

May 13th 2013

Thames Tideway Tunnel

Question

Reference (From column 215):

<http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130513-0002.htm#13051336000169>

8.07 pm

Lord Berkeley: I welcome two parts of the Queen's speech. The first is:

"My Government will continue to invest in infrastructure to deliver jobs and growth for the economy".

The second is:

"My Government will continue with legislation to update energy infrastructure and to improve the water industry".

I shall speak to these two issues with two examples, one large and one small.

The large one is the Thames tunnel, the £4.3 billion tunnel to remove the inflow of sewage-flavoured rainwater into the Thames when it floods. I believe that it is the wrong project, that the wrong company is doing it and, equally bad, that the regulator does not appear to be regulating. That is to the detriment of customers and the environment. There is no point in the Government investing in infrastructure if the private sector can or should do it or if there is a cheaper or better alternative, especially if that will create more and local jobs, as I believe this one will.

The tunnel has been discussed for many years and Thames Water is now starting the process of obtaining planning permissions. However, in the past five years, there has been increasing evidence from around the world that the scheme is out of date. The best example is probably in Pittsburgh in the US,

where it has been demonstrated that preventing the volume of storm water entering the sewage system in the first place is a much more effective solution. It is easier to achieve, there is much less risk than building a big tunnel, it will use lower-skilled and therefore local labour and it will start the clean-up of the river much sooner, which could mitigate the effects of the potential fine from the European Commission of up to about £1 billion because the Government have failed to clean up the Thames. The problem is that neither the Government nor Thames Water have examined this new option properly. I wrote to Ministers about a month ago, asking them to set up an independent inquiry to look at the alternatives; I have not had an answer yet.

Another reason for such an inquiry is Thames Water itself and whether it is a fit and proper company to undertake such a project, especially when it has reduced its asset base over the years to the extent that it says that it cannot fund the tunnel-it needs government help, which the Government have kindly given it through legislation last year-but still suggests that this project will add £80 to the bills of every Thames Water drainage customer for the next 125 years. Thames Water customers go well past Reading to Oxford and places such as that-that is a lot of customers.

Since the Minister said in his opening remarks that the Government intend to tackle all forms of tax avoidance, and the Treasury indicated a few weeks ago that the Government intend to stop companies bidding for major contracts if they have used aggressive tax structures in recent years, perhaps this particular company and project should be looked at. Other examples include Wales & West Utilities, which was recently sold to Cheung Kong Infrastructure Holdings, where the shareholder equity was largely represented by a shareholder loan at 15% to 21%-not bad for a boring utility-and Arqiva, where the equity is represented by shareholder **13 May 2013 : Column 216**

loans at 13% and no corporation tax has been paid from 2007 to 2011. It is difficult to find much information about Thames Water. One thinks that Macquarie Bank is involved, but it is almost certain that it has followed the same route, which is the kind of route that many of these utilities have followed.

It is surprising that the regulator, Ofwat, has not investigated whether Thames Water complies with condition P of its licence, which is that Ofwat has to,

- "be satisfied, in each particular case, that the prospective owner has the probity and the operational and financial capacity to assume that role".

The CEO of Thames Water, Mr Baggs, said in a letter of 8 March that shareholders should not be required to pay for enhancements of the network. That seems to contravene the duties of the regulator to,

- "secure that the functions of each undertaker"- in this case Thames Water-
- "are properly carried out and that they are able to finance their functions".

It appears that the Government are already asleep in failing to apply their Treasury ruling that those companies applying aggressive financial structures should not be involved in constructing government-funded infrastructure projects. Ofwat is also in a long-term sleep, failing not only to apply the probity test on Thames Water but to ensure that the company has the financial resources and capability to pay for enhancements.

The noble Lord, Lord Shipley, mentioned these water issues. I have not read the proposed water industry Bill that was mentioned in the gracious Speech. I certainly hope that it will put right some of the wrongs that I have outlined. In the mean time, I ask the Minister whether the Government will agree to an independent inquiry into this Thames tunnel project before any more taxpayers' money is wasted.

My second issue is much smaller and a long way away: the Isles of Scilly transport. It should fit in with this statement in the Queen's Speech:

"My Government will continue to invest in infrastructure to deliver jobs and growth for the economy".

