

Rt Hon Philip Hammond MP
Secretary of State
Department for Transport
Great Minster House
76 Marsham Street
London SW1P 4DR

5th August 2010

Dear Mr Hammond,

Mismanagement could result in massive waste of taxpayer's money.

We are two distinct organisations in the far west of Cornwall with a common interest in a misguided Cornwall Council project that is seeking millions of pounds of DfT funding. Cornwall Council has applied for funding for a "Route Partnership" scheme to improve the sea link between Penzance and the Isles of Scilly. The Route Partnership (made up of Cornwall Council, the Council of the Isles of Scilly and the Duchy of Cornwall) was set up to secure "lifeline" transport links between the Isles of Scilly and Penzance and ended up concentrating solely on the sea link.

Our concerns arise from the following:

- The sea link scheme is hugely controversial and the proposed "improvements" to Penzance harbour (which will cost c.£25m) involve land reclamation, development in an extremely sensitive location and the burying under infill and concrete of the historically most important parts of the town's precious Grade II* listed pier.
- The scheme also involves replacing a private-sector ferry operation **(1)** with a Cornwall Council owned ship (which will cost c.£25m) despite the private-sector operator of the service for the last 90 years stating that their ships (freight and passenger) had years of life left in them **(2)** and that they would continue their privately operated service regardless of whether public funding was available or not. The current anticipated total cost of the scheme is in excess of £65million **(3)**.
 - *1. Public sector has underwritten the cost of new ferry in the past. The Dept of Transport loaned IOS Steamship Company £1million in 1977 (£4.3 million in today's money) to help with purchase of Scillonian III (total cost £2 million). The loan was repaid over 12 years. Dept of Transport had the right, and exercised the right, to appoint a board member over this period).*
 - *2. The IOSSC position has been mis-represented in the letter. IOSSC Chairman's statement dated 14 Jan 10 states "it is probable that the Scillonian III could, with manageable investment, be maintained in its class until at least 2014.....the Gry Marithauntil 2015"). IOSSC participated in the Route Partnership because it could not raise commercial finance for a new vessel and*

the current vessel was reaching the end of its economic life. A copy of the statement is at page 29 of Special Cabinet papers for the 25 Jan 10 Cabinet Meeting to be found [here](#).

- *3. The cost of the scheme (still to be spent) is £57 million comprising new vessel £22 (£10 million is a loan), Penzance Harbour £18 million, St Mary's Harbour £17 million).*

- In contrast to the situation with the ferry service, the operator of the helicopter service (which is the preferred transport option for Islanders and carries 47% of all passengers) has made it clear that unless they are allowed to move their operation from Penzance into an Area of Outstanding Natural Beauty **(4) (5)** nearer to the Islands and sell their Penzance heliport land to a supermarket chain they will have to close the service **(6) (7)**.
 - *4. The helicopter operator is considering the option of moving from Penzance Heliport to Lands End Airport so it can share airport facilities, benefit from a shorter route to the IOS and release capital tied up in land. It's competitor, Skybus, a conventional commercial fixed wing service, already operates from this airport. Skybus has lower costs, a shorter route and lower fares. There is no prospect of both private carriers ceasing to operate so there is no prospect of the Isles of Scilly being without an air link. Of the two services, the helicopter service is less affected by weather and Penzance Heliport is a convenient destination compared to Lands End Airport. British International Helicopter Services Ltd made only a tiny profit in 2008 and attributed this poor performance to a 10.3% drop in passengers number over the previous year due partly to poor summer weather and partly to a downward trend in passenger numbers over recent years (source 2008 Annual Accounts).*
 - *5. The existing helicopter service crosses the Penwith peninsula and AONB at a low altitude. Lands End Airport is just one mile from the coast and therefore it is questionable how much of the AONB will be affected. It is accepted that Lands End Airport will be much busier. Overall, vastly fewer people would be affected by helicopter noise if the operation were moved to Lands End Airport. 46% of the Penwith Peninsula is covered by the AONB.*
 - *6. The Lands End Airport/St Mary's route is 7 miles shorter and does not require a climb from sea level to clear hills as required from Penzance Heliport. There is therefore potentially a substantial reduction in fuel consumption and consequent CO2 emissions even after allowing for flights to Newquay at the start and end of the day.*
 - *7. In the unlikely even of an accident on take off or landing the risk of the helicopter crashing into heavily populated area is greatly reduced if operating from Lands End Airport.*

- Amongst the various proposed alternatives to the Route Partnership scheme for the sea link is a fast passenger ferry **(8)** and separate freight ship operation. This option has not been properly assessed by

the Route Partnership **(9)** despite it holding the possibility of providing a fast passenger service to replace the failing helicopter and requiring a lighter touch **(10)** to developments in Penzance Harbour.

