRo ferry rather than two vessels and no ramps needed for the COIS scheme would save the Treasury around £14m and provide a modern competitive service which will better serve the islands than the COIS Lo-Lo proposal. The FRIST paper offers a way forward in compliance with the spirit of your letter and the terms of reference of the Levelling Up Fund.

So, I think there are only two options:

- a. Fund the RoRo infrastructure and have some kind of competition for operator (with or without a government-funded special vessel). This is the transformative option both for service provision and impact on the economy.
- b. Stick with the status quo which leads to an expensive one-horse race; why would any other company be interested. This has no economic upside except for IOSSG shareholders.

With proper maintenance, the existing vessels can continue in operation for several years and other existing vessels to ensure a lifeline support can be found if necessary.

I suggest that the COIS be encouraged to resubmit the bid to focus on the design, permissions and cost estimation of the access ramps and related passenger improvements. Both harbourmasters have confirmed the feasibility of building such ramps. The construction of the ramps could then be the subject of the next Levelling Up round or another fund.

I would be surprised if the procurement and ownership of vessels funded by the taxpayer without competition complies with UK's obligations on subsidy control (or State Aid in Northern Ireland) and other relevant procurement legislation and regulations especially when alternatives have not been examined. FRIST's submission to the COIS included the sourcing of a RoRo passenger and freight vessel that the manufacturer confirmed that it could meet the demands of the local sea and

¹ The Friends of the Isles of Scilly Transport

harbour conditions; it was actually a design provided for the IOSSG a few years ago. The manufacturer has also confirmed his willingness to part-finance such a vessel and perhaps come to an arrangement with a local council to ensure that the vessel was not only maintained effectively but available for use by any operator chosen by competitive tender for the service.

So, I urge you to invite the COIS, if necessary with the help of independent advice, to procure a suitable RoRo vessel, to be owned by a council or other entity to reflect the taxpayer funding contribution, and invite bids to operate it for 5 to 10 years. I know of several operators who would be interested in bidding for such a service, but they would, of course, need assurances that the bidding process was not being organised by the IOSSG, a possible competitor.

Such a competition would give the maximum incentive for new operators to provide the best possible service and ensure that the whole process complies with the above legislation and regulations.

Along with others in FRIST and Bill Davidson, we are of course willing to support and advise the COIS in any part of this process for the benefit of the island community, but I cannot support the present bid.

I would much appreciate a short meeting with you, either in parliament or remotely, to discuss these issues. A summary of FRIST's submission to the COIS is attached.

Yours Tony

Tony Berkeley

Cc Stephen Barclay MP Chief Secretary of the Treasury

Derek Thomas MP

Cllr Robert Francis, Chair, COIS