



From Lord Berkeley
07710 431542, berkeleyafg@parliament.uk

The Baroness Vere of Norbiton,
PUSC Department for Transport,
London SW1

2nd January 2022

Dear Charlotte,

Levelling Up Bid application for Isles of Scilly

Following our debates and earlier correspondence, I thought it useful to update you on my view of variations to the proposals in the Levelling Up bid application from the Council of the Isles of Scilly (COIS) and its nominated operator, the Isles of Scilly Steamship Company (IOSSG), requesting some £48m to provide new ships for the current operator.

Firstly, as a resident of the Isles of Scilly, I would like to be clear that I greatly appreciate the award of LU funding to the Isles of Scilly and I wholeheartedly support the project to secure new vessels to improve the economic and social wellbeing of the islands. While I support the efforts of the Council of the Isles of Scilly (COIS), where I vary from them is in the detail on the type of vessels sought and the basis on which the future services (supported by the LU funding) are to be delivered.

From my conversations with fellow islanders I believe that my view is shared by many, that the present operator's service is both poor and very, very expensive – particularly when judged against other UK lifeline ferry services. Over the years there have been many calls for improvements but to date all have fallen on deaf ears with the company (IOSSG) essentially delivering the service it wants to on a cost basis set by the company regardless of the interests of the customers. Many feel that approach will only change if the company is forced to improve by being subject to competition to operate the services. Within the UK there is considerable experience of tendering for ferry services and so it would be quite possible for the Council to employ consultants to organise the competitive bid. However, to ensure a fair competition the current operator (IOSSG) would need to split the ferry service from their (Skybus) air service as I understand that at present there is a considerable cross subsidy from the ferry service to subsidise the Skybus air services.

From discussions with other ferry service operators, it is clear to me that there are at least three other very credible ferry operators who have the necessary experience for this work and are keen to bid, if they are invited to do so in a fair competition.

It is clearly for the COIS and DfT to decide the basis on which financial support from the Levelling Up fund is to be given but I would urge that serious consideration be given to the tendering of the ferry service as a tool to achieve the improved quality of service and cost reductions that islanders have been deprived of for so many years.

I am informed, in an e mail from Derek Thomas MP to one of his constituents in St Mary's, Alan Davis (attached), that the intention is for the new ships funded by the LU grant to be owned by the IOSSG. This is surprising, as it would increase the asset value of this private sector company from its present £10m to over

£50m by a government grant. This could allow increased cross subsidy of its loss-making fixed wing Skybus services and possibly putting the competing helicopter service out of business. Overall, this would massively benefit the shareholders by around £35 per share if the company were liquidated.

A third-party ownership, coupled with a tight specification from the COIS, representing the island community, would ensure that the benefits from such a grant went to the community and not the shareholders. This should include the building up of a ship replacement fund to avoid future calls on the public purse. The Government's £1 million interest free loan to the IOSSC in 1977 came with such a requirement, but the IOSSC used the funds for other purposes in the absence of any mechanism to enforce that term of the loan.

Without some kind of tendering, it is hard to see how much benefit would accrue to islanders. A third-party ownership would of course enable the IOSSG to be one of the tenderers on a fair and equitable basis.

Local speculation suggests that ministers are also under pressure to agree the £48m funding of the bid because they are told that there is urgency about replacing the current passenger vessel, Scillonian III, which is quite elderly. I am advised that, although the ship is old and its ongoing maintenance will progressively get more expensive, there is no fundamental reason why it should not continue operating for some years to come; this will happen anyway for some time under the bid proposal until a new ship is built and enters service.

