

The Birth of an Airline Nine Years of Blood Sweat Toil Tears and Commercial Knee Jerk

By
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Founding Director and first C.E.O.of

Isles of Scilly Skybus Limited 1983 - 1992

Author's Note, the following pages are edited extracts from a much larger record of my experiences of working for the Isles of Scilly transport services, originally written nearly twenty years ago J E C C 5 July 2009

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1 GENERAL C.V.

- 1.1 My date of birth is 17 05 37.
- 1.2 I am a fellow of the Institute of Chartered Accountants in England and Wales.
- 1.3 I hold a Practising Certificate for Public Practice as a Chartered Accountant.
- 1.4 I have an Honours Degree in Economics and Accounting from the University of Bristol.

The outline of my career is as follows;

- 1.5 1956-59 3 Years articled clerk in my father's chartered accountancy practice in London and the Home Counties.
- 1.6 1956-61 3 years Degree course at University of Bristol.
- 1.7 1961-63 Senior assistant with Cooper Brothers Chartered Accountants in Bristol, reporting to a senior partner and responsible for the preparation of business accounts, tax work and involved with 3 major public company audits in manufacturing, service and public utility businesses.

I then moved into commerce to gain more experience.

- 1.8 1963-64 Assistant in the Chief Accountants office of E.S.and A.Robinson (Holdings) Ltd. head office in Bristol. (Soon to become the D.R.G.Group). This was a large company with many subsidiaries employing 20,000 people in the U.K. and overseas. I reported directly to the Chief Accountant and gained experience of "big company" costing, accounting, financial control and budgeting. I was responsible for the quarterly and annual costing reconciliations, management accounts and annual financial accounts of the Paper and Board Mills division of the group.
- 1.9 1965-72, still with the same company I was asked to join a small team set up to pioneer the creation and installation of a major computer system eventually to handle all the accounting functions of the group including payroll for all employees, sales and purchase accounting, job costing and order processing. In those days there were no "off the shelf" programmes available, we had to learn how to design and programme the systems ourselves.

During this time I held various management positions including; systems analyst, chief systems analyst, operations manager, group systems and programming manager. All these were "cutting edge" jobs in a pioneering environment. As operations manager I had a staff of fifty and we worked the computer 24 hours a day seven days a week on a three shift system. As manager I was on call 24 hours a day, seven days a week.

I received formal training and practical experience in work study, staff appraisal and assessment. I lead a team developing new techniques and technology in a traditional industry. I attended formal "in house" training courses in management skills in a commercial environment.

The project was a success and achieved many firsts in the packaging and engineering industries including;

- Central payroll system for 20,000 employees.
- Central sales accounting for about 5,000 customers.
- Computer based job costing.
- Electronic control of machine processes.

-First electronic data transmission system to and from remote terminals.

In 1971 all systems were converted to decimal, this was a major project requiring a project plan extending over 12 months and run to a strict timetable. My team devised and used completely new and innovative techniques to achieve the objective.

By the end of 1972 the team had achieved all the objectives set in the original plan and I looked for a new challenge.

- 1.10 1972-73 I took up a new appointment as Chief Systems Designer at Robertson Foods Ltd. Bristol. This project was another U.K.first. Using the latest technology my team developed an on line order processing and distribution control system for this household name food manufacturer. My reason for moving to this project was that by 1972 the D.R.G. equipment was becoming dated whereas Mr. Robertson was keen to buy the latest technology. The idea of "online" systems was new and I felt I could cope with this challenge. This was to be a business system where the operator would be able to "converse" with the computer which would respond immediately. To-day we take this for granted in 1972 no one knew if it would work!

I was working at the forefront of system design and technology and was involved in a number of courses and seminars run by the National Computing Centre to develop and disseminate ideas on these new systems.

Both D.R.G. and Robertson Foods had their own fleet of vehicles and some aircraft and I gained a great deal of knowledge about transport, freight systems and aviation during this time. At the request of my employer I undertook a flying training course in 1972.

Within a year the Robertson Foods system was up and running and for family reasons I decided to return to my mother's family home town of Penzance and to general practice as a chartered accountant. (My mother's family were through and through Cornish, tracing our ancestors in the area back to the earliest records in the 15 century.)

- 1.11 1973-86 I joined the firm of Whitaker and Redfearn chartered accountants at Penzance initially as a senior assistant and from 1975 as a partner. Initially I dealt with a wide range of business clients but within a couple of months I began assisting my partner Mr. E Stevens with Isles of Scilly Steamship Company affairs. The Company had been clients of the firm ever since pre war days and relied heavily on us for financial and management advice.

2 EARLY CONTACTS WITH THE STEAMSHIP COMPANY

- 2.1 In June 1973 at the request of the then Managing Director of the Company, Mr Henry Thomas, I undertook a work study of the freight booking procedures at the Company's Penzance office. My subsequent report was adopted and the recommendations put into practice and produced a substantial saving in work content and improved information, virtually halving the workload of one person and releasing his time for other duties, in this case to provide more liaison with customers.
- 2.2 At that time the Company was in some financial difficulty because its one ship was ageing rapidly and there were barely enough resources to finance a replacement. This was because against all advice the Company had for many years operated a policy of low fares and freight rates and had not put by sufficient funds to secure long term survival. This was due in the main to the fact that for a number of years most directors had been major customers of the Company particularly for freight and with hindsight it was clear that the charging policy decisions had had a subjective element.
- 2.3 A specification for a new ship had been drawn up and put out to tender. In late 1973 a very low bid was received and accepted from a small Tyneside shipyard and an order placed for a new ship. On advice from my firm, as a precaution, a performance guarantee from the yard's parent company was obtained. In early 1974 the shipyard and its parent company went bankrupt and the Steamship Company, having already made two progress payments on the contract, was left with very little cash and no new ship.
- 2.4 My Partner and I put together a short term "rescue" plan which was endorsed by outside consultants and adopted by the Company. This involved extensive repairs to the hull of the old ship to extend her useful life, using some of the steel recovered from the bankrupt shipyard. This gave the Company a breathing space and the opportunity to try and earn some more cash while at the same time a long term survival package could be prepared.
- 2.5 It was clear that the Company could not survive on normal commercial means of finance, even taking into account the favourable finance schemes available at that time to shipowners. During 1975 my partner and I, in conjunction with London consultants, negotiated a complex agreement with the Department of Transport which included a 12 year corporate plan. Agreement was reached by early 1976 based on this plan and a Government loan, interest free, repayable over 12 years in the sum of £1 million was obtained together with ship mortgage finance of £700,000. We encountered great difficulty in obtaining the finance because the Department officials felt that the Company was the author of its own misfortunes in that it had undercharged for its services for many years. In order to ensure a more commercial approach in the future a number of checks and covenants were included in the agreement, one of which was the right of the minister to appoint a director to the board of the Company.

The type of government finance obtained was rare, the only other project financed in that way then being the modernisation of the Newcastle on Tyne Metro system, a vast project in comparison.

Changes to the Company articles were required and a special company meeting. My partner and I drafted the relevant documents and had long discussions with London Solicitors about the details and drafted a letter for distribution to shareholders.

- 2.6 A new ship was ordered from Appledore Shipbuilders following a review of tenders received by my firm and recommendations submitted to the Company's board of directors. The new ship was delivered and brought into service in May 1977 and the old ship sold.

Mr.D McKenna was appointed by the Minister of Transport as the government representative on the Board under the terms of the agreement. He was a very experienced person in the transport industry having recently retired from being general manager of British Rail Southern Region a director of Sealink and member of the Dover Harbour Board.

By this time I was attending practically every board meeting as financial adviser to the Company and of course since 1973 I had been preparing management and financial accounts, budgets and forecasts.

The new ship generated a lot of interest and a boost in day trip passengers to the Islands, in spite of what we would regard to-day as poor marketing and publicity effort.

- 2.7 My forecasts and figures proved correct and the last instalment of the £1 million was repaid in March 1989, a magnificent achievement bearing in mind the difficult economic circumstances at that time

- 2.8 The agreement contained conditions that restricted the Company's activities well into the 21st century, in particular it prevented any reorganisation of share capital. Once the loan was repaid, I negotiated with the Department of Transport and the agreement was wound up in March 1990.

The winding up of the agreement paved the way for the rights and bonus share issues that I organised in the Spring of 1992, which was to provide the basis for finance of new fast commuter aircraft for the then new airside of the business..

3 APPOINTMENT TO THE BOARD

- 3.1 The Company management at that time (1977) consisted of:
Mr.R.W. Ward Chairman of the Board of Directors.
Mr.B.C. Ward (his son) part time Managing Director.
Mr.W.E. Banfield part time Managing Director.
Mrs. D.E.Chudleigh Company Secretary.
Capt.J Ashford General Manager and relief ship's master.

(All except R.W.Ward were members of the executive pension scheme with "escalating" pension rights, ie a full 2/3rds pension after ten years service. *Not very "PC" to-day, 2009*)

- 3.2 In about June 1979 Mr. R.W. Ward and Mr.B.C.Ward came to see me to ask me to leave my partnership practice in Penzance and take up permanent employment with the Company on the Islands in a "senior management role". I declined the offer preferring that my young family should grow up in a less isolated environment.

I expressed the view that to survive in modern trading conditions the Company was in need of an executive manager based on the mainland. By that time more than 75% of the Company's business arose on the mainland, the Island customers on the passenger side becoming less and less important to the Company. Most passengers were visitors to the Islands, either on holiday there or on day trips. Most islanders travelled to and fro on the air service operated at that time by British Airways Helicopters. The bulk of the freight was going from the mainland to the Islands, sent and paid for by mainland suppliers. The only freight in the other direction was flowers and potatoes both of which were rapidly diminishing markets. In years gone by the passenger service by sea had been the main mode of travel for islanders and the flower traffic by sea had been the mainstay of island life and a major source of income for the Company.

- 3.3 In December 1979 Mr. R.W.Ward decided that the time was near when he would retire from the Board and the Directors again asked me if there was any way I could take some form of executive role with the Company. Mr. Mckenna was asked to produce a report and I was asked to put forward proposals. One suggestion was to appoint my firm as company secretary because the existing secretary was reaching retirement age, but that was thought not feasible, the Directors wishing to retain her beyond normal retirement age, on a part time basis.
- 3.4 Eventually it was decided that Mr. R.W.Ward would retire in June 1980 and I would become a full member of the Board and my letter accepting the appointment is dated 27 June 1980.
- 3.5 In accordance with the Company's articles of association I was re-elected as a director at the Autumn A.G.M. It was a contested election, four standing for 3 vacancies and I polled the highest number of votes recorded for a director for many years.(85,000 votes, I recall, but I do not have the exact figures to hand now).
- 3.6 Following from my becoming a director it was necessary for my firm to resign as auditors and another firm was appointed at the A.G.M. and we received a letter from Mr.R.W.Ward confirming the Company's commitment to continue to use my firm's services.

4 APPOINTMENT AS AN EXECUTIVE DIRECTOR

4.2 During my first year as a director, the Company management began to want me to take on various responsibilities in connection with company management on the mainland. As mentioned above all the Company executives had previously been based on the Islands. An example was their desire for me take on responsibility for representing the Company on the Dock Labour Scheme, and also for re-vamping the mainland publicity arrangements.

4.3 These duties were not really the role of a non executive director. There was much discussion at board meetings about reorganising the Company management structure, and in the autumn of 1980 I was asked to prepare a report and put forward proposals which would include arrangements for me to take an executive role in company management.

At the February 1981 board meeting the proposals were accepted and I was asked to produce an abbreviated report for distribution to company staff.

4.4 At the request of the Board I accepted appointment as an executive director on 1 April 1981, designated financial director with managing director status. My salary was £12,000 per annum; I also retained my partnership position with Whitaker and Redfearn.

4.5 Hence from 1 April 1981 I became part of the management team of Isles of Scilly Steamship Company, together with B.C.Ward Chairman and Managing Director-part time, W.E.Banfield Managing Director-part time. The three of us were designated "the management", drew a monthly salary.

The Company continued to employ a manager at St.Mary's, Capt. J Ashford who was also relief master on the Company's ship.

4.6 I soon became involved in company matters other than finance, being the only company executive director on the mainland. These matters included dock labour, passenger day trip sales and marketing, ship repairs and refit and general supervision of the Penzance office.

In May 1981 the Company's ship suffered her first major breakdown. The ship was in harbour at Penzance and I was contacted by the insurance company's local surveyor, to say that he felt that the Company's management on the Islands were not taking the problem sufficiently seriously and he asked me to sort it out. I immediately contacted Ward and it was arranged that I would take charge of supervising the repairs which I did. This was a big task to tackle, the gearbox manufacturers had to be persuaded to machine new parts involving them in a 48 hour continuous machining job. These large parts had to be conveyed from the midlands to Penzance, special lifting gear was needed and skilled fitters obtained to install the new parts. In addition safety and Class surveyors had to be contacted, and proving trials carried out. In all the job required 12 days of continuous working and at the same time emergency arrangements made to send emergency supplies to the Islands using the Company's inter island launch.

4.7 The Company's office at Penzance was very cramped without proper facilities and infringed the shops and offices act with regard to space and toilet facilities for the numbers employed. I made enquiries and found a building for sale at Quay street Penzance adjacent to the harbour. I negotiated a price and the Directors agreed to purchase it. The deal included a part exchange arrangement for the old property and a cash payment of £45,000. These new premises are now the Company's superb office and administration building at Quay Street Penzance. Over the next two years I negotiated medium term leases with quality tenants, (one was Cornwall County Council), for part of the premises, providing good rental income and a return on the original investment.

5 THE PRINCE OF WALES AND NEW STRATEGIES FOR THE COMPANY

- 5.1 In 1982 the Prince of Wales, Duke of Cornwall, who is the landlord of the greater part of the Islands, arranged for a comprehensive internal study of his various estate lands and on the Islands invited relevant private and public bodies to subscribe to the cost of a survey by Graham Moss Consultants to produce a report on land use and community development. On my recommendation the Steamship Board agreed to contribute. I provided a great deal of financial and factual information to the consultants and in the Autumn of 1983 I attend a meeting on behalf of the Company chaired by the Prince of Wales to discuss the consultant's findings and the transport services to the Islands generally. They had identified transport as the single most important factor affecting economic life on the Islands. They also confirmed my opinion that there were a number of shortcomings in the service provided by the Company, and recommended a number of radical changes including:
- Laying up the Scillonian in the winter time.
 - The use of a freight ship in certain circumstances instead of the Scillonian.
 - The purchase of a new purpose designed inter island launch.
- On other matters they recommended the establishment of a fixed wing passenger air service and noted that the Helicopter fares were relatively expensive and the scope and range of the service very limited. A copy of the report is in my possession.
- 5.2 Following on from the Duchy of Cornwall report the Council of the Isles of Scilly commissioned the consultants, supported by EEC grant money, to produce a detailed "Integrated Development Operations study" to map out a detailed long term strategy for the Islands and to link this with a series of initiatives eligible for EEC Regional Development Fund grants. This again involved a great deal of my time in discussions with and producing figures and analyses for the consultants who included economists and transport experts.
- 5.3 The report was adopted as council policy in its entirety in the Autumn of 1984, and again the key policies recommended related to changes in the transport system listed as a series of initiatives. the main ones were:
- | | |
|------------|--|
| Initiative | 1. Purchase of fixed wing aircraft. |
| | 2A. Laying up of the Scillonian in the winter. |
| | 2B. Purchase of a freight ship. |
| | 4. Tarmacking of the runways. |
| | 5. New inter island launch. |
| | 9. Investigate improvements at Penzance harbour. |
| | 12. Development of Fixed wing airport terminal in West Cornwall. |
| | 13. New crane for St. Mary's quay. |
- 5.4 This was a very extensive programme of changes, never the less as described below, I took a major role in putting ALL of them into effect on behalf of the Steamship Company, including those relating to fixed wing air services.
- 5.5 There were a number of other recommendations not directly related to transport. The complete report ran to over 400 pages in three volumes and I still have a copy.

