



From Lord Berkeley
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Ian Howard
Chair
Isles of Scilly Steamship Group

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As sent by e mail

Dear Ian,

COIS Levelling up bid

It was good meeting up this week and discussing the Levelling Up bid for the IOS.

We discussed the minister's responses to the Lords Question on Tuesday, and I pointed out that such ministers' answers generally do reflect government policy. This means that there may well be a need to include a competitive tendering process for the build of the vessels and their operation. For comparative purposes, I would expect there would also be a need to separate out the Skybus and maritime parts of your company and its accounts in order for the DfT to make a fair comparison with other bidders.

I did point out that there must be a good chance of your company winning any competition to operate the services – as I understand would have happened during the Route Partnership ten years ago.

My concerns, which are largely the responsibility of the COIS in ensuring that it looks after the islanders/customers interests, remain as to who will own the vessels and ensure that they are operated to the reasonable requirements of customers, passenger and freight. For any kind of franchise, there is benefit to the consumers of a requirement to retender every so often as it tends to keep operators on their toes.

You said that our main disagreement was about RoRo because 'nobody wanted it'. I suggested that nobody has been asked the question in an objective and independent way. You agreed that the IOSSG consultation was purely about the replacement for the Scillonian III with no shore works included – so it had to be LoLo. Derek Thomas' inevitably rushed consultation did not go into anything like enough detail.

So, as I wrote to ministers and the COIS at the time:

- Scotland is almost entirely RoRo – what does this tell us about the efficiency and costs?
- RoRo needs ramps at each end – according to the harbourmasters costing around £4m each.
- RoRo does not need any dedicated freight terminals, as there would be logistics service providers who will set up to operate to the islands using white vans – in competition with each other. There are several large LSPs at present who refuse to deliver to the IOS because of the freight chaos at Penzance.

- There would not be any greater volume of freight to move so those who fear too many white vans in St Mary's forget that the same freight goes through St Marys at the moment, but mainly on pallets. Local regulations can keep away private visitor cars.
- Because of the quicker turnround of RoRo, you don't need a separate freight ship. The Sc IV could operate all year round, but perhaps 2 or 3 times a week in the winter, providing not only regular timetabled freight services but good passenger services – with part of the accommodation locked out of use if not needed, to save crew numbers.
- Benefits to freight customers -regular sailings and a likely 50% reduction in freight charges. Nobody has asked the island customers whether this would be welcome or not! I have, and it certainly would!
- Savings some £19m to DfT; some would need to be spent on the ramps.

All this will clearly form part of the comparative economic studies referred to by Bns Vere below:

'I am pleased to be able to reassure the noble Lord that, of course, the current status of the bid is that it is in its very early stages. As I said, we will be writing to the sponsor setting out further requirements for the business case. By the time this comes for ministerial sign-off, we will have had not only an OBC but also an FBC, and it will be done with the five different businesses cases. That would be normal, according to the Treasury rules. It will be a very rigorous process, during which we will, of course, assess the commercial elements of the bid'.

<https://members.parliament.uk/member/3526/contributions#expand-4266400>

It may be that COIS can persuade DfT that the work that IOSSG has done to seek competitive bids for the building of the vessels was sufficiently rigorous to satisfy the need for competitive tendering. One Yard told me that the cost of building a RoRo vessel was very similar to the cost of a LoLo vessel, and of course as I suggested many times to the Transport Board, it would be very easy to include a crane into the design so that the vessel could do both.

This would allow the build of the vessel to proceed whilst the two harbour authorities designed, sought permissions for and built the necessary ramps either using the balance of the Levelling Up fund offer if that were allowed, or applying for funds from the next round or another relevant source of government funding. In the meantime the new vessels would operate in LoLo mode.

I would be very surprised if these options were not considered by DfT as part of the ongoing appraisal process and I shall be encouraging them to do so since, for the IOS, having much lower freight costs, better reliability and better passenger services all the year round would surely be welcome. These questions have not been asked yet and, if they are, it must be done by a totally independent body – given the apparent opposition from both COIS and IOSSG.

So, to conclude, of course I want to see new more modern craft, but I do not think it right for the islands to be condemned for perhaps 30 years to an expensive and unreliable Victorian-type service operated by a monopoly recipient of some £43m of taxpayer funds. As I have outlined above, there is a way forward, but it needs a different approach by the COIS. I know that the COIS is a very small authority, but they can hire in professional advisers etc and hopefully obtain support from Cornwall Council, in a similar way to the Fair Isles in Scotland where the Shetlands Council submitted a Levelling Up bid. Their draft bid is attached. I think it is useful to compare the two situations of the IOS and Fair Isle and the content of the bids.

I also attach two papers on RoRo which were presented to the TB and COIS earlier this year.

I am of course happy to discuss these issues further, and am copying this e mail to Robert Francis, Chair of the COIS for his information as well.

Best wishes, Tony Berkeley