I understand that the COIS – advised by IOSSG - argues that there is no other suitable vessel available if anything happened to the Scillonian III. I am led to believe this is not quite true. While a directly equivalent ship doesn't exist, a wide sourcing exercise could no doubt find a number of ships that could be used though probably with some predictable timetable alterations to avoid the ship taking the bottom. As for freight, even if a stand-in ferry were a RoRo ship, it could operate as a passenger ship with lift-on lift-off capability, either using a ship's crane or a shore mounted crane at each port. As an example, one such vessel that we know about is the MV Pentalina, currently available to charter or purchase and recently retired from the Orkney-mainland run, where the Pentland Firth sea conditions are comparable if not worse than the Scilly-mainland route. My point here is that, at any time in the life of a ship, it may break down or get damaged. The Scillonian only operates for six months of the year anyway, and any responsible operator of a life-line service would be expected to have contingency plans for such eventualities.

I conclude that the apparent urgency to go ahead with a bid for new vessels perhaps had more to do with the timing of the first round of the Levelling Up scheme and the funding available. A proper competition to operate these services, with or without new vessels, I feel would greatly improve the quality of service and, if a RoRo solution were offered, could result in reduced freight charges partly through avoiding the need for a separate freight vessel.

I am of course at your disposal to discuss these issues in more detail. I am copying this letter to Robert Courts MP, Shipping Minister and to the Chancellor of the Exchequer, Rishi Sunak MP.

Yours, Tony

Tony Berkeley

Attached – e mail exchange Derek Thomas MP to Alan Davis of St Mary's.

From: davis@gunnerswell.co.uk <davis@gunnerswell.co.uk>

Sent: 29 December 2021 16:36

To: derek.thomas.mp@parliament.uk

Cc: rishi.sunak.mp@parliament.uk; shappsg@parliament.uk

Subject: RE: Scilly Vessels (Case Ref: DT80195)

Dear Derek,

Thank you for your prompt response which clarifies why a “veil of silence” has been drawn over the award.

However, I must take issue with your views, as I feel they do not reflect reality.

Isles of Scilly Steamship Group (ISSG) infrastructure. What infrastructure? ISSG own a collection of transport assets that are near the end of their economic life; a Victorian building in Penzance (PZ); other buildings on Scilly, some of which are not in use; a computer system that is not cutting edge.; quay facilities that consist of container huts and forklift trucks.

Experience. None of ISSG’s their mariners have experience with modern vessels and will require retraining. Planning and managing skills, which gave us the Mali Rose after much optimistic press which proved to be an operational and financial disaster. Apparently senior mariners warned management about the sea capability of the ship, but the purchase still went ahead.

Expansion. What evidence is there that ISSG have expanded travel links on a cost-effective basis, with freight and pax costs rising and timetables being cut, all of which cannot be put at the door of covid.

Economy. You have stated that the award will affect the economy in West Cornwall, but it is not clear who will benefit. You are probably aware that some suppliers to Scilly have stopped supplying or charge more, due to the chaos on PZ freight quay, little or nothing is being done by ISSG in recent times to resolve the issues.

New Vessels. The public will gain from the new vessels, but are these the right vessels in design? British Maritime Technology (BMT) is a well-respected organisation and is working to an ISSG brief and not providing an independent assessment of what is required. ISSG are replacing the old with new, whilst retaining their outdated operating practices, when the rest of the world has moved on.

I recently spoke to a present Transport Board (TB) member, who said that there was insufficient time before the bid was submitted, to consider a proposal other than that put forward by ISSG. The idea of RoRo had been dismissed, for reasons that ISSG did not want it and then reasons were developed why this was not possible. I understand no independent advice was sought.

Now the bid has been awarded, is it not time for the TB to appoint independent advisors to decide what are the best options for the PZ Scilly transport link. In DIY terms the TB are amateurs. What is being asked of them is outside their normal roles. Implementing such a project, as with a DIY project, call in the professionals when needed. The skill of the TB is to assemble all the facts and come to a best solution.