6 FULL TIME APPOINTMENT WITH THE COMPANY

- 6.1 As described in later paragraphs the many changes proposed by the consultant's report required more and more of my time both to evaluate and in all cases eventually to implement. In 1984 my firm were appointed to act as official company secretary.
While all this was going on I still retained my partnership share in my firm and by mid 1986 my partners and I came to the conclusion that my involvement with the Company was taking up too much time and my role with the Company would have to cease. I put this to B.C.Ward and the rest of the Board who voted unanimously to offer me a full time appointment as Managing Director responsible for the Penzance side of the shipping operation, the Company finances and the air service that we had started from Lands End Aerodrome (see below). I was offered a five year rolling contract at a starting salary of £25,000 pa plus director's fees. This was substantially less than my then earnings as a partner in Whitaker and Redfearn, but in view of the confidence in me expressed by all the Board who by that time knew me very well including my strengths and weaknesses, I accepted the offer.
- 6.2 I relinquished my partnership in Whitaker and Redfearn and commenced fulltime with the Company on 25 September 1986. The programme of changes that had been brought about following on from the consultant's report and those still to be implemented at that time were unpopular with many islanders, involving changes in a way of life that had not changed for many years. The Company had already used my skills to implement some of these changes and that had made me unpopular with some islanders but I had no worries about this bearing in mind the confidence expressed by the Board and the contract given to me.
- 6.3 I made my base at the Company office I was already using at Penzance. This was the first time that the Company had employed a full time Managing Director since the retirement of Mr. H.J.Thomas in 1974. Since then Mr. B.C.Ward and Mr.W.E.Banfield had been part time Managing Directors. Apart from a short spell in 1983/84 when Banfield came in full time after the Company was without a full time Operations Manager when Capt. Ashford left and was not replaced.
- 6.4 Mr.W.E.Banfield retired as managing director in July 1985. A Capt, Codd was appointed as operations manager designate in the autumn of 1984 and following Banfield's retirement his appointment was confirmed. B.C.Ward continued as a part time managing director on the Islands. I played no direct part in the selection and appointment of Mr. Codd, although I did all the preliminary work including national advertising for the vacancy and defining the job specification..
- 6.5 There were some superb applicants with much relevant management experience, including two excellent people that I had met previously in my role with the National Association of Port Employers (see below), and I suggested that a manager was needed with full mainland experience of shoreside shipping matters.. However I felt that as the person appointed was going to be based on the Islands and work closely with B.C.Ward, it was better for my Isles of Scilly colleagues to do the selection. The selection of Codd was extraordinary. He had little relevant experience, being an ex tanker captain invalided out of the job and with no shoreside experience at all. .
At the time, it was apparent that the Directors on the Islands were happy to appoint him and rely on the Managing Directors to carry him through. His wife was an "islander" and they had both moved back to the Islands and made their home there on his retirement from the merchant navy.
With hindsight it is clear that he found the job difficult to handle, his ideas for reform and for improving staff responsibility were resented by the Isles of Scilly staff and not supported by the Island based part time Managing Directors.

THE BEGINNINGS OF THE AIR SERVICE

21.1 In the early 1970's the Steamship Company's share of the passenger market to and from the Islands was about 70% of travellers. By 1984 this share had dropped to about 50%. This drop in market share was due to increasing competition from the Helicopter service, and from Brymon Airways. I always had an interest in air transport and in 1980 I wrote to aircraft manufacturers for details of suitable aircraft for operation to the Islands. I also made enquiries of Westward airways at Land's End Aerodrome about the possibilities of flying flowers to one of the small airfields in North Kent, with easy access to the new Covent Garden flower market. There was little interest among Directors at that time in my ideas.

In august 1982 the helicopter crashed into the sea on approach to St.Mary's and 25 passengers on board were lost. This again turned my thoughts to fixed wing which is inherently much safer, having to operate to much more stringent safety rules with regard to visibility and weather restrcions.

21.2 In October 1983 the Company's dockworkers at Penzance went on strike. To assist with supply of essential goods I looked at the possibility of chartering the helicopter but it was far too expensive and I made arrangements with Westward Airways at Land's End Aerodrome (Captain Vivian Bellamy Managing director), to fly freight to the Islands using his small Cessna 337 twin engine aeroplane.

21.3 Following this preliminary contact I had long discussions with Captain Bellamy about the costs and problems of operating an air service. It was apparent to me that a fixed wing service to the Islands was a viable proposition, and I suggested the Shorts Skyvan aircraft. This could carry about 3 Tonnes of cargo or 18 passengers and was approved for operation from the short grass runways at St.Mary's. I arranged a demonstration visit of a Skyvan aircraft form the Shorts factory in Belfast and put together some outline costings. At the same time I conceived the name Skybus, which was a parody on the then well publicised Jumbo jet Skytrain trans atlantic service operated by Freddie Laker. On my own initiative I formed two Companies; Isles of Scilly Skybus Ltd. and Isles of Scilly Skyfreight Ltd. Several years previously, Capt.. Bellamy had applied for an air traffic licence for the route but this had been refused following objections from the Helicopter Company and from the Isles of Scilly Council. I felt that with the backing of the Steamship Company the Council would drop its objections and we would be able to obtain a licence with out difficulty. (*with hindsight this was so wrong, see below*)

21.4 Other short Sea Ferry operators were losing traffic to air carriers, for example the traditional Channel Island operators and Isle of Man Steam Packet company. I put the case to the Directors of Steamship, and in April 1984 the Company took a 75% share in Skybus and Cpt.Bellamy the other 25%. The object was to start a passenger charter and airfreight service from Land's End Aerodrome initially using the Cessna 337 on charter from Westward airways. The intention was to obtain a licence for a public scheduled air service and then obtain the larger skyvan aircraft.

21.5 I also proposed that once the airfreight service was in operation we could save on the operating costs of the Scillonian by running less frequently in the Winter and particularly we would be able to avoid services by sea that involved overtime costs.

21.6 I engaged Mr.Peter Martin of the prestigious firm of Frere Cholmely to assist me to obtain a licence. In fact the news that Steamship was proposing to launch an air service caused uproar on the Islands, and Directors of the Company became even more unpopular than before. The Council lodged an objection as did the Helicopter Company. At a board meeting in June 1984 it was noted that K.N. Christopher a member of the Council and not then a Steamship director did not speak in favour of the Skybus plan at the Council meeting. A petition was organised from Islanders against the proposed service, (One of the organisers of the objections was R Duncan, now a Steamship Director). Another

objector was Mr. Ridsdale (who is a signatory also to the letter from "prominent Islanders" mentioned by Bond Pearce, solicitors acting for Steamship, in 1992, see below).

The Island Council lobbied Cornwall County Council who also lodged an objection, as did Penzance Town Council, lobbied by the Helicopter Company, based at Penzance. I was able to persuade Penwith District Council to support our application and also St. Just Town Council who had the aerodrome in their parish.

The minutes of a Steamship Directors meeting in June 1984 noted that there was a lot of prejudice against the Company in the Islands

- 21.7 I wanted to get the small airline off the ground and started to publicise the airfreight service. I wanted to offer value for money and something better than was available from either the helicopter or the ship. Accordingly I arranged for the Company to acquire a delivery van for use on the Islands to deliver direct to customers' doors, and also a van on the mainland so that small parcels could be picked up in Penzance and taken to the airport as part of the service. The service was well received and started to pick up business rapidly. The all inclusive charge and through delivery service was very popular.

In June 1984 there was another dock strike and this time it was our own company that operated the airfreight service and again this gave us good publicity.

- 21.8 The airport at St. Mary's was operated by International Airadio Ltd. on behalf of the Ministry of Civil Aviation. That arrangement was wound up and IAL let it be known that they could not continue to operate it, because of continuous losses, ie a subsidy to the Helicopter Company. The freehold was held by the Duchy of Cornwall and the Skybus Board agreed that we should apply to the Duchy for the lease. I believed that we could operate it at a profit. In the event the lease was granted to the Island Council who since then has operated the airfield themselves. They employed the Helicopter Company on contract to staff the airfield and they in turn employed IAL to operate the air traffic service. This arrangement caused us as the fixed wing operator many problems in subsequent years.

- 21.9 In July 1984 I received Board approval from Skybus and Steamship to purchase a Britten Norman Islander aircraft. This could carry 9 passengers or 1 tonne of freight. Over the previous nine months, Capt. Bellamy and I had looked at several second hand Skyvan Aircraft but found none to our liking. We had at the same time looked at islander aircraft and eventually found one to our liking. I arranged a finance lease with Lombard and Cpat. Bellamy and I arrived at Lands End Aerodrome with the new aircraft in early August 1984 with much media publicity arranged. It is worth mentioning here that neither the Board of Skybus (which comprised Bellamy, myself, Clifford, Banfield and B. Ward, all but Bellamy being also Steamship Directors), nor the Board of Steamship complained about my initiative in going to look at aircraft and negotiating prices prior to their approval.

An outstanding memory for me is sitting in the co-pilots seat with Capt Bellamy at the controls flying back from the Surrey airfield in our 1st own aeroplane. He had been a WW2 fleet air arm pilot and we flew below the controlled air space, navigating visually using the familiar landmarks and way points like the Wellington monument near Taunton and the great Western Railway line. This aircraft was GB-FNU fitted with the more powerful Lycoming six cylinder fuel injection engines, and became a reliable workhorse and served us well for several years, eventually succumbing to wing damage caused by the terrible pounding she suffered from the poorly maintained runways at St Mary's.

- 21.10 By the end of November 1984 we had completed 122 round trip flights and carried 143 charter passengers, 70 tonnes of freight to the Islands, and 866 boxes of flowers from the Islands.
- 21.11 I chaired the Skybus Directors meetings. The parent company Board wished Ward to be described as Chairman, but the Skybus board decided that they wanted me to be Executive Chairman in practice

and to chair all meetings, leaving Ward to act as a figurehead on the Islands. This arrangement changed later, when we eventually obtained a licence in April 1987, I was appointed Chief Executive and Chairman of the Skybus Board by the Skybus Directors.

In order to add weight to our licence application to help with the obtaining of an air operator's certificate, Capt. Bellamy was designated as Managing Director.

21.12 For the Winter of 1984/85 the Scillonian operated a reduced service and the airside carried a large share of the flower traffic from the Islands . For the flower season we chartered a second islander aircraft, and installed chilled storage facilities at Land's End Aerodrome. By the end of March 1985 we had completed 533 round trip flights to the Islands since the purchase of the first Islander aircraft in the previous August and carried 268 passengers, 332 tonnes of freight to the Islands and 31,625 boxes of flowers from the Islands, approximately half the crop. We encountered competition from the Helicopter Company who had tendered for flowers and freight traffic for the first time. Had we not had the air service up and running there is little doubt that the Helicopter would have taken a great deal more of the trade from the Company.

As it was they had taken half our anticipated flower traffic, including that from Tresco Estates at that time managed by Mr. K. Christopher. The amount of traffic for the new service was therefore well below budget. I had budgeted for 900 round trip flights compared with only 533 achieved.

22 THE FIRST LICENCE APPLICATION

- 22.1 In the Autumn of 1984 I prepared my figures for submission to the Economic Regulation Group of the Civil Aviation Authority, and attended a financial hearing at CAA House in company with Peter Martin of Frere Cholmely in January 1985. The figures were closely scrutinised and approved by the Authority. A licence application, even for our small proposal involves a great deal of figures and my submission ran to 16 pages.
- 22.2 I wanted the airline to prove itself even without a licensed service, and set out to advertise the air charter business for passengers both on the Islands and on the mainland. I produced advertising cards that were circulated by our one staff member on the Islands and also took advertising space in local weekly papers. I included a reference to the air service in the Steamship Company brochures. I also arranged for a circular letter to be delivered to all Island households and local mainland traders describing the through freight service.
- 22.3 The Skybus Directors decided to ask B.C.Ward to act as "figurehead" for promoting the Company on the Islands and to this end decided that he should be described as "Non Executive Chairman". His first reaction was to ask the Steamship Directors for an increase in his fees and a new car! See minutes of Steamship Directors meeting dated 3 May 1984, and minutes of Skybus meetings dated 5 April 1984 and 3 May 1984. In fact this turned out to be a bad move. We had thought that he would generate a lot of support from the Islands. In fact that was not the case and there was much antagonism, particularly from the Council and Chairman of the Council. Later the Chief Executive of the Council told me that Ward had even had an argument with the Chairman of the Council as to which of them was the more important person on the Islands. (In the Chief Executive's view the main reason we lost the support of the Council and from many islanders for our licence application was the community's general dislike of Ward and his attitude.)
- 22.4 Several Islanders submitted individual objections to the Skybus licence application, including Ridsdale, who is a signatory to the letter quoted by Bond Pearce in April 1992.
- 22.5 In December 1984 the Helicopter Company let it be known around the Islands that they would withdraw their service if Skybus obtained a licence. This added further weight to the case against us. In the spring of 1985 I did more work with Peter Martin on the submission to the C.A.A in support of our licence application and it was submitted to the Authority on 17 April 1985. The hearing was in May 1985 and lasted three days. We put up a good case, including showing the panel a video film of the Skybus operation. The objections from the Island Council and the County Council were very strong as was the objection from British Airways Helicopters who claimed that they would lose business and would stop the service. They produced figures showing that they were losing up to 3/4 million pounds per annum on the route, but said that they had put in hand economies that would make it viable within one year if we did not get a licence. The outcome was that we were not granted a licence. All the papers relating to the hearing are still in my office at the Company, including the petition from islanders against our Company. I am sure that all the signatories to the letter mentioned by Bond Pearce petitioning the Directors to remove me from office in April 1992 were signatories on the petition in 1984.
- 22.5 We submitted an appeal to the Minister in accordance with the civil aviation acts. The appeal was not allowed but it involved me in further work and meetings. I do not have the documents, again they are still in my office at the Company.