- *8. The fast ferry relates to a 27 knot twin hulled vessel proposed by a retired ex- Chief Executive of IOSSC. It is by far the most expensive vessel solution considered for the new ferry link because of the fast ferry's inherently high fuel consumption and the need for a separate freight vessel. Fuel consumption is at least 62% higher for comparable journeys and 156% higher if the fast ferry makes 2 trips a day to make up for its reduced passenger capacity (365 versus 600 for the current vessel and proposed combined vessel)). There are uncertainties about what sea states (wave heights) it can operate in and the acceptability of the ride on the slow speed approach to St Mary's. The twin hulled vessel has a deeper draft and cannot sit on the seabed in either harbour like the current vessel or proposed new combined vessel; expensive works would be required as dredging would almost certainly undermine the quay foundations at St Mary's. The vessel was not proposed for winter operation and therefore could not be an alternative for the helicopter or Skybus in the winter.*
- *9. Detailed costing were produced for Cornwall Council and are available on their project website. Hart Fenton & Co Report dated 6 Oct 2009 found [here](#).*
- *10. There is no justification for this claim at all given the need to dredge both quays and reinforce quay foundations at St Mary's and perhaps Penzance as well.*

Cornwall Council and others set up the Route Partnership to secure the lifeline links to the Isles of Scilly. They are on the verge of spending millions of pounds "improving" one lifeline service that has survived perfectly well in private hands for the last 90 years **(1) (11)**, while another vitally important lifeline link to the Islands is about to fail with no plan in place for an alternative service **(12)**.

11. As previously stated the Government helped with the purchase of the current vessel in 1977 otherwise the ferry service would have terminated.

12. An alternative air service already exists (Skybus) and carries around 10% of the travellers to the IOS. The competition has undermined the profitability of the helicopter service.

The operator of the helicopter service claims that they can deal with their financial problems by selling off the land they inhabit at Penzance, but all the evidence points to this being only a temporary solution **(13)**. Rising fuel and spare parts costs for their ageing helicopters will almost certainly result in the service closing for good in a relatively short time. And in the meantime an Area of Outstanding Natural Beauty on the Heritage Coast **(14)** and the many businesses that rely on it and trade between Lands End and the Lands End aerodrome will suffer, perhaps permanently.

13. BIH need to raise money quickly to meet loan repayments that fall due soon (referred to in 2008 annual accounts for British International Holdings Ltd). Profits from helicopter operations have been too small to cover these payments. BIH also needs to improve the profitability of its IOS link if it is to have a future. The BIH directors report (2008) indicated doubt about the viability of the IOS service. Moving the mainland base to Lands Airport frees up capital, reduces fixed costs through sharing facilities and reduces operating costs due to the shorter route. If the move does not improve financial performance then the service will be at risk.

14. Lands End Airport already exists and hosts commercial flights every working day.

15. *A sudden failure of the company would have a serious impact, especially on IOS. With some warning of a withdrawal of the service, its competitor Skybus can be expected to increase its fleet and passenger carrying capacity. Once the proposed new ferry service comes into operation passengers will have a ferry option in the winter and will not be entirely dependent on air links*

At best Cornwall Council and the Route Partnership are guilty of taking their eye off the ball **(16)(17)**. But the circumstances surrounding other aspects of the scheme, and in particular their choice of location for new passenger and freight handling facilities in Penzance, suggest that the body is not fit for purpose **(18)**.

16. *The Route Partnership cannot meddle in the commercial marketplace unless there is market failure. There is market failure in the supply of the sea link because the one operator cannot afford to replace its ageing vessels threatening cessation of service in the next 5 years or less. There is stiff competition over the air route and it may be that BIH is forced to withdraw leaving the remaining operator (Skybus) in a strong commercial position.*
17. *In retrospect the Route Partnership decision to pursue a combined vessel running all year around was prescient. If the helicopter is withdrawn then there will be a ferry option in the winter if weather prevents Skybus from operating.*
18. *The new facilities proposed for Penzance Harbour ensure that the ferry operation is confined to the edge of South Pier on reclaimed foreshore behind a new sea wall which protects an area notorious for flooding by overtopping waves. The historic inner area is cleared of freight, Wharf Road is freed of manoeuvring freight vehicles (they will turn in the new compound), the Barbican is protected from future flooding and the South Pier structure is protected by rock armour extending its life well into the future.*

If the above involved only Cornwall, its council and residents it would be a local tragedy but large sums of EU and DoFT money are at stake and for this reason we ask you to intervene and ensure that a full and comprehensive review of the transport issues facing the Isles of Scilly is undertaken urgently**(19)**. Only in this way we believe can a local tragedy be averted and scarce government funds be spent wisely **(20)(21)**.

19. *Objectors are keenly aware that delay will kill the project because of the deadlines for committing and spending EU convergence funds.*
20. *The local tragedy feared most by residents in Penzance is that the ferry service will be lost from Penzance because of relentless opposition from mainly retired residents and incomers who have only a limited stake in the economy of Penzance and little empathy with the predicament of the Islanders. There is strong support for the project amongst local businesses and working age people as was demonstrated in the run up to the 8 Mar 2010 planning meeting.*
21. *The project was supported by the SWRDA because it foresaw that Penzance would lose the ferry service without substantial investment in the Harbour. Objectors deny a serious problem exists and question the genuineness of the Islanders requirements; therefore, from their perspective, no solution is required. As the majority of objectors do not make a living from the harbour, tourism or retail activity they will not be hurt if wrong about the need for the project. With LEAAG*

and FofPH joining forces both the helicopter service and the ferry from Penzance are now both at risk because of opposition to necessary changes.

Yours sincerely,
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