ISSG appear only to be considering their history and not the future. They want a new tourist passenger vessel, carrying even more passengers on day trips. When sailing from Scilly they could carry a third of the islands’ population on one sailing! Even ISSG are real amateurs for projects of this magnitude, as is illustrated by the Mali Rose, helicopter debacles etc

Having read papers, seen how others operate and researched different types of vessels, a realistic option for consideration is a single passenger/freight RoRo vessel, *(with some LoLo capability, but not the weights that are best left to the landing craft)* running throughout the year and twice daily in the season. This will give islanders the opportunity to land in PZ at a sensible time and for those with island-based cars to use them on the mainland *,(less cars on Scilly)* without the hassle and cost of transport on the present vessels. Yes, regulations will need to be put in place to prevent tourist and second homeowners transporting cars to Scilly, but this is easy to consider. Options available on request. This approach will reduce the scale of the facilities required on PZ Quay, provide a superior freight service, and replace the chaos that presently exists in PZ for both freight and passengers. This may not be the best solution, but **all** the options and not one option should be considered, with facts presented by independent advisors to the TB.

In one's private life when considering a replacement car, it is assumed one does not replace like with like but considers options as to how one's lifestyle has changed or is likely to change by reviewing different cars that meet one's needs. Read reviews of the pros and cons of your selection and seek the best value. So why is this not the case with the new vessels rather than relying solely on ISSG and their advisors? It does not make for a common sense approach, and I hope the Treasury will demand a proper independent evaluation and the public presentation of options.

Whilst ISSG are the preferred operator of the vessels, it is felt it is incumbent of the TB to offer others the opportunity to bid. This would "liven up" the award and give others the chance to put forward new ideas *(even propose a RoRo vessel)* that serves Scilly 12 months of the year rather than sitting in PZ for a quarter of the year. Booking systems could be brought up to date and maybe separately operated by a Scilly entrepreneur. The consideration of a local entrepreneur operating the interisland freight vessel. Locals do this for passengers so why not the freight? Such an award presents the opportunity for a superior service to that presently provided by ISSG. The vessel could be based on any island. As a comparison, the independent transport service on Scilly provides a better service to that provided by ISSG, they are local, easily contactable and operate in the interest of locals rather than that of the mainland-based ISSG shareholders.

All the vessels should be owned by a not-for-profit company, initially leased out to the successful operator(s) for say eight years or until the vessel requires its major overhaul/update, on a maintain and use basis. This would encourage the operator to provide a competitive service or otherwise they may lose their lease on renewal.

Failure to be open and transparent will leave the TB open to the suggestion of favouritism/self-interest and regrettably add to the current sleaze which the government and Duchy are tainted. Most importantly it would also deny the islands of the real benefits new vessels will bring.

Finally, whilst I am not against ISSG, they are not the same company set up by islanders many years ago and dedicated to serving the islands, but a company now dedicated to serving their shareholders. Will these shareholders expect to be rewarded with dividends based upon the taxpayer's investment? Whilst ISSG dividends are presently suspended, there are still behind the scenes perks to shareholders.

Hence as our present constituency MP you have a requirement to serve all your constituents and not just ISSG shareholders. I look forward to your response and, how transparency, competition and options are to be considered for this fantastic and economy changing award.

Kind regards

Alan Davis

Gunners Well

The Garrison

St Mary's

Isles of Scilly

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From: derek.thomas.mp@parliament.uk <derek.thomas.mp@parliament.uk>

Sent: 24 December 2021 10:44

To: davis@gunnerswell.co.uk

Subject: Re: Scilly Vessels (Case Ref: DT80195)

Dear Mr. Davis,

Thank you for your emails regarding the Isles of Scilly Steamship Group, and the three new vessels for the Scilly link which I helped to secure funding for through the Levelling Up fund.

To answer your questions: The new vessels are planned to be owned by the Isles of Scilly Steamship Group. The new vessels have been designed by British Maritime Technology (BMT). The new vessels are planned to be operated by the Isles of Scilly Steamship Group. Still to be decided, but I imagine that the vessel operating schedule, booking system, and fares will be determined by the Steamship Group in consultation with the Council of the Isles of Scilly and Cornwall Council. Significant investment through the town deal and other funds is going into Penzance and St Mary's Harbour to ensure that they are fit for purpose. The Duchy are involved because of their stake in St Mary's Harbour.