23 INTERMEDIATE YEARS 1985 AND 1986

- 23.1 Having failed to obtain an air traffic licence, I was determined that the Skybus Company would stay in business. The economics of fixed wing operations made sense. The objections at the hearing about practical matters did not hold water. E.G. The grass runways at St Mary's and Lands End would not stand the traffic, Lands End aerodrome was unreliable because of fog, The Skyvan aircraft was unreliable, St,Mary's Airport would loose money because of extra fire cover, etc. None of these were true and I set out to prove it, by increasing the air charter services.
- 23.2 The charter passenger business grew by leaps and bounds during 1985. I introduced new shopping ideas for islanders whereby Tesco Stores in Penzance took telephone orders from them and Skybus picked up the orders and delivered them direct to the customer on the Islands. We advertised in the bird watching magazines and built up a new market in the Spring and Autumn with charters for birdwatchers. We started charters to other destinations, including Cork, Brittany, and London. We introduced scenic flights around the Islands from St. Mary's Airport, and I arranged for appropriate advertising for these new services.
- 23.3 In August 1985 I made overtures to the Helicopter Company with a view to a joint venture which would save both companies money, see more details below re B.I.H., but they were not interested. I visited their Managing Director at their headquarters in Aberdeen, in company with Ward and Capt.Bellamy. The visit did establish the principle that the Skybus Company and its Board were an autonomous unit, in that some steamship directors objected to the visit because they had not authorised it. B.C.Ward made the point strongly that Skybus would report to Steamship about what it was doing, ie, it did not take instructions from Steamship. see minutes of steamship directors of 4th September 1985.
- 23.4 In January 1986 the air traffic control service at St mary's airport was put out to tender by the Council. I submitted a tender and at the appropriate committee meeting the tender was accepted, it being about £5,000 a year less than the nearest competitor. This caused uproar in the Islands and at a special Council meeting called by the Chairman (HR Duncan) the acceptance was withdrawn and the contract awarded to the Helicopter Company.
- 23.5 At a Steamship Directors meeting on 12 March 1986, the Chairman, Ward, expressed the view that I should be Chief Executive of Skybus and it was also agreed that **he** should make fortnightly visits to my office on the mainland. With hindsight it maybe significant that he never did visit me regularly at Penzance, or anywhere else.
- 23.6 In March 1986 I negotiated with Messrs Britten Norman to purchase from them a secondhand Skyvan aircraft that they were obtaining from the Malawi government in a part exchange deal, at a price of £525,000, delivered to Land's End in our livery and with a U.K. certificate of airworthiness. Independent brokers valued the aircraft at £900,000. The deal received the backing of both Boards and a contract was signed. The Chief Executive of the Malawi Police Airforce, the operators of the aircraft, visited me in Penzance and arrangements were made for our chief pilot (John Nurse) to visit Malawi to finally approve the aircraft and the comprehensive spares package. Due to an engineering fault caused by the Malawi maintenance organisation the aircraft made a forced landing on the first leg of its delivery flight from Mombasa and was written off. I believe the fuselage remains at the side of the Jungle road where it forced landed used to day as a chicken house by a local farmer. Luckily both pilots survived unhurt, a remarkable feat of flying control, bearing in mind both engines had stopped due to fuel starvation.

- 23.7 In June 1986 I investigated a Skyvan aircraft for sale in Barbados and two others in Greece but did not reach a satisfactory price. I also arranged for a demonstration of a similar aircraft at Land's End aerodrome but it was not in a suitable condition for public service. I therefore purchased the Islander aircraft that we had previously chartered from time to time from an owner in Devon.
- 23.8 I also commenced negotiations with Capt. Bellamy for the purchase of his shares in Westward Airways. That was his company and it owned the lease of and operated the aerodrome at Land's End. The Company also ran the flying club, flying school, and the maintenance workshops. Capt. Bellamy was finding the responsibility with the growth of Skybus too much and was considering retirement, he was about 68 years.
- 23.9 As stated previously I commenced full time with the companies on 1 October 1986. I visited the Farnborough air show in the Autumn and placed an order for a new Islander aircraft from messrs Britten Norman, at a price about £165,000 below normal. This Skybus order received publicity in the aviation press as one of only two orders placed at the show. The aircraft was delivered in January 1987, registration no. GB-BUS
- 23.10 For the Winter of 1986/87 we again operated the flower freight service for Island growers with two aircraft operated in conjunction with the ship, although it was apparent that customers preferred the air service as it involved less handling and kept the flowers in better condition. The busiest time was at weekends and I and the staff worked long hours every Saturday ensuring that the operation ran smoothly and lorries left for market promptly.
- 23.11 In January 1986 Capt. V. Bellamy, Mr. McKenna and I visited the Chairman of Brymon Airways to discuss the possibility of our service complimenting or taking over their Isles of Scilly services from Exeter and Plymouth. This was the first of a number of meetings I had with Brymon to discuss mutual expansion of our services and combined operations. Eventually Brymon withdrew from the Scillies routes altogether, paving the way for our expansion onto the Exeter services in 1991, see below, section 31.

In 1990 I visited them to discuss the possibility of our purchasing their Twin Otter 18 seat aeroplane, but the asking price was too high and I did not proceed with the deal. Mr. Roderick Bellamy who was now our chief engineer accompanied me on that visit.

24 THE SECOND LICENCE APPLICATION

- 24.1 It was clear to me that we needed a much stronger case to put to the C.A.A if we were to get our licence, and that we needed to show that the objections raised at the previous hearing were invalid or unsubstantiated. I also felt that we needed to "pave the way" carefully. Ward's personal approach as from the Steamship Company to Islanders had failed and so I decided to try a more direct approach as Executive Chairman of Skybus. Mr.McKenna supported my ideas and put a strong case for me to the Dept.of Transport through his contacts as the Government appointed Director and I sent a report to the Department in October 1985.
- 24.2 The first move was to offer the Island Council representation on the Board of the Company. This was turned down, as expected but the fact of the offer would count in our favour.
- 24.3 The second move was to persuade the Steamship Directors to agree to an open share issue to enable any one, especially Islanders, to be able to acquire shares in Steamship and thereby widen the shareholding. This was agreed and I drafted a letter for the Chairman of Steamship to send to all Islanders and shareholders. The letter was sent in about September 1985.
- 24.4 Another move I initiated was for a special shareholders meeting to seek support for the Skybus venture, and again I drafted a letter for the Chairman of Steamship to send out, and the meeting was held in April 1986.
- 24.5 I resubmitted our licence application in early March 1986, following the announcement that British Airways proposed to sell off its Helicopter arm.
- 24.6 The Island Council voted to maintain its objection to the licence and the Chairman, by now H.R.Duncan, sent a letter to all Island households attempting to justify their objection.
- Note, later, in 1990, Duncan was appointed a Steamship Director and he voted to have me kicked out in April 1992.
- 24.7 I drafted a paper setting out our case and this was circulated around the Islands and also handed out to customers. Eventually we received about 800 favourable replies of support for our licence application, including about 400 from the Islands.
- 24.8 I carried out extensive research into the alleged need for the Island Council to purchase expensive fire fighting equipment to cover our flights and found that in fact its need was unlikely and even then could be obtained at small cost, the need being for a converted Land Rover!
- 24.9 I engaged an ex Royal Engineer, David Charlesworth, to act as a consultant to advise on the maintenance of grass runways. He prepared a report clearly showing that the claims made by the Council and the Helicopter Company who operated the airfield were nonsense and that with a sensible maintenance programme the runways were well able to cope with our proposed traffic at little extra cost. His report is still in my office at the Company.
- 24.10 I used my rights under the Freedom of Information Act to examine the papers and files of Cornwall County Council who acted as agents of the Island Council in preparing and presenting their objections to us. I lobbied Town, County and District Councillors to support us and although the County remained in opposition following a direct plea by Duncan as a guest speaker at a County Council meeting, at which of course I was not allowed to speak, I did obtain the backing of the Distract and Town Councils.

- 24.11 Much opposition to our proposal came from the Chairman of the Islands' Tourism Committee, Mrs Marian Bennet. She sent a letter to all residents on her island of Bryher asking them to support her opposition to us. Note, Mrs. Bennet was a prominent person mentioned in Bond Pearce's letter in April 1992 urging my dismissal from the Company.
- 24.12 In August 1986 I had discussions with the Licensing section of the CAA, about submitting an application with voluntary restrictions on aircraft type and frequency. The object was to defuse the objections about the need to upgrade the airfield at St.Mary's and about putting the helicopter out of business.
On the 9 September 1986 I submitted a revised application setting out these voluntary restrictions, namely use of only BN Islander aircraft and not more than 60 flights per week, (12 only in winter)
- 24.13 In October 1986 I produced an information sheet and distributed it to all the previous objectors and councillors, explaining the revised scheme.
- 24.14 I had briefing meetings with some Councils on the mainland on an informal basis and one, Penzance Town Council withdrew its objection, and I issued a press release on that occasion.
- 24.15 I wrote to all our selling and travel agents to ask for their support and incorporated their replies in the submission document.
- 24.16 During October and November 1986 I prepared the submission document in support of our revised licence application. This time I instructed messrs Norton Rose to act and we briefed Mr. Michael Crane to conduct the case on our behalf. I had several preliminary meetings in London with the advisors, and on one occasion I arranged for Mr. Mckenna to accompany me.
I sent my 50 page submission document in support of the application on 3 December 1986.
- 24.17 The hearing was held in January 1987, during the heavy winter snows. It was one of the longest hearings in recent times, commencing on Tuesday 14 January 1987 and not finishing until about 8 P.M.on the Saturday evening. My cross examination by the objectors lasted over 8 hours. H.R.Duncan appeared as Chairman of the Island Council to reinforce their objection.
I arranged for seven independent witnesses to speak in our support, including Mr.M Hicks who was later appointed a Steamship Director in August 1987.
- During 1986 British Airways sold the Helicopter Company to Robert Maxwell, who set it up as a subsidiary company of Mirror Group Newspapers.
- 24.18 I received the decision in our favour in mid March 1987. I then filed and received approval for our domestic air tariff and our first scheduled flights commenced in early April. Everyone was very excited but I still believe that none of my co-directors, apart from Mr.Mckenna have the slightest idea about the amount of work and mental effort that was involved over the three previous years in the run up to the licence.

- 25 1987, THE FIRST YEAR OF THE LICENSED SCHEDULED SERVICE and PURCHASE OF WESTWARD AIRWAYS
- 25.1 I had already arranged for a manual booking system to be set up. The new service required new advertising material, booking forms, brochures, and tickets, and these were all quickly arranged.
- 25.2 The first scheduled service flight took off from Land's End Aerodrome at 9.30 A.M. on 31 March 1987 with five passengers. By the 9th April we had completed 38 round trip flights and carried 314 passengers, and received the money for advanced bookings for 2,221 customers. We started with ticket no.1 and by 26 November 1992 the Company had issued ticket no.40,701. Bearing in mind that most tickets are return journeys and are for an average 2.5 people this equates to something over 200,000 passenger journeys over the next 6 seasons.
- 25.3 In early April I received news that the Island Council and British International Helicopters were lodging an appeal with the Aviation Minister against the issue of our licence. I was required to prepare a submission supporting our case and the appeal was lost.
The actions received some national media coverage, including in Private Eye who have always been "Maxwell watchers", and also in the Daily Express.
- 25.4 I arranged for substantial publicity in the area for the new service, including a photograph of the two aeroplanes and all the staff, see picture 25.4.
- 25.5 In January 1987 Capt. Bellamy decided that for health reasons he would retire. I reported to the Steamship Board recommending that we purchase his shares in Westward Airways and also his 25% share in Skybus, and I completed negotiations with him for the purchase of his shares in Westward Airways. The deal involved the payment of £140,000, and the transfer to him of one of the Company's launches that was no longer in use, in settlement, to include his 25% share in Skybus.
Mr. Roderick Bellamy (Capt.Bellamy's son) was appointed as airport manager and engineering manager, reporting direct to me as did the heads of each Skybus department..
- 25.6 The Freehold of the airport was owned by a consortium of Local Councils (Penwith District, Kerier District, and Cornwall County Council). I persuaded the district treasurer to apply for an EEC infrastructure grant for a new maintenance hangar for us. The financial package included an arrangement whereby we paid an increased rent to cover the balance of the financing costs. Thus in effect transferring to us the benefit of the grant and the favourable financing terms available to local government.
The grant was approved and the hangar ordered by the Council.
- 25.7 The holder of a class one air traffic licence is required also to have an air operators certificate. While operating as a charter service we had relied on an old certificate held by Westward Airways. I now had to organise, in conjunction with my chief pilot, all the paper work and manuals required for the issue of a new certificate. The CAA flight operations inspector accepted that by then I had sufficient experience of air operations to take over the role from Capt. V H Bellamy as the person nominated as ultimately responsible for the safe operation of the service.
The operations manual is a large document extending to about 100 pages. This was approved and we obtained the valuable "AOC", in our own name.
- 25.8 Another requirement for a class one service is that landings in poor weather must have an air traffic control service. I made an arrangement with the Isles of Scilly air traffic service to formally continue to provide cover for Land's End Aerodrome as they had done for many years. Later they withdrew the cover at a day's notice, see below.

- 25.9 To operate profitably we needed to fly the two aircraft for the whole of the day, but we soon ran into problems at St.Mary's. The Council and the Helicopter Company who ran the airport restricted the opening hours to suit the helicopter and would not allow us to fly at times other than when the helicopter was flying. There were also arguments about which of our flights were charter flights and which counted in our quota of scheduled flights. There was much aggravation caused to Skybus staff and pilots about this. On one occasion the firemen, who were employed by the Helicopter Company went off to lunch just as a Skybus aircraft was about to take off.
- We suffered other problems of discrimination there, for example we were obliged to park and discharge passengers on the grass rather than using the hard standing areas, we were not allowed to store our freight in transit in the transit shed, we were not allowed to use the check in desk, etc. Gradually these problems were solved, but for more than five years there were continuing problems with the restricted opening hours.
- 25.10 I negotiated with the St.Mary's Airport committee to allow us to install a check in desk and to use a small office. They required us to pay rent for the office. I discovered from the airport accounts that the Helicopter Company used a much bigger office free of charge and after much huffing and puffing at a Council meeting it was reluctantly agreed that we could have our office free of charge also!

26 THE THIRD LICENCE APPLICATION and APPLICATION BY BIH TO RESCIND OUR LICENCES

26.1 We still received many requests to fly in to St.Mary's "out of hours", ie on Sundays and in the evening. Our cessna 337 had clearance to operate out of hours but it was not on our air traffic licence. The licence also needed updating with new dates to allow for Easter operations in 1988. I had deliberately made it a dated licence to give us a pretext to go back to the CAA to have it updated. Also we found that we were turning away many passengers in the peak weeks because of the restrictions, and I arranged press articles in October 1987.

26.2 In August 1987 I submitted a further licence application to the CAA, requesting variations such that;
 a)We could operate with any aircraft type.
 b)The volume limitation on the number of flights to be replaced by a limit on the total number of passengers carried per annum.

These were both subtle changes in that a) would enable us to charter a larger aircraft for the peak summer season, or use the small Cessna 337 for small bookings, and b) would mean that empty seats on flights would no longer count against our quota and also we could vary the frequency to suit the demand, particularly at peak periods.

26.3 As expected, the Helicopter Company and the Island Council once again lodged objections. The matter was aggravated by a misleading article published in the local paper by a councillor who is also the local news correspondent and an ardent opposer of Skybus headlined "Skybus Wants to Expand".

26.4 A real blow hit us in September 1987, when the Helicopter Company applied to the CAA to have our hard won licence rescinded. This was apparently supported by the Council and certain islanders, including Mrs. Bennet. They claimed that our Charter flights had exceeded the limitations set on the licence and sent documents to the CAA investigation division in an attempt to derogate us. Luckily our passenger manager, Mike Vigar, had put in a carefully prepared recording system whereby we had in fact notified the St Mary's Airport authority of details of our flights on a daily and weekly basis. It was clear that the air traffic control service staff on St. Mary's were clandestinely, and without permission of their superiors, supplying data about our traffic to the Helicopter Company.

These accusations were unfounded but could seriously damage our company and our licence. I cancelled my holiday plans and set out to prepare a complete rebuttal of the unfounded claims. The CAA required us to provide a complete list of all charters over the six months with names and addresses of charterers, with dates and times of flights this was an enormous task but was done and they checked up on a number of items direct with the customers. Nevertheless the Helicopter company at the subsequent enquiry still accused me of lying! I spoke to the Chief Executive of the Helicopter Company in Aberdeen to complain about his company's tactics and he told me that "in the aviation world I must expect to be attacked by the commercial knee jerk". I told him that that was not the way I did business but it seems that their final "Knee jerk" against me in April 1992 finally scored a direct hit in losing me my job! See below.

