

**Cornwall Council, Special Cabinet Meeting
County Hall, 25th January 2010**

Agenda Item 4: Isles of Scilly Link Project

Give Penzance a Chance

Briefing from the Friends of Penzance Harbour

- This project is a test-case of the Council's commitment to localism.
- 70% of Penzance residents want an alternative to Option A.
- The local MP, all local Cornwall Councillors and the Town Council are against Option A.
- Option A is bad for heritage, environment, amenity, economic and employment reasons.
- Planning and legal obstacles mean that Option A is unlikely to be deliverable.
- Option A costs have soared 33% in the last year and will continue to rise; final Option A project cost could exceed £100m with Cornwall Council tax payers picking up the tab.
- Alternative options, including Option C, have not been properly assessed.
- The Council must abandon Option A and engage with local stakeholders to develop an acceptable alternative without delay.
- The extra costs associated with operating the service from Falmouth would cripple the Isles of Scilly economy for a generation.
- Public money is available to support a "lifeline" link - not up-market cruise operation.

And in more detail...

Public opinion

While much has previously been said about the state of public opinion on this issue, it is worth restating a few facts and mentioning some recent developments. This is important because the Council is a democratically-elected body and must be responsive to the public if it wishes to retain their respect and the legitimacy that this brings to the decisions of the Council.

An opinion poll in *The Cornishman* newspaper last week showed that when presented with the choice between Option A and "other options", 70% of the c.1300 respondents said they would prefer "other options". This is entirely consistent with all other independent evidence of public opinion but Cllr Graeme Hicks has refused to accept the result and claims that the Friends of Penzance Harbour encouraged members of the public from outside the area to vote. We certainly encouraged those on our supporter list to vote, but the vast majority of those names were collected at meetings and events in Penzance and are therefore locals, the same people who packed St John's Hall and wrote hundreds of letters of objection to the two planning applications (see below). Having recently seen an e-mail sent by Cllr Hicks in which he calls on people from as far afield as France to vote for Option A it seems likely that if anything the poll underestimated the extent of *local* opposition to Option A.

The recent application for listed building consent (LBC) attracted 669 letters of objection from the public and just 4 (four) letters of support. The local Chamber of Commerce have claimed that a fear of boycott stopped local businesses from sending in letters of support. No such boycott has ever existed, and even if it had it doesn't explain why such a well publicised planning application attracted so few letters of support from the *public*. Incidentally, the previous planning application, which predates any claims about a boycott, attracted 672 letters of objection and just 8 (eight) letters of support.

There have been repeated claims that the local business community in Penzance supports Option A, but this myth was dealt a fatal blow when local businesses recently wrote to Cllr Alec Robertson asking him to abandon the Council's plans and concentrate on developing an alternative scheme for the town. This letter has now been signed up to by 29 businesses representing a good cross-section of local traders. This is the first time that named businesses have gone on the record either for or against Option A. Previously the Chamber of Commerce and Penzance & District Tourism Association have claimed business support for Option A but the businesses in question have not identified themselves.

The above is clear evidence that the overwhelming majority of residents in Penzance do not want Option A.

Resume of objections to Option A

Reading press reports and listening to the radio one could be mistaken for thinking that objections to Option A related solely to the loss of Battery Rocks beach. Nothing could be further from the truth. The main objections are as follows:

1. It will seriously harm a nationally important listed structure (this is the crux of the English Heritage objection). This is backed up by the Council's own Historic Building Analysis which recommends elevating the listing of the pier making it part of the 7% of most important buildings in the country.
2. It will hinder future regeneration of the area by locking heavy goods traffic into an area characterised by narrow streets and high heritage values and altering the balance between commercial and amenity activities. It effectively shifts the commercial activities of the port into an amenity area.
3. By degrading the natural, heritage and amenity values of the seafront it will discourage tourists and those considering a move to the area and negatively impact on the local economy. This is the main of objection of businesses that have recently written to Cllr Robertson asking for Option A to be abandoned.
4. Further jobs are put at risk by purchasing a new ship that is too big to be maintained in the town's Dry Dock. The loss of this work could mean the difference between survival of the yard and insolvency.

All of this is why the majority of residents, the local MP, local Cornwall Councillors and the Town Council (practically all elected officials in the area) are against the scheme. Even those promoting Option A are doing so not because they believe it is the best option for the town but because they have been persuaded that it is the only option that can be delivered. We do not agree with this assessment.

Option A deliverability

Option A has already been refused listed building consent and there is a good chance that it will be refused again if it is resubmitted. Contrary to what your Cabinet briefing paper suggests, English Heritage have not changed their position in respect of the listed pier, and even if the Strategic Planning Committee looked at the request again and passed it the final decision would still lie with the Secretary of State for Communities and Local Government, and he is obliged to consult with English Heritage. A continued English Heritage objection at this stage would be likely to lead to a Public Enquiry.