This is where it is needed. It is a small project in an outlying part of the UK, which is just as deserving of better infrastructure and

services. If the island community of 2,000 is to survive, its economy, now based largely on tourism, needs to be maintained and to prosper. At present, the decline in visitor numbers is more rapid than that in mainland Cornwall, which can only be due to the high cost of travel there. Islanders need a year-round service, tourists in the summer need a range of services and all need to receive these at affordable prices.

Noble Lords will know that the helicopter service stopped on 1 November last year, probably for good. There remains a fixed-wing air service of eight-seater or 19-seater planes, which operate all year round but are frequently delayed or cancelled by wind, fog or waterlogged runways at Land's End. These planes-as anybody who is an expert in them, which I am not, will tell you-are much more vulnerable to bad weather than helicopters. The "Scillonian" operates March to October and has just had a good refit for a five-year life extension. As noble Lords will know, the original build of the ferry was funded with support from **13 May 2013 : Column 217** Harold Wilson when he was Prime Minister. However, that was some time ago and one ought to be looking forward to a replacement.

The loss of the helicopter has brought into focus the dire service that remains. Between November and March, Land's End was closed due to waterlogging for more than half the days. Immediately before Christmas, 177 people were queueing, unable to travel between the islands and the mainland for over three days; they finally got there on Christmas Eve. Some islanders have in desperation travelled in a RIB, a high-speed motor boat, from the Scillies across 20 or 30 miles of very rough sea, costing 12 people £1,200. That shows the desperation; it is not as if there are a lot of rich people there.

What can be done? A year ago, the Council of the Isles of Scilly produced a report comparing the transport available there to that for the Scottish islands: charges, frequencies and the lifeline service concept, which ensures an affordable service to all islands-some provided privately, some subsidised, but guaranteeing a service so that people can go for work, business, pleasure or hospital appointments at a cost that approximates to that of using an equivalent road distance. In the case of the

Scillies, it would be £20 to £30 return, compared with the current fare of £84 on the ship and £160 by air. The islanders get a concession on the ship but not in the air, as the noble Earl, Lord Attlee, pointed out to me some time ago.

These are the kind of journeys that everyone else takes for granted, so there is general support for short-term measures for the airport and harbour improvements to be expedited. I ask the Minister whether the Government are planning to accept the applications from Cornwall Council and the Council of the Isles of Scilly for the ERDF-funded harbour improvements, because time is running out for some of these grants.

The affordability and reliability of a year-round service needs attention. The answer for next winter would be a trial winter sea service, which the Isles of Scilly Steamship Company is prepared to operate; it operates the air service as well. However, it will not say how much subsidy it would need, because it fears that the service will be tendered out. I have written to the Minister responsible, Norman Baker MP, asking whether the department would consider this. We have to reflect that there are very few other places, however remote and vulnerable they are to snowdrifts, floods, gales and so on, that have only one unreliable means of travel throughout the winter. It is not as if people can walk or cycle if it is difficult—it is a bit wet and you cannot do it.

I am very pleased that the new Cornwall and Isles of Scilly Local Enterprise Partnership, which the Minister also referred to, is keen to help and follow up the recommendations of the Scottish report, by offering to lead a detailed economic transport study to identify the best means of providing for the long-term needs of the islanders and visitors. Sadly, however, the Council of the Isles of Scilly has indicated that it is not interested in taking part. I find that very depressing. However, I hope that the new councils in the Isles of **13 May 2013 : Column 218** Scilly and Cornwall will be able to work much more closely together to further the interests of the islanders and visitors. I hope that they will start a joint campaign to persuade the Government that the Scillies need a trial winter service for next winter and to agree to a policy of developing a public service obligation with a new ship to give these islanders the long-term comfort that they

need to enable their economy to grow on a firm basis. I hope that they will support the LEP in accepting its offer.

In summary, my questions for the Government are: what is the status of the application for the funding for harbour improvements that I mentioned and will the Government consider a trial subsidy for a ferry next winter? With that ferry and the air service, there would be a very good chance that at least one of them would get you to and from the mainland, when you want to go, without having to spend too many nights in hotels in Penzance.