

Isles of Scilly Sea Links Project

Statement given by the chairman at the Full Council meeting on 20 April in response to the announcement by the Steamship Group on 18 April 2023.

In regard to the statement issued by the Steamship Group on the 18th of April announcing it has now secured private funding for new passenger and cargo vessels. I wanted to take the opportunity in the meeting today to set out the Council's current position in respect of this latest proposal from the Steamship Group.

The bid for Levelling Up funding prepared by the Council in collaboration with our project partners, the Steamship Group, Duchy of Cornwall and Tresco Estates and submitted by the Council to the Government in June 2021 included the statement that:

New vessels cannot be funded by the Steamship Group alone because they have insufficient borrowing capacity and attempting to prolong the life of the existing vessels would result in significant increases in fares and increasing service unreliability. Passenger and freight revenues would be insufficient to cover loan repayments for new vessels at a level of tariffs which could retain visitor passenger numbers and provide affordable lifeline services to residents of the island. Only Government investment can maintain a sustainable local economy.

As recently as December 2022, the Steamship Group's own submission to the Department for Transport stated that:

Levelling up is all capital so partners understood that in the case of new vessels, the Levelling Up funds would not subsidise ticket prices, but rather replace private sector debt financing, which has a high cost to the consumer - therefore reducing the impact of capital investment on the prices charged to the travelling public.

If all new vessels and infrastructure had to be funded by the travelling public, higher costs would need to be charged and costs would rise to the point where they discouraged people from visiting.

The Government didn't offer the islands the second highest Levelling Up bid in the country of 48 million pounds on a whim. The offer was made because the islands need it. The Steamship Company's private equity proposal will not deliver levelling up at all but will in fact make our current situation even worse, albeit with new vessels.

The statement issued by the Steamship Group earlier this week marks a significant change in the Group's position. It is therefore important that the Group are given the opportunity to provide further details of their proposals to both the Council and the Department for Transport, and the impact on fares and freight, before any further decisions taken in respect of the Levelling Up funding allocated by the Government in response to the original bid submitted by our Council.

Our Council recognises the need for urgency in delivering new ships, but the Government has officially recognised this as a lifeline route and will step in to sustain if required to. I would also like to remind Members and reassure our community that the Council's position remains unchanged. The Sea Links project provides a once in a generation opportunity and the Council will continue to work with the Government to deliver the project and ensure both the passenger and freight services are maintained and affordable in the future.

£48 million is still on the table offered to these islands not only to put new ships in the water, but to offer levelling up so that our community and visitors have a good service with affordable fares and freight as they would anywhere else in the UK, not leaving our residents marooned on the islands because they cannot afford to travel. Your Council, allocated this money, does not tend to throw it away like the Route Partnership funding a few years ago.

The Steamship Group have been given every opportunity to come to the table but have chosen not to. It is still possible for them to come to the table, but your Council will only negotiate with an operator who will meet the terms of Levelling Up for our community, providing affordable fares and freight. Working with Government, we intend to achieve this with the money offered to us in order to sustain the future for Scilly.

Ends