There is also the issue of funding. Funding will not be released without a “business plan” being accepted by the Department for Transport. While Council officers have been working hard on this, certain aspects are outside their control. Key among these is the likelihood of competition. This is of course greatest if the new operator is not the existing operator, who – as you will see in your Cabinet briefing (Page 29) – have said they intend to continue operating for the foreseeable future. Indeed there is no reason for them not to, as they are making a healthy profit running the existing two ships. Ships do not automatically sink at their moorings when they reach a certain age: they are valuable assets. The company will want to make returns on those assets and they have control of a Dry Dock to undertake the necessary repairs and upgrades. If the current operator becomes the operator of the new vessel there is still the chance that a cheaper cargo service or faster passenger service from Penzance will set up in competition and this will make the operation of the new ship unsustainable.

Despite what your Cabinet briefing suggests, the legal challenge of the HRO (undertaken by an individual and not by the FoPzH) is not designed to scupper options outside the harbour wall but only to ensure that the public get a proper chance to comment on the HRO provisions. This did not happen first time around. The challenge does not request that the HRO is rescinded. However, the greater legal threat to Option A comes not from the challenge to the HRO but from any request for Judicial Review. If such a request were to be successful the whole process leading up to the choice of Option A and its granting of the necessary consents would be open to scrutiny and review. The judge will ask if any ordinary person would have chosen this option and in settling the point will look at both the process and the evidence base used to make decisions. The Council’s reports have been found wanting on numerous occasions already and the process surrounding the planning applications is unusual enough to present problems. And remember, the judge will not be interested in funding opportunities and the other arguments used for settling for Option A now, rather than taking time to find a better alternative.

The above of course is why the Cabinet report has identified this project as extremely risky (Briefing, Page 17). Indeed the financial risks to the Council are considerable, but before going on to quantify them it is worth examining claims that Falmouth might be a suitable alternative to Option A in Penzance.

Falmouth

In 2004 the Route Partnership's own consultants reviewed the possibility of using Falmouth as an alternative to Penzance¹. They took into account the need for less new infrastructure in Falmouth but still "concluded that Falmouth does not offer a viable alternative to Penzance to serve the Isles of Scilly". The main determining factor is the additional distance from the Isles of Scilly (48 miles for the round trip) and the impact of this on journey time (c. 9-10 hours round trip), operating costs, logistics and passenger demand.

You are now being asked to spend c. £300,000 reviewing this option AGAIN. Before doing this you might want to ask yourselves what, if anything, has changed since 2004. Well, quite a few things, but not the distance of the Scillies from Falmouth! Most importantly fuel costs have risen substantially, and as we saw prior to the current economic downturn have the potential to rise very much higher. Wage increases will also have increased the cost of the extra time that the trip and loading/unloading will take. Additional wear and tear on the ship, shortening its working life and reducing its residual value after the loan is repaid, will also be considerable. And the period since 2004 has seen the trend continue for people to expect faster journeys, not longer ones. Day tripper numbers to the Scillies have dropped from c. 60,000 twenty years ago to c. 15,000 last year. This number would drop to next to nothing if the journey time rose from the current 2hrs 40 minutes to something around 4hrs 30 minutes. A service from Falmouth would mean costs up and revenues down and would fundamentally compromise the project's stated goal of keeping costs down for the residents of Scilly.

And talk of a faster ferry would similarly not work since speed can only be achieved at the cost of higher fuel bills with no chance of increasing passenger numbers over current levels. Talk of "mini cruises" and on-board cinemas is also no solution and would conflict with the projects stated aim of securing a "lifeline" to the Islands (see below).

"Lifeline" or upmarket cruise experience?

When the Route Partnership was launched in 2003, the emphasis was on the sea link to Penzance as a "lifeline" for the Isles of Scilly. It was on this basis that funding from the Government and the European Union was sought.

Strictly speaking, the Scillies have at present two lifelines - the freight lifeline and the passenger lifeline - and they need to be considered separately.

¹ Hyders "major scheme bid" to the Department of Transport, July 2004.

At the present time the freight lifeline to the Scillies is provided by the *Gry Maritha*. She is cheap to run, since she can steam slowly, which allows her fuel consumption to be minimised. She fits in the Penzance Dry Dock, and if she breaks down a replacement can readily be chartered. When she eventually comes to the end of her life, a replacement cargo vessel would be cheap, either as a new-build or on the second-hand market (the *Gry Maritha* was purchased second hand). And she is a private-sector operation, making no demands for public financing and producing a healthy profit for her owners. Whatever might happen at Falmouth, there seems every likelihood that the *Gry Maritha* - which with manageable investment could be maintained in class until 2015 (see the IoS Steamship Group Statement at Page 29 of your briefing paper) - and her successors can keep going profitably into the indefinite future, as is the expressed intention of the Steamship Group.

