



Department
for Transport



Civil Air Ensign



Maritime Ensign

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From the Parliamentary
Under Secretary of State
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15 August 2022

Isles of Scilly Sea Links Project – Assured Delivery

Dear Robert,

Thank you for attending the meeting on Friday 5 August with Derek Thomas MP and my officials to discuss the Isles of Scilly Sea Links project. I am grateful for the opportunity to share in person my assessment of your Full Business Case submitted on 20 June. As discussed, I write to confirm the outcome of this assessment and outline the approach we jointly need to take, with next steps set out to deliver this project.

As we all recognise, the proposed investment marks an important moment for the Isles of Scilly, as it will put in place a new fleet of vessels to maintain these lifeline link services. I welcome the continued commitment shown by the Council and your partners in developing a proposal set out in your Full Business Case (FBC). My officials have carefully considered this document and, most importantly, how the project should now be taken forward. This last point is particularly important, as the government wants to be assured that the approach taken will minimise the possibility of any financial viability issues or unforeseen delays in bringing the new vessels into service.

The FBC sets out a procurement approach which does not comply with the Public Contracts Regulations. It also provides no opportunities for the introduction of competition to operate the services resulting from the new vessels. If this approach were pursued, it is likely that the project could be challenged in court. Regardless of the outcome of any legal action, there would probably be significant cost for both the Council of the Isles of Scilly and the Isles of Scilly Steamship Group. It would also delay the introduction of the new vessels. Accordingly, the level of legal risk your approach presents is too high for me to support. I believe this puts at risk this once in a generation opportunity to secure a sustainable future for the lifeline sea link operation and I do not believe provides the certainty of delivery that all those who rely on these lifeline link services need. Therefore, this version of the FBC will not be taken any further.

In arriving at this decision, I have also taken into account the significant changes we have seen in the shipbuilding market since the bid was initiated and the original procurement was run. While I am aware that steps have been taken to update this exercise, it is my view that a full public procurement exercise represents the best way of ensuring value for money and certainty of delivery in the current environment.

As I explained when we met, my guiding principle for this project is assured delivery and I remain fully committed to the successful delivery of new vessels for the Isles of Scilly. You highlighted three key areas which the Council needs to see greater assurance on in considering whether it can continue to lead the project. These were the resilience of the lifeline link services in the interim, the risks to the Council, and having sufficient resources available to deliver the project. I believe the proposals set out in this letter and the further work being undertaken by my officials in conjunction with your officers will give us all the reassurance we need that the Council is in a position to successfully lead the project and deliver a local solution which meets the needs of Scilly. I am also very conscious of the work that the Council and its partners, particularly the Steamship Group, have undertaken to get the project to this stage.

My officials will continue to work with your Council and the National Shipbuilding Office to ensure processes are followed which would normally apply for public sector investment on this scale. Building on the good work already undertaken and costs incurred, I intend to make a development grant available to the Council to be drawn against the secured Levelling Up Fund. This will be dependent on the approval of a revised project plan based on the approach set out below that clearly demonstrates the steps to be taken to reduce the level of legal risk:

- Prepare a plan setting out the steps to be taken to ensure the continuity of lifeline link services and any additional costs prior to the introduction of the new vessels. This should be prepared by Steamship Group, reviewed and approved by Council of the Isles of Scilly and submitted to Department for Transport to assess the funding requirements.
- Working closely with the department, determine an appropriate mechanism to ensure the vessels remain under public control, mitigating and accounting for liabilities and depreciation.
- Devise new commercial and procurement strategies to inform project partners that sets out how the new vessels will be competitively procured and a concession to operate the lifeline link service, tendered at an appropriate point. These strategies should consider the potential benefits of involving the current operator in continuing to play a key role in the project and the introduction and operation of the new vessels.
- Review the concept designs for the vessels to ensure these still meet the objectives of the project, including performance, affordability as well as recent advances in propulsion technology, in line with the Government's commitment to achieve net zero as early as is feasible in the UK maritime sector.
- Submit a revised FBC to the department, based on the new commercial and procurement strategies and incorporating the outcome of the new competitive tendering process for the design and build of the new vessels.

I am very keen to maintain the momentum and close working developed between the department and the Council. I have asked that a further meeting be arranged for 2 September to review progress and ensure that your Council has everything it needs to consider the revised approach set out in this letter at the next meeting of Full Council on 15 September.

I look forward to continuing to work together towards the successful delivery of this vital project and anticipate receiving a full response to this letter by the end of September 2022.

Yours sincerely,

A handwritten signature in blue ink that reads "Robert Courts". The signature is written in a cursive, flowing style.

ROBERT COURTS MP

MINISTER FOR AVIATION, MARITIME AND SECURITY