This was a period of great stress because the action of the Helicopter Company and the Island Council coincided with the preparation work that I was involved in on the shipping side, fixing up the first season of the new winter service with the charter vessel Jenka, and the resignation of the steamship co operations manager earlier in the year.

26.5 I filed my submission in support of the application to vary on 8 October 1987. The hearing to consider our application for variation and the one from the Helicopter Company to rescind were held together on the 16 and 17 November.

Once again the Council and Helicopter representatives cross examined me for several hours. Once again, Mrs Bennet appeared in support of the Helicopter as did Mr.Duncan. They got into detailed arguments about whether we should be allowed to continue and if so tried to restrict us to one aircraft type. They were beginning to lose the patience of the Authority and I tied it all up by offering a compromise, on the larger aircraft, restricting it to relief flights only.

- 26.6 On 17 December 1987 the CAA notified me that our compromise scheme had been accepted and the objections by the Councils and the Helicopter company overruled.

27 THE INTERMEDIATE YEARS 1988 & 1989

- 27.1 I launched the 1988 season publicity campaign with a Christmas card to every customer on the records. The cards were designed by an island artist who was very supportive of the Skybus service. Again bookings came flooding in and with the new licence we were able to schedule many more flights in the peak weeks.
- 27.2 I was now responsible also for the activities of Westward Airways, Mr.R Bellamy the manager reporting to me. We had expanded the flying club and employed a new chief flying instructor. We tendered for and were awarded a contract from the R.A.F. for training air cadets to their first pilot's licence standard. In the first year we trained 30 cadets.
We also arranged gift vouchers for flying lessons and advertised throughout Cornwall. The flying club thrived and became a major feature of the aerodrome with over 100 members.
- 27.3 In March 1988 I arranged finance and purchased our third aircraft from Aurigney Air Services on the Channel Islands. This aircraft was necessary to enable us to meet the demand in the peak season weeks. The deal included a part exchange on a small Cessna 151 three seat aircraft that we had bought in from a flying club member and refurbished in our own workshops for resale during the previous winter.
- 27.4 Also in March 1988 I started to investigate operating from further afield and as a preliminary step we carried out a demonstration flight to a new airstrip that was opening near Truro. There was a lot of local government and business commuter traffic between the Islands and Truro. Also the strip was adjacent to the main hospital and I arranged for one aircraft to be fitted out so that it would quickly convert to an air ambulance. The area ambulance officer was very supportive, but the manageress of the Island health centre did not support the Company and always called other services rather than Skybus. Her husband had been employed by the Steamship Company as a launchman, but he had been made redundant.
- 27.5 The Council, still chaired by Duncan, and its officers were piqued at having lost the licence battles and soon began to put obstacles in our way through their position as the Airport Authority at St. Mary's.
The first move of the Council's Airport Committee was to rescind the out of hours permissions for our Cessna 337 aircraft. This was a blow because we had only just had the licence amended so that we could use it and we had trained a new pilot and totally refurbished the aeroplane specifically for the out of hours charters. The Council's action put an end to the utility of the aeroplane and it was withdrawn from service.
They also imposed a 42% increase in fixed wing landing fees, (not helicopter fees), and at the request of Directors I contacted the Office of Fair Trading because the action was clearly designed to discriminate against us.
- 27.6 The next action of the Council was to restrict the opening hours of the airport so that it would not open in overtime to accommodate any delayed or extra flights, the argument put forward being that as we put on flights to meet demand, ie a shuttle service as I always intended, our flights were not what they decided to call "scheduled flights". They would however open for Helicopter flights on the basis that they operated to a fixed timetable. Similarly with the large number of our charter flights which were in addition to our quota of 34,000 seats. This was "nit picking" of the first order and created much bad feeling and stress to Skybus staff.
I realised that a further problem was going to develop in the winter because we had relied on the extended opening of the airport at weekends to meet the demand from flower growers. I engaged in lengthy correspondence about these matters with the Council.

- 27.7 In April 1988, to meet increasing demand at the flying school we purchased another Cessna 152 training aircraft.
- 27.8 Trinity house had for several years operated a helicopter to service the local lighthouses and lightship from a base near Sennen. I knew the manager of their depot at Penzance and made overtures to him about moving his base to Land's End Aerodrome. The contract was agreed in May 1988 and so we became a commercial Helicopter base. The twin engine Balco Helicopter operated by Bond Helicopters flying from there on two or three days every week.
- 27.9 By July 1988 we were operating at record levels, flights were full and our turnaway of passengers was running at over 600 per week.
- 27.10 It was not long before the Island Councillors found out about our success and one day in June, the air traffic control cover mentioned previously was suddenly withdrawn. However they did not stop us because I already employed a qualified controller as a relief pilot and he and I visited the National Air Traffic Service in London,(NATS), and I set up our own ATC service. Special recording equipment was required and initially we used a system I built myself, using my own radio equipment on loan. Later we installed the first ever cassette auto recording system using American equipment normally used for court work. Since that pioneer innovation several small airports have copied my idea and contact us for advice. I also ordered and had installed brand new radio telephone equipment. The NATS insisted that we install a control tower, there was a derelict one on site and this was rebuilt and heightened. I negotiated a deal with the CAA which enabled us to use their nearby directional beacon as a landing aid and this saved us the cost of installing our own electronic landing aid as required by the air traffic regulations. The whole job was completed for less than £15,000. In contrast, the Island Council installed a new tower and equipment at St.Mary's at a cost of £95,000, and recouped the cost by a swingeing increase in our landing fees!
- I was concerned about the lack of liaison between the various air traffic services in the area and in conjunction with the NATS area inspector arranged for a liaison meeting between Scillies ATC, our ATC, the Navy ATC at Culdrose and the Helicopter air ground radio service at Penzance. These meetings became a regular annual feature of air safety in West Cornwall, but a problem will always remain because the Helicopter uses a loophole in air traffic law and operates without a formal air traffic control service at Penzance or at Tresco.
- 27.11 I negotiated a new contract with the Post Office for the carriage of second class letters, Skybus became a formal Royal Mail carrier proudly displaying the Royal Crown on all our aircraft. The contract was worth about £20,000 per annum. I secured it against competition from the Helicopter by providing "added value", (my pet theme in business marketing), in that we collected and delivered the mail to sorting offices at Penzance and on the Islands using our own vehicles.
- 27.12 The Royal Navy Air Station at Culdrose holds an annual air day in late July each year and we arranged to operate scenic flights there as a publicity feature. This involved the charter of a relief aircraft to maintain our schedules. The net return after costs was about £1,000 and the flights have now become a regular feature at the event. Latterly the Helicopter Company have followed our example and send a helicopter there as well.
- 27.13 The increased usage of the grass runways started to cause wear and pot holing of the surfaces. At Land's End aerodrome we developed techniques for dealing with this. It was important to continuously repair any damaged divots quickly and to turf some places fairly regularly. We found that very high wear areas could be protected by the use of steel weldmesh used normally for reinforcing concrete. On St. Mary's the Council did not take the same care and the runways began to

deteriorate. I tried every means to persuade them to take action, including circulating to Council members photographs of the damaged areas. In November 1988 I did eventually persuade the Council's technical officer, Mr. Lowens to visit us to see how we dealt with the problem. This did little to help, the Council were out to prove that we could not operate off grass. Later they were to be severely criticised by the CAA aerodrome inspectorate for their lack of care of the runways.

- 27.14 For 1989 I introduced new schedules involving quicker turnaround of the aircraft at each end of the route. The schedules caused some disagreement among pilots and staff but in practice proved very effective and increased the useful hours on the aircraft. A big problem with such a short sector route is that aeroplanes spend a lot of time on the ground embarking, disembarking and refuelling. This can reduce the amount of earning hours of the aircraft.
- 27.15 I was concerned about the way we were being treated by the Island Council and I wrote to the Chairman of the Transport Committee on 9 January 1989 detailing the problems. The airport was staffed by Helicopter Company employees who had a contract to manage and operate the airport. We encountered continuous operational difficulties.
- 27.16 At the same time I arranged to purchase another Islander aircraft from the Channel Islands bringing our fleet up to four, and all aircraft were now in the smart company livery. Other new happenings for 1989 were;
- We purchased two spare engines from an owner in Mali central Africa.
 - We opened a selling and publicity desk for scenic flights and island trips at the new Peter De Savery Land's End complex.
 - We purchased our fourth Cessna 152 training aircraft.
 - The FURY replica bi-plane fighter aircraft built in our own workshops was delivered to its new owner.
 - The Penwith Council contractors finally completed the new hangar at Land's End Aerodrome and following from that we received clearance to carry out all maintenance including annual surveys on our Islander aircraft. Previously this work had had to be done by outside contractors at Exeter and on the Channel Islands
 - And finally the Skybus Board passed a vote of thanks to me for the success of the air side business!
- 27.17 To complement the day trips to the Islands I introduced shopping trips for Islanders to the Mainland. The trip included a free minibus service to the main shopping centre in Truro.
- 27.18 By July 1989 I was able to report a 55% increase in passenger revenue compared with the previous year and issued a press article in June 1989.
- 27.19 The Board asked me to make approaches to Penwith District Council to offer to buy Land's End aerodrome from them for £250,000, but the Councillors wished to hang on to it. Mr.R Bellamy and I found out that about 35 acres of land adjoining the aerodrome was for sale and after protracted negotiations we bought it for the Company for £33,000. Later, in 1991 I negotiated the sale of part of it to Penwith Council for £40,000. The deal was not completed when the directors kicked me out and subsequently directors were conned by the Penwith Council negotiator into giving away to them for no extra value, the field that I had retained which itself could have had a value in the region of £15,000 in the long term as a Helicopter base. It was a separate enclosure with its own access to the road already provided, and hence advantageous from a planning point of view.
- 27.20 I was still concerned about the wear on the grass runways and consulted the Ministry of Agriculture amenity grass land advisory service. Following that we devised a grass refurbishment programme

involving reseeding the main "35" runway, aerating and fertilising all runways and the construction of two completely new runways, "32" and "35 Right". This work was undertaken in the Autumn of 1989. In the following Winter we reseeded part of the other main runway "27". This programme of planned maintenance of the grass runways has proved very successfully. The Isles of Scilly runways received no such attention and in late 1989 the main runway there was closed by the CAA Inspector due to lack of care and maintenance. One problem always was that the soil depth is very shallow and in dry weather the helicopter was allowed to take off on the grass area of the runway and the enormous downdraught from the rotors eroded away the topsoil. I once again pressed the Council to carry out remedial work. Eventually they did take action but the work was not completed until well into 1990 by which time we had lost substantial revenue due to cancelled flights.

27.21 In October 1989 there was a campaign started by the Steamship Company shareholders Read, Ridsdale, Lethbridge, Discombe and Douglas, to have the Directors replaced, and at the annual general meeting Mr. Clifford was pushed off the Board of Steamship and replaced by one R.J.Nicholls. Nicholls had been employed by me in the past as a relief mate on the Scillonian and he had told me in no uncertain terms in the past that he did not "agree with Skybus". Once elected to the Steamship Board, he tried to get Clifford removed from the Skybus Board, but luckily to no avail.

28 THE FOURTH LICENSE APPLICATION

28.1 In the Autumn of 1989 the CAA altered their licensing procedures in that they no longer notified outside parties of license applications. It was now up to interested parties to monitor the fortnightly official record if they wished.

It was clear that we were running out of seats under the license restrictions and I also wanted the opportunity to explore other aircraft types and other routes. Therefore in December 1989 I submitted the fourth licence application requesting removal of all the restrictions on the air traffic license. See the CAA Official Record dated 21 November 1989.

This time there were no objectors. I prepared and submitted a sheet of statistics showing the changes in traffic from 1986 to 1989, and showing the dramatic increase in Skybus traffic and a small increase in helicopter traffic as well. The only major drop in traffic was the day trips by sea in the three summer months.

28.2 The manager of BIH the Helicopter Company told me later that his superiors felt that they would not win again and therefore decided not to object. The Council of the Islands were very cross when they found out that they had missed the opportunity to object. I was at the back of a meeting when several councillors stated that I had acted in an underhand manner! The truth of the matter was that the Civil Aviation Authority had lost patience with the objectors and they would not have succeeded anyway. The CAA official announced the deletion of the conditions and we now had a full licence.

28.3 The way was now clear to operate as we wanted, subject to the restrictions imposed by the regime at St Mary's aerodrome, which was still operated by the Island Council with Duncan still as Chairman. I arranged finance and purchased our fifth Islander aircraft from Cranfield Aeronautical Institute. Our original aircraft GB-FNU purchased in 1984 was now withdrawn from service with a fault in the wing and was gradually broken up for use as spares on the other four. She had served us well and it was an ignominious end to an old friend.

28.4 It seemed that at last I had got everything together and the business was poised to thrive, but the odds were stacked against us in the form of the Island Council and certain islanders who were determined to continue to harass us with difficulties and restrictions.

The manager of St Mary's airport was the manager of the Helicopter Company and the Council regarded him as a Council officer. As such he was present at all committee meetings and addressed the Council at the meetings, which, of course, I was not allowed to do.

28.5 I have already mentioned the problems of lack of maintenance of the runways at St.Mary's. The CAA inspectors reported following a complaint that I lodged, and I wrote to the Chief Executive of the Council on 25 January 1990. Matters came to a head in early February 1990, when one of our aircraft was damaged while taxi-ing at St Mary's due to unrepaired potholes adjacent to the parking apron.

28.6 The safety of our passengers and aircraft was clearly in jeopardy and I immediately stopped all flying until matters were put right.

Following a series of difficult meetings with Council officials and the Helicopter Company Manager in his role as Manager of St. Mary's airport, I got one runway reopened, but the Council in full committee voted to keep the main use East/ West runway closed. This caused us a big problem and because of the winter prevailing westerly winds meant that our flights, particularly flower freight exports had to be severely curtailed, and I wrote to Andrew May, the Manager of the main exporting co-operative explaining the problems.. I did get agreement for remedial work to start, and I had confirmation from the Helicopter Company Manager of the work that he wanted to put in hand on my recommendation.