Arguably, the passenger lifeline is provided at present not by the *Scillonian III* and the sea route but by the helicopter service to Penzance and to a lesser extent the fixed-wing Skybus air service to Land's End airport. This is how residents of the Scillies travel, and who can blame them: they want a fast service that allows them to travel on the next leg of their journey the same day or take day trips to the mainland for essential business. Like the *Scillonian III*, the proposed new combined vessel will not provide this.

Visitors do use the *Scillonian III* but the proportion choosing the sea route over flying has dropped and now stands at around one-third of those visiting the Islands. Like islanders, visitors are turned off the sea route by long journey times and the availability of more convenient alternatives.

So the question arises: what is the new ship for? Recent developments provide a disturbing clue to the answer to this question: it appears to be seen by the proponents of Option A as a smaller version of a cruise ship. Earlier this month, the Chairman of the Penzance Chamber of Commerce described it - in the hearing of Councillor Hicks and the RP Project Director - as equipped with a range of entertainment facilities and providing "mini-cruises" to the Scillies. The suggestion is that an operation running from Falmouth would pick up wealthy customers off other cruise ships visiting Falmouth, and provide them with a high-value-added cruise experience to the Scillies where they would then spend in a way that traditional day trippers do not. These cruises could not be "day trips" (the return journey would take nearly 10 hours), so perhaps the intention is that they will stay over and contribute to the up-market "resort economy" that has been emerging on the Islands in recent years. It is very difficult to see how ordinary Scillonians will benefit.

While one can wonder how many of these well-heeled holiday makers will want to cruise the rough and uncomfortable seas off the Lizard and Land’s End in a ship too small to provide cruise-ship levels of comfort, the real issue is whether spending funds for this purpose is consistent with the objectives of the funders who think they are supporting the provision of a “lifeline” sea service. Certainly it seems unlikely that Convergence funding would be provided to assist in the provision of luxury facilities to an up-market clientele.

Is it affordable?

The estimated cost of the Scilly Link project stands today, as your briefing paper shows, at a staggering £60.25 million. This is made up of £27.4 million for the proposed new boat and £32.85 million for the harbours. Even if the figure for the boat could be held, the rate of increase for the harbour works – up £9 million from January 2009 to January 2010 – means that we could be looking at a final cost for the project, if it is based on Option A, of anything between £80 and £100 million three years from now. Table 1 shows how cost estimates have already soared from the figure of £32 million given in 2005 in the County Council’s LTP for 2006-2011.

Table 1: Cost estimates for Scilly Link Project

Year	Ship	Harbours	Total
2005 ²	-	-	32,000,000
2006 ³	17,000,000	22,100,00	39,100,000
2009 (Jan) ⁴	22,000,000	24,000,000	46,000,000
2009 (Dec) ⁵	23,903,000	31,345,000	55,248,000
2010 (Jan) ⁶	27,403,000	32,845,000	60,248,000
2012 ⁷	-	-	78,000,000?

There is, of course, a tendency for ultimate costs to exceed estimates. This is so well known that there is actually a term for it: “optimism bias”. There is a Department for Transport guidance document which points out that there is “massive statistical evidence [that] initial budgets are generally characterised by pronounced optimism bias. [It has] psychological, political and economic causes...”

² Figures from Local Transport Plan (LTP) See: <http://db.cornwall.gov.uk/ltp/section-6231337822.html> Separate figures for harbour and ship not available.

³ Major Scheme Bid addendum 1.

⁴ Figures from January 2009 Route Partnership “pre-planning” exhibition.

⁵ Papers for the Cabinet meeting of 16th December 2009.

⁶ Papers for the Cabinet meeting of 25th January 2010.

⁷ Assumes project starts in 2012 and is subject to two more years of cost increase at rate experienced in 2009.

The result of these is that "risk factors are not fully reflected in the project budget". (S. 5.1)⁸

Department for Transport guidance recommends that estimates should be increased by an "uplift" to allow for optimism bias. The amount of this should reflect the risks entailed and the acceptability of those risks. Since the Overall Risk Register Rating for the Scilly Link project is said on Page 17 of your briefing to be "Extreme" (Red), the uplift in this case could be as much as 51%. So the 2012 figure in Table 1 above could rise well above £100 million.

There is no indication in the Cabinet or other papers that officers have taken optimism bias (or any consequent uplift) into account in their capital costings. Nor is the question posed – let alone answered! – of how acceptable "Extreme Risk" should be to the local authority, the Council.

The above is significant in respect of the choice of scheme for Penzance because cheaper – and, more importantly, less risky – alternative options exist.

