
Options Appraisal – The City of Adelaide Historic Scotland **FINAL REPORT**

DTZ



in association with

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Disclaimer

This report presents commercial information relating to a competitive bid situation and financial data pertaining to the Scottish Maritime Museum (SMM), The Clipper Ship City of Adelaide (CSCoA) Ltd and Sunderland City of Adelaide Recovery Foundation (SCARF). Given these sensitivities, DTZ sought guidance and reassurance from Historic Scotland prior to the report being published on the Scottish Government website:

- **Competition Decision** – on 28th August 2010, Fiona Hyslop, Minister for Culture and External Affairs, announced that The Clipper Ship City of Adelaide (CSCoA) Ltd was awarded preferred bidder status. At this juncture the Scottish Government took the decision to release DTZ's report, which up till this date had been withheld as 'private and confidential' at the request of DTZ. They have reassured DTZ that the public dissemination of the report at this stage is compliant with procurement law.
- **Freedom of Information** - Historic Scotland has also confirmed that the commercial and financial information contained within the report cannot be withheld as 'commercial in confidence' given its obligation to comply with the Freedom of Information Act.

On the basis of this guidance and reassurance from Historic Scotland, DTZ will not be held liable for the release on the Scottish Government website of any commercial or legal information within its report relating to SMM, CSCoA Ltd or SCARF.



Executive Summary

Overview

The City of Adelaide (also known as SV Carrick during its Royal Navy term) is an A-listed 19th Century clipper ship, currently dry berthed at Irvine Harbour under stewardship of the Scottish Maritime Museum (SMM). It is on the register of the National Historic Fleet, and as such is considered by naval experts to be one of the most significant historic vessels to survive to the present day, both for its age and rarity, and for its historic connections.

The vessel was constructed in 1864 in Sunderland and acted as a passenger transport ship between London and Adelaide for 22 years, later serving as a timber transport ship and hospital isolation ship. It was subsequently taken over by the Royal Navy in 1923 and re-named the SV Carrick, latterly serving as a social club for the Royal Naval Volunteer Reserve based in Glasgow. Upon sinking in the early 1990s, she was recovered by the SMM with the intention of restoration.

Between 1991 and 1996 the SMM undertook initial works on the vessel. However, with the loss of funding from both Irvine Development Corporation and Strathclyde Regional Council in 1996, the Museum's financial position was significantly diminished. This position worsened when the owner of the slipway on which the vessel was berthed (Ayrshire Metal Products) gave SMM notice to quit the site, thus entering a penalty clause period in 1999. This financial penalty has now reached £500,000, though the requirement for payment is currently challenged by SMM and the subject of an on-going legal dispute.

Given their precarious financial position, SMM began seeking options for the City of Adelaide in 1999 with the aims of:

- Safeguarding SMM and the National Collection – the vessel needs to be removed from the slipway in 2010 to avoid further potential liability of £50,000 per annum, which will exceed SMM's reserves;
- Maintaining the vessel's heritage; and
- Generating public benefit from the vessel.

As at January 2010, following 10 years seeking viable options for the future of the vessel, formal bids have been received for four alternative approaches:

- **Demolition:** the breaking-up of the vessel without a programme for recording the existing fabric and constructional format in detail.
- **Managed deconstruction:** preservation by record through a controlled dismantling programme in order to add to the UK's maritime record. This includes preservation of key sections of the vessel, with potential for future display or interpretation;
- **Relocation to Sunderland:** A bid submitted by Sunderland City of Adelaide Recovery Foundation (SCARF) - a community interest company with the aim of returning the vessel to Sunderland for display and interpretation; and



- **Relocation to Australia:** A bid submitted by Clipper Ship City of Adelaide Ltd (CSCoA), a not-for-profit consortium comprising engineers, heavy-lift specialists and naval architects.

One further option has been added to the appraisal: **Restoration in Scotland**, though no formal bids have been received to undertake this work. The Scottish Government also has the option to **do nothing**.

Within this context, there is a need to deliver the optimal heritage solution which is technically feasible and financially viable for the Scottish Government and the SMM. Historic Scotland therefore commissioned DTZ in association with Sir Neil Cossons to conduct an appraisal of the bids received and the options available.

Approach

The approach adopted has been to critically assess the available options in three stages, driven by the need for both a technically feasible and financially viable solution. The key stages are:

- To determine which options are credible and deliverable, against a set of quantitative and qualitative indicators;
- To maximise the heritage value and public benefit offered by the City of Adelaide; and
- To deliver a value-for-money solution for Historic Scotland and the Scottish Government.

Each option was assessed against an agreed framework consisting of 12 indicators covering financial, heritage, public benefit, and commerciality / deliverability criteria. This process was used to limit the options to those which offered an achievable solution within the required timeframe.

The evidence presented in this report has been gathered through consultations with all of the key stakeholders and bidders, and from review of the formal proposals received by SMM. This included site visits to both Sunderland and Australia, and workshops with the Board of National Historic Ships, the Scottish Maritime Museum and the Heritage Lottery Fund. This has been supplemented with desk research to review the submitted bid documents and to develop an appropriate assessment framework upon which to base the final recommendation.