- 28.7 In March 1990, the Council awarded the contract for management of the airfield to International Airadio Limited (IAL). And they appointed the existing senior air traffic controller to also act as manager. This was a surprising move, in my experience a SATCO has more than enough responsibility doing his own job, and I certainly would not accept a similar arrangement at an airfield under my control! His job was further complicated because the Council continued to subcontract the staffing of the airport to the Helicopter Company.
In earlier times, (circa 1974), he had been employed by British Airways Helicopter division as their representative at St Mary's.
- 28.8 Runway 10/28 remained closed until about June in that year. The problem was that they had done some reurfing at my insistence, supported by the CAA Inspector, but then refused to irrigate the new turf in the dry weather although I had offered to ship in water on the Gry Maritha if they felt their own water was too precious.
Restricting our operations to the North/South runway meant that we had many more cancelled flights due to adverse wind conditions and it also imposed additional strain on the aircraft with consequent increases in maintenance costs due to repeated landings and take offs in cross wind conditions.
- 28.9 The Council resolved to employ a maintenance man to look after the airfield. He was the ex-policeman on the Islands. I invited him to visit Land's End Aerodrome to see and learn how we managed our grass runways. He declined the invitation and I later found out that he had been detailed by the technical officer to repaint the generator shed and not to touch the runways!
- 28.10 In spite of these difficulties I was able to report to the Skybus Board at the end of June that our sales were again up on the first three months of the season, this time £80,000 more than the previous year.
- 28.11 Through out 1990 the Island Council had been discussing plans to lay a tarmac runway. I did not see the need for this, we managed perfectly with grass at Land's End. On the other hand if they were unable to handle simple grass management then I felt that, providing they obtained grants and did not increase our landing fees, then perhaps tarmac was the answer, see below. The immediate problem was that they continued to neglect the grass which deteriorated to the point where on the annual inspection visit in early October the CAA Inspector closed the two main runways completely to fixed wing flying, because he judged them to be unsafe. He told me that he was furious that;
- a) the airport manager had thought fit not to accompany him on his inspection, and
 - b) the runways had clearly not been looked after properly even bearing in mind his report in January, and
 - c) it was clear that the airport staff had been driving the fire engine along the runways causing substantial damage!
- 28.12 Another major blow to us! We had planned for an orderly closure to allow the tarmac work to take place, but this had been delayed due to objections lodged, see below.
We were able to fly a bit after that as conditions permitted onto a short crossfield runway, 06, but we could not operate a scheduled service as this runway was rarely available due to wind conditions. On a day in early December we did 10 flights in place of the helicopter which was broken down. The next day the airport manager closed that runway as well to us, claiming that he now had to draw a new helicopter strip on it, and thus he stopped us altogether. We were not to reopen until the following 12 May, a five month closure which cost us a great deal in lost business and passenger goodwill.
Work on the new runway did not start until the second week in January 1991.

29 THE NEW RUNWAY AT St.MARY'S

- 29.1 Sometime in 1989 the Isles of Scilly Council engaged a consultant, recommended by the Manager of the Helicopter Company, to advise on building a new runway at St.Mary's airport. He produced outline ideas to tarmac the existing runway 10/28. This was a short runway and could not be extended, except at very high cost. I wrote to him several times and eventually had a meeting with him to explain that as the prevailing wind was Westerly, we normally landed with a head wind on runway 28. If money was to be spent it made more sense to build a tarmac strip on runway 35. This could easily be extended towards the cliff top at the South end.
- 29.2 The other point was that there were very few aircraft in production that could use a runway of less than 700 meters in zero wind. In fact the only one was the Islander that we already used. The De Haviland of Canada 18 seat Twin Otter was another, but that was no longer in production. There was also the De Haviland Dash 7 40 seat aircraft but there were only four of those in the world cleared for flights on the U K register. Hence there was a compelling argument to build a runway of minimum 700 metres so that other aircraft could be accommodated, like the Dornier 228, fast 18 seater.
- 29.3 I subsequently found out that he had been instructed by the Council to draw up plans for a runway of maximum 600 meters in length and 23 meter wide. An aircraft operating on 600 only meters would not require a width of 23, but only 18 meters, the minimum width for a licensable runway! I wrote several letters to the council suggesting a rethink.
- 29.4 Butler then suggested that there were "political" reasons in restricting the runway to only 600 meters, but he would get round the problem by drawing in "extensions" at each end which would increase the effective length to 700 metres. He published a report and presented it to the Council in February 1990, the Chief Executive and himself having obtained my verbal approval to the arrangement as above shortly before the meeting. The full documentation is in my office to which I no longer have access.
- 29.5 A protest group was then formed on the Islands "Residents Against the Runway Extension", RARE. This caused much bad feeling on the Islands. Posters were put up and verbal personal attacks made against some councillors, particularly those who supported Skybus. I tried to keep out of it. Their big weapon was to try and stop the EEC grant aid, and they were partly successful in that the EEC eventually only grant aided the 600 meter bit. The Chief Executive of the Council did a magnificent job in that he obtained the balance of funding required from the Dept. of the Environment.
- 29.6 The most damaging effect of the protests on Skybus was that it delayed the start of work on the project until early January and hence prolonged the closure of the airport to our fixed wing service until the second week in May 1991, thus losing us our early season and Easter traffic.
- 29.7 I wrote again to the Council in August 1990 and again in October, emphasising the need for 700 meters of usable runway and enclosing a copy of the CAA official aerodrome manual showing that 18 metres is the minimum width required. In view of the delay in commencing work I pleaded with the Council to delay the project until the Autumn of 1991 so as not to interrupt our Easter traffic, but to no avail, they felt that further delay could jeopardise the funding arrangements.
- 29.8 Eventually the work was alleged to be complete and the new runway was opened for traffic in the second week of May 1991. However there was a snag, the North/ South runway, 10/28 was not reopened, because the contractor had not attended to the grass/tarmac interface. This runway still had a grass section to the West end.
So we were back into the same problem of having to fly in severe crosswind conditions on many days. I repeatedly requested the airport management and the Council to attend to this problem and even

offered to deal with it ourselves. We frequently had dealt successfully with grass/tarmac interfaces at Land's End Aerodrome. In fact the CAA aerodrome manual includes a drawing of the recommended procedure; simply one rounds down the hard surface at an angle to below ground level.

- 29.9 In fact this runway was not opened for use for nearly another 12 months! It came into use in late April 1992, shortly after the Steamship Company kicked me out. I commissioned a report from my friend John Boyle who was the CAA Aerodrome inspector at the time. He retired in January 1992 and acted for me in a freelance capacity. Prior to that I had written and met several times with council officials and the airport management. And Ward sent a letter to the council supporting my stance.
- 29.10 There is a final twist to this saga. During the winter of 1991/92 I carried out detailed investigations into the operation of a Dornier 228 fast commuter aircraft (see below). The standard version of this aeroplane required 690 metres for take off at full load. I discovered that the "extensions" which ostensibly lengthened the new runway from 600 to 690 metres, had been constructed at 16 meters wide rather than the 18 meter minimum width for a runway laid down by the CAA, and hence were useless in computing runway length for aircraft performance! For the Dornier we could only include 600 meters in the performance calculation and to operate on this shortened length we would require a special trim coupling modification to the aircraft which would cost in excess of £100,000 to fit and which was not cleared by the CAA for use in the UK, all for the want of a few square meters of paving!
I wrote to the Council on 5 February 1992 about it. On the advice of the new Chief Executive (Mr Hygate) they decided not to accede to my request to rectify the defect, once again using their position as airport operator to try and put obstacles in our way.
- 29.11 My doubts about the efficacy of the consultant and the competency of the Council were justified subsequently by a damning report issued by the District Auditor in September 1992.

Footnote July 2009

Runway 10/28 remains to-day too short for any commercial aircraft other than the Islander and the ageing Twin Otter..

The 40 seat Dash 7's for which Butler designed the 23 metre wide section of the runway with approval from Isles of Scilly Council never flew to Scilly and to-day there are none left on the UK Register.

30 FURTHER PROBLEMS AT St.MARY'S AIRPORT

- 30.1 As soon as the airport reopened in May 1991, we encountered further problems, in that the opening hours were further restricted. It was now always closed for an hour in the middle of the day, a time which we had previously used for freight flights, completing the flying time of the early shift of pilots. It closed again at 6 P.M., except on days when the helicopter was scheduled to fly after that time. This meant that I was unable to make full use of the second shift pilots time, and reduced our available income earning hours of both aircraft and pilots I prepared and issued a report on this to Directors describing the problem at the end of July 1991. Several Directors, including Ward were all for taking legal action. I felt strongly that legal action would be bad for our image and I thought that I could get improvements by stepping up the pressure on the Airport authority and the Councillors. This proved to be effective, and results of the campaign were beginning to emerge when the Directors kicked me out in April 1992.
- 30.2 The influence of the Helicopter Company still dominated and my attempts to get matters changed were not successful despite extensive correspondence and lobbying with support by Ward. (This second item is significant in the context of the allegations made against me by Bond Pearce acting on behalf of Steamship Company in April 1992). These representations began to have some effect and I had a very useful meeting with the airport committee in October 1991, where they agreed to have discussions with me with a view to resolving the problem Unfortunately this was vetoed by the Chief Executive and I reported this to the Board on 4 november 1991.
- 30.3 The root of the problem was that there was no proper management structure at St Mary's airport. The ground staff were employed by the Helicopter Company and the air traffic control staff were employed by IAL, the "manager" was one of the IAL traffic controllers. The opening hours were decided by him to suit the traffic control staffing rather than the needs of the air operator (ie the customer), and the maintenance man was employed by the Council and reported to the Council Technical Officer. I made several representations to the Council about this. The letters are still in my office.
- 30.4 Eventually my pressure bore fruit and the Council appointed a consultant to advise on better airport management. He was Mr.John Savage a professional airport manager at Humberside airport. I had a meeting with him on 1 April 1992 and put my case that a proper management structure was required. I have not seen his report because my company kicked me out 5 days later. It must have born fruit because a subsequent advertisement for staff implied that there is now an "airport development manager" employed. However he still lacked the feel for small business and innovative approach. He was reported as recommending a new fire engine for £110,000, and new radio equipment for £10,000. I had my own contacts with suppliers who provided similar new equipment for me at Land's End for, £15,000 and £2,500 respectively
- 30.5 Throughout all these problems with the airport owned by the Island Council I was surprised that I received so little help from the Steamship Directors Hicks, Duncan (who was Chairman of the Council) and Christopher (who was also a Director of Skybus).

31 THE FIFTH AND SIXTH LICENCE APPLICATIONS and OTHER ROUTE PLANS

- 31.1 For a number of years Brymon Airways had operated flights to the Islands in a small way from Newquay, Plymouth and Exeter, using Twin Otter 18 seat aircraft, (the only aircraft apart from the Islander (9 seats) Skyvan (18 seats) and Cessna 337 (four seats) that was cleared to operate with passengers from the grass runways at St. Mary's). At the end of the 1990 season they withdrew their last Twin Otter from service. They expected to operate their Dash 7, 40 seat aircraft from the new runway in 1991, but in about October 1990 the Island Council voted that they would not upgrade the fire cover to accommodate the aircraft. This upset Brymon and they withdrew all plans to operate into the Islands, having already spent a large sum on publicising their proposed new service "The Dash to Scilly" with colour leaflets etc.
- 31.2 It was my belief that Brymon had not exploited the full potential of the routes. Flying from Exeter or Plymouth and even from Newquay saved substantial journey time for visitors from up country, compared with driving all the way to Penzance and Land's End to join Helicopter or Skybus flights. I also still had my eye on the Truro airstrip.
- 31.3 I made approaches to the management of Exeter airport about opening up a Skybus route from there. They were very enthusiastic and professional, and offered every support including first and second year discounts on fees to help develop the route, a contrast to my dealings over seven years with the regime at St. Mary's.
I had earlier (January 1990) attended a meeting at Cornwall County Hall about developing West Country air routes, and the County Council appointed messrs Allan Stratford Associates as consultants to prepare a report. I did a deal with Stratfords whereby for a small additional fee they undertook a feasibility study with figures to support a licence application.
I was also interested in developing flights from the Truro airstrip once the owner had put in the necessary ground services
- 31.4 In April 1990 I submitted licence applications to the CAA for routes to Scilly from Exeter, Plymouth and Newquay. During the course of the CAA financial revue of these applications it became known that the St.Mary's airport was going to be shut over the winter of 90/91 and the Economic Regulation Group queried whether our financial viability could survive the prolonged winter shutdown.
I had to supply them with many more details about our economy measures and traffic growth potential before they would accept my plans. All the papers relating to this lengthy and complex process are still in my office and not available to me.
- 31.5 I finally received the licence in April 1991. We had provided advance details of our plans to all customers with our now traditional Christmas mailing, and received many enquiries.
A new brochure was produced , and our first flight was on the 15 May 1991, the 12 May service being cancelled due to fog at St Mary's. I took time out from the Scillonian breakdown problemsthat occurred at that time to go on the first flight and to carry out some media exposure at Exeter, where we were welcomed by the airport manager and local dignitaries. I was very disappointed that we received no such accolade on arrival at St.Mary's, not even from the local Directors of our own company!
- 31.6 Within a week of launch of the new service we had received advance bookings in excess of £20,000. and we were having to schedule relief flights with a second aircraft on peak days. By early October we had carried our 1000th passenger on the new route, and I arranged a newspaper article about it.
- 31.7 One problem I had was that all pilots were required to fly on Saturdays, our busiest day, and those that also flew on Mondays could not count Sunday as a rest day. The limitation on pilots hours rules, in effect requiring a minimum of two consecutive days to count as rest days. Hence we were paying

some pilots for Sunday duty, but we could not fly because the Island Council ruled that St.Mary's airport was closed on Sundays.

- 31.8 I therefore looked for other suitable routes. I found on enquiry with some local travel agents that there was a demand for travel from Cornwall to the Channel Islands. In September 1991 I arranged a trial package with an Hotel on Guernsey. The package was inclusive of air fare from Land's End, three nights in a three star hotel, and free hire car on the Island including free petrol. I found that hotels on the Channel Islands were about half the price of the equivalent on the Isles of Scilly. (For example £42 per night on Scilly, £20 on the Channel Islands). Another plus was that the hoteliers on the Channel Islands were prepared to negotiate discount deals for inclusive tours, in contrast to hoteliers on the Scillies, who, apart from one, were not.
- 31.9 My contacts in the travel trade were sure that the market would provide customers for at least two flights per week throughout the year, with special emphasis on out of season trade.
- 31.10 Hence in October 1991 I submitted my Sixth license application to the CAA for flights to and from Guernsey, Jersey and Alderney. I used my contacts already built up with Aurigny air services mentioned above to help with the few objections and these were withdrawn, Aurigny agreeing to act as our handling agents on the Islands.
- 31.11 The licence was awarded in March 1992 but the service was never started because the Company kicked me out on 6 April and the new managing director, Christopher, did not pursue the scheme, probably because the staff did not want to do Sunday work. In fact there would have been no problem about that because we were often slack on certain week days which could have been taken as time off in lieu of Sunday work. Also in the off peak season we were crying out for work.
- 31.11 In the Autumn of 1991 an ex employee contacted me from Carlisle airport. The discussions I had with him started me investigating the possibility of using our Islander aircraft expertise to commence an operation between the Isle of Man and some of the smaller Northern airfields. This investigation was still in progress when they kicked me out.
- 31.12 I was also evaluating flights between South Wales, Land's End and the Isles of Scilly and Brittany. With the Dornier 228 I was planning charter flights to Euro Disney from Cornwall and I also had a firm enquiry for charter work on Sundays between the Isle of Wight and the Channel Islands.
- 31.13 Unfortunately the new Directors do not see a horizon beyond a service to and from their own islands on existing routes and my ideas were not pursued for another 16 years.

32 NEW IDEAS FOR THE 1992 SEASON

32.1 I felt that we needed to improve the attraction of our service and make more use of the added value concept. I introduced my "fare deal" scheme. Under this scheme at no extra cost Skybus passengers received;

Free car parking at Lands End Aerodrome

Free Minibus service between Penzance rail station and the airport

Free Minibus service on the Islands between the Airport and their accommodation on the Islands

And, of course their free luggage allowance as before

This was all included in the new brochures for the 1992 season..

32.2 The Exeter passengers received a similar deal with free car park vouchers for the secure parking at Exeter, and / or a free taxi service to and from the Exeter rail stations, plus the free transport on the Islands. I also increased the frequency on the Exeter route to three flights per day, carefully timed to link in with the Exeter rail services (see below).