Alternatives

The only positive response from Cornwall Council to the widespread local opposition to Option A was to promise to further investigate an alternative scheme, Option C. They themselves originally described that option as workable, and it would have met with local approval. However instead of progressing it as a genuine alternative, they delayed until the day of the Strategic Planning Committee meeting then produced a document rubbishing Option C root and branch and declaring that Option A was the only possible choice. Nevertheless the members of the committee were not persuaded, and for very good reasons.

The Council is aware of its position as both applicant and planning authority. In such circumstances it would have been wise to have the alternatives assessed or peer-reviewed by an independent body. Instead those who originally proposed Option A, the same officials and consultants, were given the opportunity to declare that their original decision was the correct one, and not surprisingly came to that conclusion. This process has since been erroneously described as "independent".

The Strategic Planning Committee, with the considerable backing of English Heritage, concluded after a long and intelligent debate that the Option A scheme was not the

⁸ The British Department for Transport Procedures for Dealing with Optimism Bias in Transport Planning: Guidance Document, June 2004.

http://www.dft.gov.uk/pgr/regional/ltp/major/coll_proceduresfordealingwithopt/eduresfordealingwithopti3688.pdf

only or the best option and agreed that a compromise alternative should be agreed without delay.

What next?

Cornwall Council was formed with very specific promises that it would not be a centralising authority but would in fact take pains to give a greater voice to local people in their own decision-making. Since the issue at the heart of this debate is not the continuance or otherwise of the Isles of Scilly sea-link but the location of certain ancillary facilities, it is clearly a local issue. For the last 15 months the clearly expressed views of local people have been ignored, patronised or manipulated. After exploring the issues fully the Strategic Planning Committee agreed that their call for a change of plan was justified.

However it seems that Cornwall Council is immune to all calls for reason and compromise and is determined to impose on Penzance a huge, ill-conceived and mightily disruptive development it doesn't want. Why they are so intransigent is a question they must answer, but the reputation of Cornwall Council should not be held hostage by their attitude. If the Council overturns the decisions of its own elected Councillors and insists on bulldozing this plan forward against all democratic principles, it will confirm the worst fears of those who opposed its formation and proclaim itself a monolithic, unrepresentative body in which local democracy plays no part.

There is still plenty time and money available for this scheme. There are viable alternatives to Option A for the Isles of Scilly link. Penzance is united in wanting to see a solution townspeople can accept going ahead as soon as possible. It is essential that the Council makes a clear statement in support of this position and directs the Route Partnership to abandon Option A and engage with local stakeholders to develop an acceptable alternative without further delay.

END

Appendix: Funding availability as the driver of the project

There seems to be an exact parallel between the IoS Link project and a project to build a new distributor road to the south of Truro. To quote from a report in the *Western Morning News* on January 22, 2010:

A £36.8 million highway, dubbed the "road to nowhere", would shave as little as four seconds off the journey of commuters, councillors have been told. Cornwall Council's own officials told the council's cabinet meeting that between just four and 89 seconds would be saved on the journey along the road in and out of the city, depending on the time of day. But failure to build the road ... would lose the county government money, jeopardise future funding, and would leave the existing A390 route more congested. A report presented to the councillors, written by head of transport Nigel Blackler, said: "The Government has already been critical of the rate of progress being made ... in delivering the major transport scheme programme, and has threatened to divert funding elsewhere to other regions/projects or services if good rates of progress are not achieved. "Without government funding, there would be no prospect of implementing major transport improvements in the area." Cllr Ferguson said: "We need to know what sort of road we are talking about here."⁹

(For us in Penzance: "We need to know what sort of ship we are talking about here.")

What is clear is that other factors drive major transport projects besides the actual need for them, and that is clearly the case for the IoS Link project. A very recent (October 2009) finding by the European Commission, following an inquiry into the Scottish government's subsidy of Scottish ferry routes, including services to Orkney and Shetland, states that such public financing was compatible with rules governing state aid.¹⁰ This would seem to render obsolete the approach taken by the Route Partnership, whose 'prime concern... has not been to reduce capital costs, which will largely be covered by grant funding, but to decrease the running costs...'¹¹ The Isles of Scilly Council and Cornwall Council should, as a matter of urgency, be investigating whether a similar subsidy could be available for the ferry route to the

⁹ <http://www.thisiswesternmorningnews.co.uk/news/163-36m-road-save-commuters-just-seconds/article-1745651-detail/article.htm>

¹⁰ <http://news.scotsman.com/caledonianmacbrayne/Europe-rules-CalMac-subsidy-for.5776284.jp#comments>

¹¹ Graeme Hicks, "Council has risen to ferry link challenge", *Western Morning News*, November 17, 2009. Online at http://findarticles.com/p/news-articles/western-morning-news-the/mi_8027/is_20091117/council-risen-ferry-link-challenge/ai_n44207437/

Scillies. No-one wants to penalize Scillonians for living where they do, but there must be fairer ways of keeping their costs down than by damaging the future prospects of Penzance.