On your wider point, the Isles of Scilly Steamship Group have the infrastructure and the experience necessary for expanding the travel links on a cost-effective basis. While they are public funds, the public gain a new Penzance-Scilly vessel, a new Cargo Freight vessel, a new cross-island vessel, as well as significant investment in the various ports – the benefit is for the public to enjoy, giving them a better service. The islanders depend on this link, as you well know as one yourself, and it is they who shall benefit. 100% of the taxpayers on the Isles of Scilly will directly benefit from these transport links – which include improvements to freight services and inter-island transport – and the effect on the economy in West Cornwall will be far-reaching.

The bid to the Levelling Up fund was submitted by the Council of the Isles of Scilly, not by the Steamship Company – the council recognised the need for investment in Scilly's transport links that was beyond the means of a private company. You are right about the way the Steamship Company has been managed in recent years which has been central to the discussion with Ministers and the Council etc as part of the effort to both secure the cash and secure a more affordable and resilient sea link.

I hope that the above answers your questions directly.

Kind regards,

Derek Thomas MP
For West Cornwall and the Isles of Scilly (St Ives)

From: davis@gunnerswell.co.uk
Sent: 18 November 2021 16:54
To: THOMAS, Derek
Subject: Scilly Vessels

Dear Derek,

Trust all is well with you..

It is excellent news that the government is to provide funds for three new vessels for the Scilly link. However, there is much disquiet over the nature of these vessels, how they are to be utilized and operated. My understanding is that the Council along with the ISSG submitted the bid. What the ISSG proposed were three new vessel replacements on a like for like basis. We have been shown fancy computer graphics and seats but little else.

I have been to Norway several times on the Hurtigruten ships and observed how they are operated. ISSG are in the dark ages. Hurtigruten ships "slide" up to the wharf and in many cases one quay worker handling the mooring lines on his little tractor as he moves from one end of the ship to the other. Ramps on the ship come down for pax and vehicle freight. The containers are on airline style trolleys that are pushed into the ship by the ship's crew, just as freight is loaded onto cargo airliners. The turnaround times are amazing. The ramp technology is on the ship not the quay. The ramps can be varied for different quays and tide heights. The hold is configured so that the containers can be pushed around the hold depending on where they are going.

It is crazy to invest in ships that does not operate year-round and spends most of their time moored to a quay.

Configuring a ship to lift large vehicle/objects is a nonsense. The landing craft operators do this (operating from their front room) as often the vehicles are too heavy/large anyway. ISSG owned a landing craft a few years ago as they sought to get in on the act. There was not enough business for Scilly and were unable to compete ,so it was sold!

The ISSG proposals are shrouded in mystery, which for public funds is not acceptable . Transparency is required. The competence of ISSG management is questionable. The helicopter fiasco, the Mali Rose, Landing craft, all of which have almost brought the company to bankruptcy. The ISSG operate without consideration of what is in the islands interest and operate as they feel fit, be it sailing times, fares, and frequency.

This prompts several questions:

1. Who is to own the new vessels?
2. Who is to design the vessels?
3. Who is to operate the vessels?
4. Who is to determine the vessel configuration?
5. Who is to determine the vessel operating schedule?
6. Who is to operate the booking system?
7. Who is to determine the fares?
8. Who is to operate the shore facilities in PZ and Scilly (No reason they should be the same) PZ pax quay is

utter chaos

9. The role of the Duchy and St Mary's Quay?

Tenders for the above should be made as it is public funds that are being used. There is no reason why one organisation/company should perform all the operations above.

Transparency is key for the use of these funds. Public funds should not be used for private gain and whilst a return on capital is acceptable for private funds it is not acceptable for public funds. (Sleaze)

Hence what public forum is to be setup, to ensure the funds are spent wisely and competently with an outcome that is beneficial to the islands and not one privately owned company who on recent past performance are incompetent?

Kind regards

Alan Davis

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