32.3 I also continued the freephone booking service started the previous year.

32.4 As mentioned under the shipping side, in 1988 I had introduced a travel delay insurance option for our passengers, whereby for an additional payment of £4 they could obtain compensation for the cost of overnight expenses if their flight or voyage was delayed due to weather or breakdown. This had been well received by passengers.

Holiday insurance had become a normal feature of the holiday market, but full insurance on travel was not available in the usual packages from insurance companies for UK holidays. For several years I had been searching for a package that would extend this full cover to Island Holidays. After long negotiations I persuaded Commercial Union to alter their conditions so that their overseas policy also applied to UK Islands. We received a commission deal and I marketed the scheme under the banner "Isles of Scilly Holiday Insurance". The brochure was to be sent to all customers who booked with us and was well received with many policies sold by April 1992, but I do not of course have the actual figures for the season.

This scheme was another first for the Island's holiday trade.

32.5 Many other short sea ferry routes offered inclusive rail and sea fares combined with accommodation packages, and Manx Airways had a similar deal for rail and air travel. Over about four years I negotiated with British Rail for a "travel only package" because the accommodation proprietors on the Islands were not prepared to offer discount for combined travel and accommodation deals. Through my contacts with Condor Shipping on the Channel Islands, I eventually found the right person in British Rail with whom to negotiate.

Of course BR themselves offer discounted second class travel and this had put off other people from developing discount travel in competition. However my idea was to offer First Class travel at a discount. Eventually BR relented and in the Autumn of 1991 I reached agreement with them and launched a combined rail and air package to include transfer busses and holiday insurance.

There is a superb Inter City Rail service to Penzance and even better to Exeter, there being no less than 32 inter city services coming down to Exeter each day, plus the South coast line services.

32.6 I launched the new scheme under the banner "Skyrail-Intercity", and produced another new brochure and extensive marketing.. This was yet another first for the Islands and brought them within a day's travel of any mainland UK city. You could leave Dundee on the 7 AM Intercity service to Exeter and be in your accommodation on the Islands by 17.45. -Cost £260 return including first class Inter City

reserved seat, transfer between Exeter rail station and airport, flight between Exeter and St Mary's, transfer on the Islands between airport and hotel and fully comprehensive holiday insurance.

From a 10.35 departure from London you could be on the Islands by 14.30.

Again this was well received and I understand that sales in 1992 exceeded my budget target.

- 32.7 My next intention was to develop the Newquay route and in fact I visited Newquay airport to carry out travel timings from St.Austell Rail station and from the main A30 trunk road, the day before the Company kicked me out. My intention was to promote Newquay as an intermediate take off point between Exeter and Land's End. With the correct fare structure and marketing and the reliability of Newquay from a weather point of view we could take a large share of Helicopter traffic. I also wanted to market through tickets "interlined" with Brymon's Newquay/ London Heathrow service giving direct access to international travel for the Islands. In the event after kicking me out, the Company only played a half hearted attempt at Newquay and put on flights that did not link in with the Brymon flights to and from London and were targeted at a very small day trip market which gives very directional bookings causing empty seats in the other direction.

Following my dismissal, The Company became so introspective that in the 1993 brochure the directions for approaching Newquay are printed assuming the customer travels from Penzance first, rather than coming from up country!

33 INVESTIGATIONS INTO NEW AIRCRAFT TYPES

- 33.1 I have already mentioned the Skyvan aircraft which by 1991 was out of production and really out of date. The Islander aircraft had served us well but the operating costs were fairly high including petrol fuel which carries fuel tax, and high maintenance costs. Also they were relatively uncomfortable for passengers with high noise levels in the cabin, although not quite as high as the Helicopter.
- 33.2 I therefore maintained a close eye on alternative aircraft. At the 1988 Farnborough air show I made contact with the Czechoslovakian manufacturers of the LET 410 18 seat wide bodied turbine aircraft. There were over 1,000 of these in service in the Eastern block countries and they were keen to break into the European market. I arranged demonstration flights to the Islands in September 1988 and again in July 1989 and carried out detailed costings and performance analyses.. The LET 410 required a longer runway and unfortunately even the new runway at St.Mary's is about 50 meters too short for it.
- 33.3 Another aircraft that I reviewed was the De Haviland Caribou. This was a large piston engine aeroplane with capacity for about 30 passengers. I arranged a demonstration flight of this one in April 1989 and it was very impressive. This aircraft had powerful radial piston engines, Mr.R.Bellamy had doubts about our ability to maintain them. I suggested to the suppliers, based in Malta that they moved their base to Land's End to obtain regional development aid but the scheme eventually fell through.
- 33.4 The ideal aircraft on paper for our route was the Skytrader "near vertical take off", design which made use of extra lift from the coander lift effect available from the exhaust from the gas turbine engines. This would carry 18 passengers and land and take off in less than 300 meters. I arranged for a member of staff to visit the factory in America, and it looked very promising. Unfortunately the project was underfunded and the company folded.
- 33.5 As the Islands were surrounded by water and the difficulties we had using the St.Mary's airport, I investigated the possibility of operating amphibious aircraft. I had meetings with potential operators in the UK and made contact with Chalks Airways operators of the Grummond Goose and Mallard aircraft in Florida. Mr. Bellamy senior visited their base for me and brought back valuable information. I obtained all details of how to set up a water aerodrome and costed out the project. In about January 1991 when we were closed up due to the shut down at St.Mary's we had a detailed presentation at Land's End from a potential operator. The TV media found out about this and there was a superb news item on local TV with fine footage of a Grummond Landing on water. Apparently this upset some Island Councillors, including Duncan, presumably because they feared that we were going to steal a march on their airport closure regime! As it turned out we did not pursue the idea because of doubts about the undercarriage of the aircraft when landing on grass at Land's End.
- 33.6 I was interested in the Twin Otter which although out of production was still widely used in Scandinavia as a small commuter, and I had flown in it there when I was looking at ships. My colleagues at Aurigny warned that it could be very expensive on short routes and it is relatively uncomfortable and requires two pilots and is not much faster than the Islander. I worked out that it was cheaper to fly two 9 seat Islanders rather than one 18 seat Twin Otter. I did arrange a demonstration flight at short notice in March 1992, but the aircraft produced was very old and not at all impressive. At the meeting in April 1992 when Steamship Directors kicked me out they were upset that I had not invited them to the demonstration flight. I had not involved them because it was uncertain when the aircraft was to arrive if at all, and in fact it was delayed at Exeter due to a technical fault on its way to us.
- 33.7 I really needed a fast quiet aircraft for the Exeter and Newquay routes, and in the Summer of 1991 I

commenced investigating the Dornier 228 18 seat fast commuter. With the small modifications to the new runway at St Mary's mentioned above this aircraft could operate economically into St.Mary's. and fly to Exeter in 40 minutes. I arranged for demonstration flights with Suckling Airways an operator from Cambridge and took it to the Islands and provided demonstration flights for local dignitaries and councillors. I applied for an air operators certificate and submitted costings to the CAA and to finance houses. I received approval from the Steamship Directors to obtain two aircraft. I hit two snags; one was the lack of width of the runway extensions at St. Mary's and the other was that B.C.Ward, as Chairman of our parent company, refused to sanction a guarantee from the parent company to underwrite the financing. It is normal practice for a controlling parent company to guarantee the financing arrangements of a subsidiary, otherwise the lender can find that the parent has "pulled the rug" from the subsidiary company and left it with no equity. Hence my deal had to be called off.

This was a pity because the scheme would have scooped the market for long stay traffic to the Islands, and my costing projection for the project showed substantial profit, even in the first year.

Undaunted, I then pursued another option, in January 1992, to purchase a secondhand aircraft that was on the market in the UK. It would require the changes to the runway, or the fitting of the expensive Trim Coupling STOL modification. In company with Mr.R.Bellamy I visited Stansted airport to inspect it. We found it to be in superb condition with all service bulletins up to date, and a comprehensive spares package included. I had provisional finance in place through my contacts in Lombard, and made an offer for it in the sum of \$1.5 million, as I recall. It was in the hands of agents acting for the Falkland Islands Government, and after some haggling the offer was accepted. Then an extraordinary thing happened; we received a fax from the Falklands Attorney General, informing us that he was selling the aircraft to another customer in Portugal. We felt aggrieved having had our offer accepted and having commenced arrangements to take over the aircraft, but there was nothing we could do about it, other than to resolve not to rely on the word of any Island Government!

- 33.8 The Island of Tresco was the most prestigious destination on the Islands. The Helicopter Company were the only carrier able to fly there directly from the mainland, to a heliport on Tresco. Our passengers had to land on St Mary's and then go by bus to the quay and then by boat to Tresco, having to fit their journey to the times of the boats. On Tresco there were expensive time share apartments and the two most expensive Hotels, the New Inn and the Island Hotel. I thought we ought to break the Helicopter monopoly on this through traffic, especially on the proposed new Dornier fast service from Exeter, and Skyrail from London via Exeter. On the 1 April 1992 I wrote to Bond Helicopters and also to Castle Air, a helicopter charter company based in North Cornwall. The latter were very interested and I was to have further talks with them in April 1992 with a view to setting up a helicopter inter Island shuttle service to St.Mary's airport using a Long Ranger six seat single engine helicopter, to link in with our fixed wing arrivals and departures. For the first time we would be able to offer through tickets to the off islands with fast easy transfer, coupled with the charisma of a flight in a small helicopter.

I was kicked out before I could arrange the meeting and the new Directors did not pursue the plan.

- 33.9 I still needed a new image for the aircraft fleet, and in March 1992 I arranged a demonstration of a new Islander aircraft from Britten Norman. This had improved interior trim, more comfortable seats and much quieter three bladed propellers. The Skybus Directors approved and I arranged finance, including providing cash flow projections to Lombard and the CAA, and ordered a brand new aircraft for delivery in May 1992, bringing our operational fleet up to five aircraft. I intended to market this as the "Super Islander Service". In the event the Company kicked me out before the plane was delivered and in an extra-ordinary decision they cancelled the quieter propellers. This was extra-ordinary because the only justification for a brand new aeroplane was that it could come with the quieter propellers and "hush kit". If one just wanted another Islander there were plenty of bargains going on the second hand market at less than half the cost. The new propellers cut the cabin noise down from

about 100 decibels in cruise to a more acceptable 90 decibels an approx halving of the noise levels!
There is no mention of this new aeroplane in any of the Company's publicity material produced since they kicked me out.

34 PROPOSAL FOR PAVED RUNWAYS AT LANDS END

- 34.1 During 1991 I had discussions with the officers of Penwith District Council about the possibility of obtaining grant aid for the paving of the two main runways at Lands End. Enquiries were made and a positive reaction received from the EEC authorities. I had very positive meetings with the relevant councillors, and also long discussions with the County Council area roads Surveyor, who estimated he could do both runways for under £700,000, half the cost, expended at St.Mary's, for only one! My costings showed that we would make savings in maintenance costs and we could meet the finance costs from a maximum of a £3 uplift in fares on the Scilly route, about half that if the grant came through. The airport committee met and approved the go ahead of the project, subject to planning permission and capital sanction.
- 34.2 Then we hit problems; first a letter in the local press from the Manager of the Helicopter Company, objecting to the scheme, and then, unbelievably,(or is it?), a letter of objection from the same lady who had made all the fuss about the runway at St.Mary's!. My reply was reported as a news item in the national press.
- 34.3 I had further meetings with the committee and officers and I reiterated Skybus' support for the project, it was my idea in the first place. It was agreed that a public information meeting should be held at St.Just Town Hall. This occurred in late April after the Directors had kicked me out. I went and sat at the back. It was awful! In my absence Ward was trotted out to make a speech and he completely misjudged the mood. He presented the Steamship Company as a public benefactor providing employment in the St.Just area and this did not go down well with the locals, who new that the main objective of the Company was to provide a transport service for visitors to the Islands. He also mentioned that in the distant past he had played rugby for the Penzance rugby club. Did he not realise that St. Just have their own rugby team and do not support Penzance at any price?

His final bloomer was to say that the parent company, ie the Steamship Company would not guarantee the offer by Skybus to meet the loan payments on the project. Presumably he did not realise that grant aid can ONLY be obtained if the project is viable without the aid. That is a tenet of EEC grant arrangements, and also he had pulled the plug by exactly the same ploy that he had used to scupper my two Dornier aircraft scheme. Parent companies have to back up the guarantees given by subsidiaries, other wise the guarantees are meaningless.

The disaster was highlighted in the local press "HOW TO SCREW UP EURO GRANTS!",

- 34.4 The meeting then moved on to question time. Most of the questioners were hostile and not local, three being the ex Chief Pilot of the Helicopter Company, the current Chief Pilot of the Helicopter Company, and the senior administrator of the Helicopter Company. I saw all three in the pub afterwards in cahoots with the Area Planning officer who was also opposed to the scheme, he living in a valley just 1 mile from the runway end! Ward did not have the sense to point out to the meeting the antecedents of the people objecting.
The whole meeting was a disaster, apart from the presentation by the area surveyor with whom I had previously worked out the technical details, (prior to being kicked out).
- 34.5 Because of Ward's virtual withdrawal of support, after I had been kicked out, the scheme was dropped. A tragedy for the airline, and the airport. The paved runways would have opened up the prospect of increased traffic, including flights to the continent and the north.
- 34.6 On reflection I cannot decide whether Ward deliberately scuppered these schemes, or whether his actions are due to his lack of knowledge and awareness of business matters.

35 GENERAL SUMMARY OF THE AIR OPERATIONS

35.1 The airline is now successful and it has taken a lot of hard graft and determination, I would say about half my working hours six, sometimes seven days a week for nine years. The turnover in 1992/93 topped £1 million. It continues to provide a positive contribution to group profits, and importantly it has kept for the Company an increasing share of the travel to the Islands market which undoubtedly would have been lost to another operator had we not moved into the air when we did. It has provided employment for about 30 people at the tip of West Cornwall which is an unemployment black spot, and brought new wealth to this depressed area. For the Island tourist trade it has brought lower cost air travel to the market, and as can be seen from the statistics it has increased the number of visitors to the Islands.

The Skyrail service opened up new markets for the Island's tourist industry, but if only they had got to grips with the marketing it would still be a winner to day!

We were the only UK airline that, albeit in a small way, showed growth in traffic and earnings in each of the first nine years of trading.

35.2 It took much self motivation, confidence and determination in the face of opposition from many quarters to push our little business into the air. I made many friends in the industry and clearly with hindsight some enemies locally. In December 1992 I received notification from the new Company Secretary of Steamship as follows;"The Board is of the view that payment of Director's fees carries with it a clear implication that the Board is satisfied with a Director's discharge of his duties during the year in question,----- the Board feel that it cannot recommend payment of Director's fees to you for the year ending 31 march 1992."

35.3 When I took on the role of Managing Director of Skybus, this was in addition to my work as M.D.(Penzance) of Steamship. I did not receive any extra remuneration and my Director's fee for 1992, now withheld is £1218, the same as for the previous year. I received no extra remuneration as Chairman of the Company.

35.4 The economic performance of the airside of the group has been remarkable, considering the hurdles that have had to be overcome, as is shown by the various reports and accounts that were produced for the Board.

From the published accounts for the year that I have obtained ,I deduce that the final result for year to 31 March 1992 was an operating profit of £50,000, although, as the final figure for each Company depends entirely on the correct assessment of the inter company service costs, I doubt if the figures, produced since my departure are accurate.

35.5 The other aspect of the success of the air business is a measure of the net worth in the balance sheet. The 31 March 1992 Balance sheet which shows that the airside companies had fixed assets of about £500,000 and a net worth of £350,000.(excluding deferred tax), for an original investment by the Steamship Company of £264,485.

