



From Lord Berkeley
07710 431542, berkeleyafg@parliament.uk

Anne-Marie Trevelyan MP
Secretary of State for Transport,
Department for Transport,
London SW1

11 October 2022

Dear Anne-Marie,

Isles of Scilly Sea Links Project

I refer to the letter from Robert Courts MP, former Shipping Minister, to Cllr Robert Francis, Chair of the Council of the Isles of Scilly, dated 15 August. When I wrote to Cllr Francis on 9 September, copied to Robert Courts, I had only seen news report of the Minister's letter not the text of his letter. Although the comments in my letter of 10 September still stand, I would like to respond to specific points in the Minister's letter as they represent Department guidance on the execution of the £48 million IOS Levelling Up project which seeks to provide three new replacement vessels to service the Isles of Scilly. I write to you as I understand that you are taking on the role of Shipping Minister directly. Copies of the above correspondence are attached.

Before commenting on the detail, I would like express my gratitude to the Department for offering to provide ongoing development funding for the project even though the Department could not accept the FBC due to non-compliance with Public Contracts Regulations including lack of any competition in the operation of the new service. The critical nature of the lifeline transport services to the IOS can only be fully appreciated if you live on the islands and especially in the winter.

I welcomed the Minister's encouragement of the development of plans to maintain the continuity of existing services, given the age of the existing vessels and the risk of unexpected, prolonged failure or withdrawal from service of a vessel. Whilst the current operator (the Isles of Scilly Steamship Company - IOSSCO) has a key contribution to make to such plans, the plan needs to be directed and 'owned' by the Transport Authority (Cornwall & Isles of Scilly) rather than the IOSSCO as there is another other transport operator (Penzance Heliport) involved and only the Transport Authority has the statutory duty to maintain such a plan (Transport Act 2000 – Sect 108).

The Minister did not mention in his guidance the importance of the assessment of islanders' reasonable transport needs and the extent to which the CIOS has established these independently of the IOSSCO, whose interpretation of customer need may be coloured by the commercial considerations. The islanders' reasonable needs, and private sector market failure in meeting these needs, are the basis upon which Government involvement in this project is justified. Linked to this is reassurance from the CIOS that other private sector options have been explored and that market failure is not assumed simply because of the limitations of the current operator in funding replacement vessels. A partnership between the current operator and another operator might reduce the demand for Government funds.

The high capital cost of the project is driven in part by the cost implication of buying two vessels (a ferry and a freight vessel) rather than a combined ferry/freight vessel, the solution widely adopted in Scotland, and Europe generally, to provide services to small island communities. A combined vessel aids the continuation of a skeleton ferry service in the winter months rather than 100% reliance upon air travel with its knock-on impact on high passenger ticket prices, vulnerability to weather disruption and increased greenhouse gas emissions. With such a large public investment proposed it is important that the new service maximizes benefits for the public (islanders and visitors) rather than the commercial interests of the incumbent operator who happens to operate a competing air service (Skybus).

The Minister, in his third bullet point, saw the "*the potential benefits of the current operator in continuing to play a key role in the project and the introduction and operation of the new vessels*". With the Department having identified the risk of a legal challenge over compliance with public procurement regulations as a reason for turning down the FBC, the CIOS needs to be encouragement to be circumspect in its relationship with the IOSSCO so as not compromise fairness and transparency when competing for the opportunity to operate the new vessels.

I have set out my other concerns in my letter to Robert Francis dated 10 September 2022. All through this difficult project I have encouraged the Council of the Isles of Scilly to give priority to the needs of users, the needs of the local economy and a procurement process that follows the spirit of the Public Procurement Regulation. The project is an opportunity to transform the lives of islanders and drive growth in the local economy which is severely constrained by passenger travel costs, limited services, service unreliability and sky-high freight costs.

I would not be writing to you if I did not have doubts about the project fully exploiting the opportunity presented and doing so at a lower capital cost and with better value for money than proposed so far.

I would much appreciate a short meeting with you to discuss this.

Yours Tony

Tony Berkeley