



From Lord Berkeley 07710 431542, tony@tonyberkeley.co.uk

Yasmine Jetha
Chair, Group Sustainable Banking Committee
Natwest Bank plc
23 October 2023

Dear Yasmine,

Lombard loan to the Isles of Scilly Steamship Company (IOSSG)

I write following my letter to you dated 6 October on the same subject.

Last week, when visiting the Isles of Scilly, Harland & Wolff announced that it expects to be carrying '75,000 passengers a year and 10,000 tonnes of freight from next year'. It states that it will do this through the introduction of a new fast ferry service for the summer months and through its acquisition of Kraken Marine Services (KMS). Both, the company says, are funded through its own resources. The company further states that it will add an additional two vessels to the KMS fleet to ramp up capacity this year. As you will know, Harland & Wolff has also made clear its intention to bid for the allocated £48.4m levelling up funding, for which the Council of the Isles of Scilly has initiated its Soft Market Test (SMT) ahead of an anticipated competition to design, build, operate and maintain new vessels with the levelling up funding.

The company's announcement to the stock market can be seen here: <https://www.share-talk.com/harland-wolff-aimharl-maritime-operations-commencement-isles-of-scilly/>.

You will be aware that the Council's SMT states that the 2022 passenger numbers for this particular route was 110,414 and the freight market demand was around 14,000 tonnes per annum.

From this it is evident that Harland & Wolff have the capability and intention to compete with the Isles of Scilly Steamship Company (IOSSG) in a market for which the latter has claimed to be the sole service provider and is, I believe, seeking loans from your Bank on this basis because they do not wish to compete for £48.4m levelling up funding from the Government.

Only your Bank can judge whether a loan of over £35m to the IOSSG based a business case of a monopoly provider is sound when there is at least one company already investing to provide competition, which will surely introduce downward pressure on fares and prices. Indeed, the IOSSG's own year end report said: "We have to recognise that servicing of alternative financing such as secured debt would result in increased fares and freight prices".

I hope you will also reflect on the adverse financial effects on islanders in the event that your bank continues to support such a monopoly and the resulting very significant increase in fares and freight charges. Last week the Council said: "The council's position on this is one of keeping the LUF money on the table because of the very dire implications for the islands' future if there is no intervention. The government offered us a very large LUF two years ago because they considered our transport costs to be unsustainable, and over that period the situation has considerably worsened."

Yours, Tony Lord Berkeley