36 DEALINGS WITH THE HELICOPTER COMPANY

- 36.1 There has been a passenger air service to the Islands since the mid 1930's, operating in competition with the Steamship Company's shipping service. The market splits into two types, day trippers from the mainland, and period (non day trip) customers in both directions.
- 36.2 In 1961/2 there were 66,000 period passenger journeys on the route, and 70% of these travelled by sea. In the same year there were 72,000 day trip passenger journey's and 89% travelled by sea. Looking at the total market, 80% of travellers went by sea and 20% by air.
- 36.3 The growth in day trip numbers had occurred in the late 1950's following the arrival of the Company's new ship the Scillonian 2, and the regeneration of the tourist trade after the economic constraints of the immediate post war period.
The Steamship Directors correctly perceived that the next change was to be a rapid growth in the Islands own tourist market, as more and more properties were converted to guest houses and hotels. To meet this expected growth in demand they ordered a second ship, the Queen of The Isles, and she was delivered in the Spring of 1965.
- 36.4 With two ships the Company could provide a more frequent service and at more convenient times for the period passengers. What the Directors had not foreseen was the effect on their business of the new helicopter service.
- 36.5 Since the end of the war the air service had been operated by British European Airways, BEA, from Land's End Aerodrome. Over the years there had been a number of occasions when representatives of both companies had met to discuss a merger or combined operations under one management to the benefit of the travelling public, but no concrete scheme ever came into effect.
- 36.6 In 1963 BEA started a new branch to develop Helicopter services particularly for off shore operations. They decided to use their Scillies route as the development test bed and this was under the management of Capt.Jock Cameron, a pioneer of commercial helicopter operations. The new service started from a purpose built heliport at Penzance in the spring of 1964. Initially the main objective was to build up experience of operation rather than to make a profit, and resources were poured into the project by its nationalised parent. In fact when the Helicopter Company was eventually sold off by Lord King, it had accumulated losses of £42 million!

36.7 The effect on the Steamship Company's trade was dramatic, and although the predicted growth in traffic came about, it all went to the Helicopter Company. By the year ended 31 March 1974 the Steamship Company's share of the markets had dropped from 80% to 62%. The figures were as follows;

	1961/62	1974/75
Day trips:		
By sea	64,000 89%	71,000 83%
By air	8,000 11%	14,000 17%
Total	<u>72,000</u>	<u>85,000</u>
Periods:		
By sea	46,000 70%	41,000 44%
By air	20,000 30%	53,000 56%
Total	<u>66,000</u>	<u>94,000</u>
Overall:		
By sea	110,000 80%	112,000 62%
By air	28,000 20%	67,000 38%
Total traffic	<u>138,000</u>	<u>179,000</u>

The effect on the Steamship Company is even more dramatic when one takes into account that the yield on day trip fares is usually about half that of a period ticket, taking this into account the Steamship Company's share of the passenger business fell from 76% to 56% while BEA's share increased from 24% to 44%.

The full details of the figures are in my files

36.8 For the year 1988/89, the last year for which I have figures , not distorted by the closure of St. Mary's airport, the figures for period tickets are:

	1961/62	1973/74	1986/87	1989/90
Steamship	46,000	41,000	50,000	43,000
Skybus			3,000	22,000
Steamship Group	46,000	41,000	53,000	65,000
	70%	44%	48%	52%
Helicopter	20,000	53,000	58,000	60,000
	30%	56%	52%	49%
Total	66,000	94,000	111,000	125,000

36.9 The drop in its market share and no growth in actual carryings by sea, as a result of the advent of the helicopter was a disaster for the Steamship Company, particularly following the investment in a second passenger ship. Consultants were called in and eventually in 1970 the second ship had to be sold.

36.10 Over the years there have been a number of initiatives towards a merger or joint operation of the Steamship and Helicopter Companies. I have records of some of these as follows:

1965 November

Steamship representatives and Capt. Dibb of BEA to discuss operation of Sunday services.

1969 October 1

Steamship representatives and Capt.Cameron of BEA, agreed inter alia that:
"That the merger of the two companies be investigated as a matter of priority".

1969 October 29

For Steamship Company, H.J.Thomas (M.D.), W.Mumford (Company Director, and Chairman of the Council), W.B.Watts (Director) A.Pickup (Bank Manager).

For Helicopter Company, Capt.Dibb, R.Keefe.

General discussion and statement by Mumford that Scillies would be ideal to run a pilot scheme of integrated service. Also proposed that Steamship Co should run a separate cargo vessel and a much smaller passenger ship for the Summer season only.

1970 January 23

For Steamship co. R Ward (chairman), H.J.Ward (Co.Secretary) H.J.Thomas (MD), 2 Other Directors, E.Stevens (Partner Whitaker and Redfearn).

For Helicopter Co.R.Spencer, Capt.Cameron, Capt.Dibb, R.D.Keefe.

Discussed formation of a new joint company to own all the assets of both, or an operating company only to sell the services. Agreed:

a)To draft the heads of agreement.

b)To draft the terms of reference for the new company.

c)To draw up the organisational structure of the new company.

1970 February 23

M.D. and Co Sec for Steamship and Capt.Dibb for BEA. agreed that plans for a merger for an initial

period of three years should take place as a matter of urgency.

- 36.11 Following that series of meetings, the Steamship Company engaged Messrs. Peat Marwick and Mitchell as consultants to produce a report on the scheme. The report is still in my office and no longer accessible to me, but the conclusion was that whilst there were obvious advantages, "the benefit may not be substantial".

It seems that matters were then left to drift and no further action taken, until the Steamship disaster of the collapse of the Ryton shipyard in the spring of 1974, (see above).

- 36.12 The next initiative came in mid 1974 from the Helicopter Company who, knowing about the financial difficulty of the Steamship Company, engaged a consultant, Aubrey Ping, M.B.I.M., F.C.I.T., to report again on the possible merger of the two companies, and he also explored new marketing initiatives to extend the holiday season on the Islands.

He concluded that in view of the impecunious state of the Steamship Company it would not be in BEA's interest to become involved in a take over or merger, he did however reiterate the idea of a joint marketing company. On the marketing side he recommended that the Islands should become involved with the British Tourism Authority (BTA), by forming a tourism association.

He had meetings with the Steamship Company as follows;

1974 August 23 and September 26

R Ward (Chairman), H.J. Thomas (M.D.), B.C. Ward Director, H.J. Ward (Co. Secretary)

The Steamship Company Managing Director at both meetings stressed the need for closer working arrangements between the two Companies to mutual benefit.

Again it seems that the ideas were not pursued by either company.

Ping's report is available in full and the statistics included make interesting reading..

- 36.13 In 1984, I submitted the first Skybus licence application. A reaction from the Helicopter Company, now renamed British Airways Helicopters Limited, was to indicate that it was in financial difficulties and would likely have to close if it met competition from our small airline. At the request of Skybus Directors, in April 1985, I prepared an action plan to come into effect should the Helicopter Company cease to operate for any reason. The plan included the prospect of taking over the helicopter operation in the short term and transferring traffic to a mainly fixed wing operation in the long term. The plan was agreed by the Skybus Directors on 30 April 1985, (proposed by B.C. Ward and carried unanimously).
- 36.14 In early 1986 it was announced in the aviation press that British Airways were putting its Helicopter Subsidiary on the market as part of Lord King's plans for "grooming" British Airways, prior to privatisation. The published balance sheet of the Helicopter Company showed accumulated losses in the region of £20 million and money owing to its parent company of £40 million (excluding share capital). With the agreement of my Skybus co directors including B.C. Ward, I wrote to Lord King expressing Skybus' interest in acquiring the Penzance branch of the Company. He replied that initially he was seeking to sell the whole Helicopter Company intact. The main part of the Company was the operation in the North Sea, from a base at Aberdeen. I still have a copy of Lord King's reply.
- 36.15 Following the refusal of our licence application in early July 1985, I recommended to the Skybus Board that we contact the Helicopter Company, because armed with their operating cost figures that they had revealed at the licence hearing I could see that substantial savings in costs could accrue with a joint venture. It was agreed that I should visit them, see minutes of Skybus meeting of 9 July 1985.

Mr. V Bellamy and I together with B.C.Ward visited Mr.Cleote at his Aberdeen headquarters in mid July 1985. We made some headway but Ward upset the other side by producing a press release indicating that the Steamship Company were the most important aspect of Island Transport.

On return to Penzance Cpt. Bellamy and I had further contact with Mr.Cleote, and I also sent him more details of my plan, which involved laying up the expensive Helicopter in the Winter time and using the much cheaper fixed wing Islander aircraft from Land's End. The final page of my costings indicated that the Helicopter Company could save about £100,000.

Later in September 1985 I was invited to attend the Helicopter celebrations of 21 years service, and Skybus made a surprise appearance with an aerial banner saluting the achievement.

- 36.16 I reported the meetings to the parent Board, the Steamship Company and there was some dissent that Skybus had carried out these approaches without first referring to the main Board. B.C.Ward supported my initiatives, saying that Skybus reported to the main Board about what it had done, implying, quite rightly, that Skybus was a separate company that could make its own decisions. This was accepted by the other Steamship Directors. This is recorded in the minutes of Steamship Board meeting of 4 September 1985.
- 36.17 In about June of 1986 it was announced that the Helicopter Company had been purchased by Robert Maxwell's Mirror Group, via a subsidiary, Maxwell aviation. To sweeten the balance sheet prior to sale, British Airways had written off £20 million of the helicopters debt. I wrote to Mr. Maxwell expressing our interest in acquiring the Penzance section of the business, or of exploring a joint operation. I received a reply that initially they hoped to bring the business into profit, but would contact us again at a later date if the plans changed. The letters are still in my file at my office and no longer available to me, however I do still have the Mirror Group envelope!
- 36.18 I have already described the anti competitive activity adopted by the new regime at the Helicopter Company following the granting of our air traffic licence in April 1987. This included their application in the Autumn of 1987 to have our hard won licence rescinded, an action described to me by their then Managing Director as a "Commercial knee jerk". Following that we had the continuing problems at St. Mary's airport.
- 36.19 On the 15 September 1987 there was a celebration of the first 50 years of flying on the Isles of Scilly route, partly promoted by a part of the publicity section of the Islands Tourism Association. The service had originated from Land's End aerodrome and the organisers arranged for the Helicopter to fly from our old terminal building at Land's End. I arranged a small reception for the dignitaries, and some of them flew to the Islands in our aircraft as well as those flying in the helicopter. I prepared an information leaflet that we handed out at the reception at Land's End. I wanted people to know that our competitor was no longer "friendly"!
On the Islands, the Chairman of the Council (H Duncan) presented each operator, including me representing Skybus, with an illuminated certificate, recognising our contribution to civil aviation to the Islands! It now has pride of place on the wall of the Skybus departure lounge at Land's End aerodrome.
- 36.20 In May 1988 our number one aircraft was damaged while parked on the apron at St.Mary's aerodrome by the downdraught from the Helicopter which hovered too close for safety rather than waiting a minute for the Brymon aircraft to clear the normal Helicopter path. The IAL air traffic controller, under contract to the Helicopter Company, refused to let me have a transcript of the recorded air traffic messages of the incident and I had great difficulty in pursuing the damages claim against the Helicopter Company.
- 36.21 In about June 1991, I approached the local Helicopter management at Penzance to suggest a plan to

combine in a joint marketing and selling exercise for Skybus and Helicopter. The second in command, was very interested, but the Manager Capt.Blain was not enthusiastic.

- 36.22 In November 1991, I approached the local Helicopter management to suggest that we formed a joint company to tender for the management of St.Mary's airport. It was my view that the Council would not tolerate one operator tendering, but as there were only two of us, they might well consider a joint scheme. There were potentially substantial savings in operating costs that could be passed on to the customer with such a scheme. Again he was not enthusiastic.
- 36.23 In the Autumn of 1991, the Maxwell Group Crashed. I carried out company searches to try and find out the financial situation of the Helicopter Company. It was clear from the accounts filed with company house that Maxwell had sold off most of the Helicopter Company's assets and the resultant cash taken out to fund other Maxwell enterprises. As a result the main current asset of the Helicopter Company was sums totalling £29 million owed to it by other Maxwell companies now bankrupt. It was my view that the Company was insolvent.
- 36.24 This view was endorsed by the financial commentators in the national press on the 10 December 1991.

On the 12 December 1992 the Directors of British International Helicopters limited applied to the court for voluntary administration. My assessment of the state of the Company had been correct.

- 36.25 In view of the stringent financial checks and controls that the CAA applied to our small business I could not understand how they had permitted the Helicopter Company to continue to operate an air traffic licence. Clearly they were gambling with the public's money lodged with the Company in the form of advanced bookings. If we were to pick up the pieces if the Company collapsed we needed sufficient time to put in place the necessary aircraft to meet the 1992 season air traffic demand on our route. I had clearly in mind the agreed contingency plan, still on file see 36.13 above.
- 36.26 The CAA had the power to revoke an air traffic licence if they think it is in the best interest of the air travelling public, under section 66(2) of the 1982 act. .
Accordingly on 20 December 1991, I wrote to the Authority pointing out the problem and requesting that they act under section 66(2). The reply was very woolly and they were clearly not going to take any initiative on the matter.
- 36.27 Further press reports appeared about the plight of the Helicopter Company, and towards the end of January 1992 I received a copy of a Penzance chamber of commerce meeting where it was stated that BIH may be moving to our Land's End Aerodrome!
- 36.28 Early in February 1992 I read a report in the local press that the administrator of BIH had said that he was interested in the possibility of selling off the Penzance / Isles of Scilly branch as a separate entity. On the 14 February I wrote to the Administrator expressing Skybus' interest in the business. Subsequently I had telephone conversations with Messrs.Arthur Anderson Edinburgh office, the Administrators, and they sent me a substantial information pack, which included details of the wage and salary roll and turnover figures, asset register etc. and also information that the Penzance Helicopter was not owned but was on a residual lease. They then sent me a copy of the lease which included a clause that if the leasee went into Administration then the lease was cancelled and the aircraft reverted to the owner.
The other revealing information was confirmation of an earlier rumour that Maxwell had sold the Penzance Heliport to another of his companies and hence BIH no longer owned their base at

Penzance.

The Company was clearly in real trouble. I asked for a meeting with the Administrator Mr. Watters, and he said he would be visiting Penzance shortly and would contact me again.

The information pack was sent to me on my undertaking that it would be returned to them, which I was not able to do because the Steamship Directors denied me access to my office.