The relative assessment of the options has been based on the best available information. However, core to the recommendations is the subjective element of professional judgement made by the study team around the softer indicators, such as the calibre, experience and deliverability of the bid teams.

Assessment of the Options

Do nothing – this option will likely result in failure to remove the City of Adelaide from the slipway. If SMM is unsuccessful in its legal challenge to AMP, it does not have the operating capital to meet the slipway penalty due. SMM would therefore potentially be declared bankrupt and face closure and sale of all assets. This would jeopardise the future of one of Scotland's National Collections. In practice, it is quite possible that the Scottish Government would look to support the SMM with further ad hoc funding as it has on previous occasions. In addition, though City of Adelaide is not part of the National Collections, it is likely that the

Scottish Government would face criticism for failure to protect and maintain a Category A-listed structure.

Demolition – this is the cheapest capital funding option for the Scottish Government (c. £400k), and meets the requirement to clear the slipway in 2010, thus avoiding further potential penalties and helping to sustain the SMM. There is documented research relating to the City of Adelaide, such as the 2009 laser survey. However, from a heritage perspective this is the least attractive option as the entire vessel is lost.

Managed Deconstruction – for a premium of around £100k above the demolition cost (total cost £500k) the City of Adelaide could be deconstructed in compliance with the guidelines developed by National Historic Ships. This option already has planning approval from North Ayrshire Council, thus avoiding criticism over failure to protect a Category A-listed structure. It is deliverable and also meets the requirement to clear the slipway in 2010, helping to safeguard SMM. The key elements of the vessel are retained and displayed in the SMM car park, albeit without any interpretation or education benefits. This would however give opportunity for future interpretation if funding could be sourced. Given the additional heritage benefits and the potential for future public benefit at the incremental cost of £100k, this option is preferred to demolition.

Restoration in Scotland – This is by far the most expensive option, at around 4 times the cost of the next most expensive alternative. It also commits the Scottish Government to significant on-going maintenance and operating costs. Given the SMM's failure to source private sector funding to support the on-going restoration programme over the last 10 years, this option is not thought to be deliverable. The 1999 Government appraisal of the Industrial museums also previously rejected this option, recommending SMM discontinue the planned restoration. This option is therefore excluded as, based on this evidence, it is not considered to be technically or commercially viable.

Relocation to Australia – the CSCoA bid team includes engineering expertise and offers a deliverable technical solution which has been verified by the SMM. The bid also has tangible public sector support from the government in South Australia, both in-kind commitment and potential funding support. In heritage terms, the emigrant voyages to Australia represent a significant period during the vessel's lifetime. There is also a demonstrated Scottish Diaspora in Port Adelaide, who would benefit from the vessel's location there. Our view is that this is a deliverable and credible bid, which meets the objectives of SMM, NHS and delivers public benefit.

The key risk for the Scottish Government is the current uncertainty around the exact level of financial support required. The current funding gap is c. £1.3 million. We understand that CSCoA and the Australian Government would be interested in a contribution from the Scottish Government.

Relocation to Sunderland – the Sunderland bid team is driven by local enthusiasm, but SCARF does not include the technical knowledge and resources to deliver the relocation without contracting out the main elements to parties who are not already in the consortium. Significant elements of the bid are still to be verified including:

- Appointment of Ove Arup to design and oversee a contractor to build the cradle, and the associated costs. This is critical to the technical deliverability of the bid and is not substantially demonstrated in the current bid document.
- The total capital costs for the project and any requirement for funding from the Scottish Government;
- The income sources to address the current gap between operating expenditure and income once the vessel has arrived in Sunderland; and
- The proposed timescale for delivery, and ability to meet SMM's 2010 deadline for removal of the vessel from the slipway.

The bid has a strong link to Sunderland's industrial heritage, and the proposals presented would deliver significant public benefit. However, the key elements of the bid have not been presented in sufficient detail to give confidence over the deliverability of the relocation in technical and financial terms, or the sustainability of the display and interpretation plans. SCC support has been volunteered in kind, but not financially. Given that fundamental questions still exist around the credibility of the bid, and the skills and resource within the SCARF bid team to address the gaps within the timescale required by the Scottish Government, this option has to be discounted.

Conclusions and the Way Forward

The final filtering process for the bids was conducted in three stages in accordance with the objectives of the study, concluding as follows:

1. **Identifying the credible bids** – The most important criteria in establishing a credible bid is the calibre, experience and deliverability of the bid team. Only 3 out of the 6 options have demonstrated this: demolition, deconstruction and the CSCoA bid. Also, within the context of the SMM, the solution is driven by the need to make a quick decision. Only 3 of the 6 options have demonstrated at this stage that they are able to meet this requirement.
2. **Maximising the heritage benefit** – Of the three remaining potentially feasible options, only the CSCoA bid retains the vessel in complete form and thus must score top marks in terms of heritage value and potential public benefit. As a fallback, managed deconstruction is preferred to demolition.
3. **Delivering an affordable and value-for-money solution** - the level of funding support required from the Scottish Government is uncertain at this stage. If the requirement for funding is greater than the cost of managed deconstruction, this leaves the question of whether the extra heritage benefit justifies the funding premium where the ownership of the vessel transfers from Scotland to Australia.

