



From Lord Berkeley
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Cllr Robert Francis
Chairman
Council of the Isles of Scilly

6 May 2022

Dear Robert,

COIS Localism Bid

As you may know, Derek Thomas and I are due to meet Robert Courts MP, Shipping Minister, soon to discuss your Council's Localism Bid, so I thought it might be useful to remind your Council and others of the importance of obtaining value for money through competitive tendering, independent of any operator, if your Council wants a successful Localism Bid. These objectives were summarised in a joint paper (attached) that you and I produced for the Transport Board over a year ago, and which I still think holds good today. It is a pity that your Council did not follow this advice.

You may recall that this paper was submitted to the TB in January 2021, a month or so before the Government announced the Localism Act invitation to bid. From what I can see, the only difference between this paper and the Localism bidding rules is that the bidder and recipient of any funding is a local authority, rather than the Transport Board that we then assumed. The need to keep any submission for funding separate from the IOSSG or any other operator was spelt out in our paper and followed the general lines of the earlier SOBC but was not of course part of the COIS Bid which basically asked the Government to give some £48bn to one private company without any competitive tendering or enforcement of service requirements.

The paper looked at the one ship solution and RoRo/LoLo and comments on costs, services and timetables. I do not recall whether this was actually discussed in detail at the TB because pressing issues were raised by Derek Thomas – including that a new vessel would be funded by Government as part of its contribution to the South West for the G7 summit with the ship built at Appledore. When that did not materialise (if it were ever likely) then the Localism documents came out inviting local authorities to bid for capital works – including for transport projects up to £50m. The first round had a short preparation timescale - ?3 to 4 months – and so the COIS decided to work with one operator, the IOSSG, to ask for some £48m for new vessels and ancillary works as a direct award to it.

There is clearly a wish to have new ship(s) for the service but, if these are to be financed to a significant part by Government, then I am advised that what was and still is missing for a bid to pass

all the Treasury procurement rules starts with an Outline Business Case which includes:

- Independent evidence of stakeholder engagement of demand/timetables/costs/fares. Both the IOSSG and D Thomas MP produced 'consultation' results, but these were not independent and did not cover all options. The attached paper attempted to summarise stakeholder views, but more rigorous and independent market research is clearly needed. Given that we now know that the future service for the islands is planned to be overwhelmingly public funded, it is essential that the solution is driven by fully transparent user need, rather than one operator's need or preference. A winter passenger service has to be 'in' as part of the ideal outcome, possibly combined with a one-ship passenger and freight solution. Costs of different options are also critical, as passenger and freight charges have again significantly increased, with freight charges in particular much higher than on the equivalent services in Scotland.

- There must be ferry industry involvement at an early stage, to help turn the requirement in to something that can be competed. How otherwise do we know what is in the realm of the 'doable'? I have already noted the interest of several operators, but they will need a strong assurance that they are not just being used as a comparator in order to justify an award to the incumbent.

- All options must be explored - not some closed off because the current operator does not want them. Building vessels for the current operator is just an option (an expensive one). Have other operators been asked what they would need to provide a service?

- If the solution is primarily public funded then there must be full public control even if operated by a private contractor under a franchise.

To deliver this, I believe that a full-scale competitive tendering process needs to be set up to demonstrate value for money and service quality.. The user defining the vessel (or a preferred operator helping define the vessel for them) and then going out to competitive tender to run the service closes off most of the benefits of competitive tendering. Any new vessel needs to be defined after completion of the competitive process. A bidder might already have a suitable vessel.

So, I believe that this process must be led by the local authority (COIS) and is likely to need to cover:

- Appointment of consultants to manage the tendering process
- Consultation on services, costs, value for money and different options etc; one or two vessels, RoRo or LoLo or both; summer only or all year round.
- Preparation of service specification for vessels' operation
- Preparation of specification of vessel(s) and ancillary facilities
- Preparation of financial arrangements for ownership of the vessels.

It is evident that the COIS does not have the resources to do the above tasks so consultants will need to be employed from the start. I understand that funding may be available from the Localism Fund to cover such costs. The key issue is that there must be no involvement of any potential tenderer in the process – to ensure that it is all seen to be fair.

From discussions with ministers, it is very clear to me that the Government will not hand £48m or so

either to a Council or a private Company without some rigorous process of competitive tendering and value for money demonstration. That is why the Appledore G7 idea was a non-starter and that is why I believe that the Localism Bid will not go forward unless the Treasury rules are complied with.

This is more or less what you and I suggested in the attached paper and what I believe the COIS will need to do if it wants public money for new vessels etc. All that has happened is that two or three years have been lost by chasing pipe dreams!

In the meantime, I continue to have evidence of other operators interested in tendering, and of other vessels that could provide a service if anything happened to the Scillonian III.

I am more than happy to discuss these issues with you.

A handwritten signature in blue ink, appearing to read 'Rob Courts', written over a horizontal line.

Robert Courts MP, Aviation and Shipping Minister.

Derek Thomas MP