- 36.29 On the 4 March 1992, as we were a creditor of BIH, I received notice of the first creditors meeting and Statement of Affairs. Comparing the statement with the balance sheet of 31 December 1991 I came to the conclusion that the Company was trading at a loss in 1991. The statement showed that at 12 December 1991, the date of the administration order, the deficiency of assets was £11.5 million..
- 36.30 On the 5 March 1992 I attended the Steamship Company monthly board meeting on the Islands and reported the above events, including that on behalf of Skybus I had notified the Administrator of our interest in acquiring the Penzance / Scillies section of the business. All but one of the Skybus Directors were at that meeting and no dissent from my actions was indicated. Subsequently I contacted Mr. Clifford the other Skybus Director and he expressed approval of my actions which he felt were in the best interests of our company.
- 36.31 On the 9 March 1992 I attended the BIH creditors meeting in Aberdeen. The meeting was packed out with creditors. The biggest single creditor was another Maxwell company and the Administrator had a proxy form which gave him a controlling vote over all other unsecured creditors. He was asked searching questions from Bond Helicopters about why he was continuing to trade at a loss. The reason was that the company had some North Sea contracts, which although now not profitable, contained such severe penalty clauses that he deemed it better to continue trading in the hope of finding a buyer for parts of the business, rather than closing and having to meet the penalties on the contracts.
- 36.32 My assessment of the situation was that the Company as such was unsaleable because of its accumulated creditors and burdensome contracts. Hence the administrator could only sell the assets. Furthermore under CAA licensing a purchaser would have to have a new licence, which would have to go through the lengthy licensing procedure. This put us in a very strong position re the Penzance/Scillies section of the business. It was also clear to me that the future of the business was in doubt even in the short term. A collapse during the main holiday season would be a disaster for everyone involved in the Islands' tourist industry. I prepared a briefing paper and sent it to all Directors on 11 March 1992.
- 36.33 On Friday the 13 March I attended a meeting of Skybus Directors at Land's End aerodrome. Mr. R. Banfield, specifically raised the matters mentioned in my paper and all present agreed that I should go ahead with the application to have the Helicopter's Penzance air traffic licenses transferred to Skybus. I still have my hand written minute of the meeting which was awaiting typing when the Directors kicked me out. I pointed out to the Directors that the action would no doubt be opposed by the usual bodies on the Islands that always opposed everything that we did,. It was felt that we could put up with that because it had no direct effect on our business as 95% of our traffic came from the mainland and not from the Islands. Mr. B. C. Ward was absent from the meeting. (The other reason for the meeting was that I wished to have Director's Approval before ordering the new Islander aeroplane, see paragraph 33.9 above)
- 36.34 I was expecting to meet Mr. Watters the Administrator the following week to explore what he had to offer. In fact he delayed his visit until Thursday and Friday 26 and 27 March, and I was given to understand by his assistant at Aberdeen that he was seeing "several prospective purchasers". A report in the local press on 26 March stated that he had set a deadline of 3 April 1992 for receipt of "closing

bids". This was a surprise to me as the Administrator had not mentioned a deadline to me. Time was running out! I was also passed a copy of a report in "Helicopter International"

- 36.35 On Friday the 27 March I attended a meeting with the Administrator at Penzance Heliport, together with Mr.R.Bellamy my airport manager at Land's End.(Mr.Bellamy was also co- director with me of Westward Airways Ltd., and the only Director in the Group apart from myself who had practical aviation experience and knowledge). Also in attendance was Capt.Blain, the BIH manager at Penzance.

We had a long discussion and I explained to Capt.Blain and Mr.Watters that in the short term we would anticipate continuing to operate the helicopter from Penzance, but in the medium term would expect to move the operation to Land's End. (I did not tell them that we had purchased a field next to the aerodrome that would be ideally suited for use as the terminal, see above, paragraph 27.19.)

They showed us their costing and revenue figures for the year to date and we discussed the state of maintenance of the Sikorsky S61 Helicopter that was used at Penzance and was specially modified to suit the Isles of scilly route. It transpired that it was due for a major airframe overhaul by the Autumn of 1992, and also due for a gearbox replacement. Also the smaller Westland 30 Helicopter used as a back up was running out of time and was in their view uneconomic to repair. They also confirmed what I had believed for a long time and that was that the branch did not carry the major overhaul costs of its aircraft. When these were taken into account the route would show a substantial loss. In other words my scheme for winter lay up drafted and approved in 1985 still held good.(see paragraph 33.16 above).

The other confirmation was that they did not own the Heliport, neither did they hold a proper lease of it. It was owned by a Maxwell property company also in administration!

The Administrator confirmed that the deadline for offers for BIH was the following Friday and I agreed to get in touch with him in due course.

- 36.36 On return to my office I tried to contact B.C.Ward to discuss what to do. I felt that at the least it was important for us to get the licence transfer application under way before the deadline. His office told me that he "had gone away" and they did not know where he was. By enquiry to our flight desk I found out that he was booked on a flight from Land's End to Scillies at 8.30 AM the following Monday. Christopher, the full time Director on the Islands had already told me he was away until the Tuesday.

I discussed the matter with Clifford a Skybus Director and he agreed that we should press on with the licence application. I decided to delay action until I had seen Ward.

- 36.37 I contacted Norton Rose the Solicitors I used in aviation matters and they advised that the procedure was in two parts:

- a)Application for revocation of the BIH licence
- b)Application by us for the licence.

Both processes would take place simultaneously. I instructed them to prepare the papers and await my instructions.

- 36.38 At 8.15 AM on Monday the 30 March 1992 I tracked down Ward in the departure lounge at Land's End aerodrome. He said he knew about the Skybus Directors' decision to apply for the transfer of the Helicopter licence and he was in support. I explained that it could be construed on the Islands as a controversial action, nevertheless he agreed we should go ahead.

- 36.39 Later that morning I had further discussions with Bellamy and with Clifford, and on reflection we felt that in order to "place our marker" on the BIH assets we should also put in a formal offer within the deadline.

Following that discussion I tried to contact Ward at his office, but again was told he was "not

available". I tried his home but no reply. In the absence of Christopher, I then tried to contact Banfield the only other Skybus Director but his line was repeatedly engaged.

I had a very busy schedule that week;

On Tuesday I had a demonstration of the Twin Otter aircraft on offer to us on lease from BAC Leasing.

On Wednesday I had a meeting with the consultant engaged by Isles of Scilly Council to review the management arrangements at St.Mary's Airport.

On Thursday I had an important meeting with the Land's End Aerodrome Management Committee to try and finalise the purchase by them of some of our land, and also to progress the scheme for paving our runways.

On Friday I was visiting Exeter airport to discuss the forthcoming season and also visiting Newquay airport to survey the road access and passenger facilities to plan into the publicity for the launch of that new route.

Also during the week I had to monitor the processing of the rights issue of shares of Steamship and to keep an eye on the remaining work of the refit of the Scillonian, and to prepare final plans for the publicity campaign for the new shipping season that was opening on 10 April.

- 36.40 Taking everything into account I decided that in the absence of the other Skybus Directors and bearing in mind the positive response from Bellamy and Clifford, rather than make a definite offer I would write a letter somewhat short of an offer which could be elaborated on later or withdrawn if we wished. I also decided to downgrade the figure to be quoted. I dictated the letters and these were sent off on Tuesday 31 March, with copies to all Directors for information,. The second letter about the lease was delayed for a day because of pressure of work on my two secretaries who were dealing with the vast amount of work relating to the share issue.
- 36.41 On Wednesday the 1 April I instructed Norton Rose to issue the licence applications. This they did by fax but unbeknown to me at the time they faxed to BIH a copy of the application to revoke their licence, but not a copy of our application to take it on. Although not strictly required by the regulations it would have been politic to have sent a copy of our application to take on the licence as well. As it was Capt.Blain the Penzance Helicopter manager hit the roof and it seems that he telephoned every one and everybody accusing us of attempting to sabotage his business. This was not the intention, I thought that we were throwing him a lifeline. While I was in transit from the Islands I received a phone call from him and I explained that we were following a normal procedure as a preliminary move in the licensing process. He then threatened to cause as much trouble for me as he could and I disconnected.
- 36.42 I was late home that evening and as I was about to have my supper the reporter from the local radio station, Radio Cornwall, called at my house asking for clarification of what was happening and asking me to do a short interview. He had already recorded an interview with Capt.Blain who was accusing me of threatening to destroy his business. In view of the late hour I agreed to do a short interview as I felt that it was in Skybus' best interests to put our side of the story. This I did and I understand that the interviews were broadcast on the early morning news on Thursday 2 April. Subsequently I obtained an official copy of the recording of the broadcast from the Radio Cornwall Offices.
- 36.43 During the morning of Thursday the 2 April I was working out of my office on the quayside and in the shipyard at Penzance. My office received a message for me to please contact Mr.Ward. I found him by telephone at his home. He told me that someone from BIH had complained to one or two Steamship directors that we were taking over their jobs and the Steamship Directors were upset about it. I explained to him that the action taken on the licenses was as decided by my Board and approved by him, and the letter to the Administrator was merely to secure our position in view of the deadline. It did not commit us to anything. He then said I should not have done the radio interview, and I pointed

out that I thought it was in our best interest to put our side of a news story and I had acted in accordance with previous guidelines and in any case, in my capacity as Executive Chairman and Chief Executive of Skybus, I had acted in the best interests of the Skybus Company. We agreed the outline of a further statement and for him to arrange to broadcast it. In fact I do not know if he did. I certainly never heard it.

- 36.44 On Monday the 3 April I received a reply from Watters indicating that he was not interested at the figure I quoted
- 36.45 After the Steamship Company kicked me out, (see below), Skybus withdrew the licence applications. This may have given The Directors a more comfortable time, but was not in the best commercial interests of the Skybus Company.
- 36.46 The Helicopter continued to operate, and colleagues in the industry told me that the Administrator had refused to sanction the deep overhaul of the Penzance helicopter and eventually a "management buy out" was put together using Canadian money. It is not clear how they got round the CAA regulations concerning overseas finance of UK operators.
- 36.47 On 21 September 1992 the Administrator presented his first six monthly report. This showed that the deficiency position had deteriorated by a further £28 million, partly because of a claim of £15 million by the pension fund. Hidden in the figures, in my view was a sum of about £5 million representing further trading losses. In the meantime the Penzance heliport was put up for sale.
- 36.48 At the meeting when the Steamship Directors kicked me out, Hicks produced a document purporting to have come from the Helicopter company which accuses me of "underhand sales tactics" etc., Hicks refused to tell me from where he had obtained the document. Subsequently T.C.Clifford, a Skybus Director, told me that the document was put on display in the window of Messrs.Morley's, the Helicopter company agents in Hugh Town on St.Mary's. On reflection this seems to me to be a repeat of the "knee jerk" tactics of the Helicopter company in previous years,(see para 36.18 above), but this time directed at me personally. A "dirty tricks" tactic perhaps inherited from their original parent company, British Airways, who have admitted similar actions taken by them in a much bigger way vis-a-vis Virgin Atlantic and Mr.Branson, (who incidentally has been a Skybus customer.)

Footnote July 2009.

It is ironic that recently it was announced that BIH Helicopters are negotiating with Skybus to move their helicopter base from Penzance to Lands End Aerodrome in order to reduce their operating costs!!!

37 "KICKED OUT"

- 37.1 On Monday 3 April 1992 I attended the Monthly Steamship Company Board meeting. At Land's End aerodrome I met Mr.Mckenna, and he said he had been trying to contact me to congratulate me on my actions vis a vis the helicopter. He had received copies of the correspondence. He also said that B.C.Ward had contacted him to say that some Island Directors were upset about my actions the previous week, but he Mckenna thought I had done the right thing for the Company. I had not heard from Ward since the previous Thursday nor from Christopher.
- 37.2 In view of Mr.Mckenna's report of Ward's comment to him, when I arrived at the Company offices on the Islands I asked Ward to elaborate and he said that some Directors were still unhappy about the applications on the licences. I suggested that in that case I would propose to them that we withdraw the application to rescind the BIH licences, but retain our own application for licences in parallel.
- He agreed I should do that and at the meeting I put forward that proposal. There was an unpleasant series of histrionics from Hicks, and Nicholls, and no support for me from Ward, Banfield or Christopher, the Skybus Directors, even though they had agreed to the licence applications being made at the Skybus Board meeting on 13 March, or (in the case of Ward), at the meeting I had with him on 30 March.
- 37.3 Eventually a vote was taken and a majority voted to rescind my service contract and I was asked to leave the meeting which I did. The next move was that Mr.Mckenna resigned from the Board in protest.
- On return to my office in Penzance I was met by a member of my staff who informed me that he was instructed that I was no longer employed and he was not to let me into my office on my own, and my secretary informed me that she had been asked to go through the papers in the "private" drawer of my desk to find my service contract.
- Later I was contacted by the press who told me they had been informed that I was "sacked".
- 37.4 Subsequently the Company Marketing Manager told me that he was informed on 3 April, the Friday before the Monday meeting, by a contact on the Islands that on the following Monday the Steamship Directors are going to "Kick Charlie out". He was prepared to swear a statement to that effect if required.
- 37.5 I have realised since that Directors cannot throw out a colleague just like that, under the articles a specified procedure must be followed. All Directors, including Mr.Mckenna should have been required to sign a document requesting me to resign. Clearly he would not have agreed to do that.
- 37.6 In the following months I received unpleasant solicitors letters from the Company and one from Christopher claiming that they would not pay me my Director's fees from Skybus and Steamship.on the grounds that "the Board was not satisfied with my discharge of my duties during the year".

Footnote July 2009.

It has given me great pleasure recently to see the airline at last forging ahead once again under the excellent direction of Jeff Marsten, a mainland based chief executive with wide business experience.

38 ACKNOWLEDGEMENTS

38.1 This “memoir” has been about my own experiences, but Skybus could not have got off the ground without the enthusiasm help, dedication, and hard work beyond the normal call of duty of the pioneering staff and other helpers who all became my good friends over the years, in particular I will mention:

Capt. Vivian Bellamy a pioneering aviator of the old school and proprietor of Lands End Aerodrome.

Capt John Nurse, our first chief pilot, who always instilled confidence in his flying ability. (I will always remember flying up Cott valley at “zero feet” in GB-FNU with John at the controls under a low cloud base to land a private positioning flight.) Later John left us to fly airships in America..

Mike Vigar Our first Passenger manager and his wife Jan who both worked all hours to help our business get off the ground.

Paul Williams ex Royal Navy ground staff petty officer at Culdrose and our first Flight Operations Controller who compiled the necessary 100 page operations manual for our air operators licence.

My Personal Secretary Caroline Geddes who typed and prepared the hundreds of pages of letters reports and submissions that were required to launch the airline and keep it in the air against all adversity. No word processors or computers in those days

John Sharman retired Civil Aviation Authority air traffic control inspector and Skybus pilot who helped me set up our own air traffic control service over one weekend when Isles of Scilly Council tried to ground us by withdrawing our air traffic cover without notice.

John Boyd a retired CAA Aerodrome inspector who helped me to get runway 10/28 at St.Mary’s re opened for traffic, after Isles of Scilly Council had voted to have it closed in an attempt to sabotage our new Exeter service.

Roderick Bellamy our first aircraft maintenance Supervisor.

Paul Watts our first representative on the Islands. He marshalled the aircraft, collected the luggage, drove the van, loaded the flowers, took all the flak from the “opposers”, welcomed the passengers and always with a cheerful smile.

The management of Exeter airport who welcomed our service with open arms, a real breath of fresh air and such a contrast to the attitude we had encountered on the Islands.

Mr Gibbins a travel agent who trudged through the snow in the early morning on 14th January 1987 from St Ives to St. Earth to catch a train in time to give evidence in our support at the CAA Licence hearing when BIH helicopters and Isles of Scilly Council tried to have our air traffic licence cancelled.

Ron Riley our first full time Air Traffic Controller. Ron started his career in radio on one of the old mid Atlantic weather ships. Many pilots will remember his unforgettable response on the VHF as they called in on approach to the Aerodrome.- “Land End Air traffic I have you wisual”(sic).- another good friend

Mike Boyle previously a BA Concord pilot. Mike flew one of our Islander aeroplanes into London Heathrow on a charter flight. The problem was the taxi ways were so long that the little wheels caught fire and the whole airport was shut down for a short time while the fire service hosed them down.