On this basis, it is recommended that Historic Scotland and the Scottish Government enter into discussions with CSCoA to establish the level of funding support sought as a matter of urgency. If an acceptable deal cannot be negotiated, the fall back option of managed deconstruction should be pursued.

This approach is consistent with the recommendation made by National Historic Ships in their submission to Historic Scotland (19th July 2010):



“The Advisory Committee is committed to working with all agencies involved to secure a sustainable future for City of Adelaide and is looking to mitigate the risks that will militate against this being achieved. The bid submitted by CSCoAL is more advanced than SCARF’s in the essential competencies identified in this advice note and it is felt that in these key aspects the CSCoAL proposal demonstrates the necessary potential to develop into a scheme which can deliver a sustainable solution. This being the case, it is the Committee’s view that it would be appropriate for the CSCoAL bid to be nominated as the preferred bidder within a pre-application framework”.

In conclusion, the CSCoA bid offers a deliverable and potentially strong value-for-money solution for Historic Scotland and the Scottish Government, and helps to safeguard the National Collection held by the Scottish Maritime Museum. The option safeguards and maximises the heritage benefits of the vessel, and enhances the public benefit through interpretation.

1. Introduction

The City of Adelaide (also known as SV Carrick during its Royal Navy term) is an A-listed 19th Century clipper ship, currently dry berthed at Irvine Harbour under stewardship of the Scottish Maritime Museum (SMM). It is on the register of the National Historic Fleet, and as such is considered by naval experts to be one of the most significant historic vessels to survive to the present day, both for its age and rarity, and for its historic connections.

The vessel was constructed in 1864 in Sunderland and acted as a passenger transport ship between London and Adelaide for 22 years, later serving as a timber transport ship and hospital isolation ship. It was subsequently taken over by the Royal Navy in 1923 and re-named the SV Carrick, latterly serving as a social club for the Royal Naval Volunteer Reserve based in Glasgow. Upon sinking in the early 1990s, she was recovered by the SMM with the intention of restoration.

Legal and financial drivers have led the SMM to investigate a number of options for the vessel's future under the guidance of Historic Scotland, covering both decommissioning and relocation. Historic Scotland therefore commissioned DTZ in association with Sir Neil Cossons to complete an evaluation of the various options available.

The aim of the study is to consider the feasibility of all of the current options for the ship, to allow a clear, transparent and fully informed recommendation to Ministers. Specific objectives include:

- Making contact with relevant interested parties;
- Considering the funding options and risks relating to **managed deconstruction** of the vessel and to scope possibilities for the retention of the vessel in Scotland;
- Assessing in detail the proposals of SCARF (**Sunderland City of Adelaide Recovery Foundation**) and CSCoA (**Clipper Ship City of Adelaide Ltd.**);
- Considering the technical and logistical feasibility of the options;
- Consideration of their financial viability; and
- Identifying the risks which each option carries from a political, logistical and financial point of view.

The evidence presented in this report has been gathered through consultations with all of the key stakeholders and bidders, and from the formal proposals received by SMM. A list of consultations is included as an appendix. This has been supplemented with desk research to develop an appropriate assessment framework upon which to base the final recommendation.

The approach adopted has been to critically assess the available options in three stages, driven by the need for both a technically feasible and financially viable solution for the Scottish Government (SG) and SMM. The key stages are:

1. To determine which options are credible and deliverable, against a set of quantitative and qualitative indicators;

2. To maximise the heritage value and public benefit offered by the City of Adelaide; and
3. To deliver a value-for-money solution for Historic Scotland and the Scottish Government.

Within the context of historic ships, there are a number of terms used in the report which have to be defined. These relate to the potential future options and definitions are consistent with the guidelines published by National Historic Ships (NHS): *Deconstructing Historic Vessels*, October 2007 and the Burra Charter for Conservation, Restoration and Reconstruction:

- **Demolition** – Unconsidered destruction. This is the breaking-up of a vessel without a programme for recording the existing fabric and constructional format in detail. This may be accompanied by some attempt to retain or salvage parts of the vessel for interpretation and display or for sale: this can be limited or extensive.
- **Deconstruction – Preservation by sectioning.** When it is no longer practical to save the entire ship, a section can still evoke something of the essence and scale of the historic vessel, but in a more manageable way. Preservation by Sectioning is the careful disassembly or cutting of the hull into pieces, either to enable a reconstruction at some future date or to preserve a significant proportion of the structure to convey something of the original shape, size and configuration.
- **Deconstruction – Preservation/Replacement by Record.** Preservation/Replacement by record is achieved through a controlled dismantling programme (once the significance of a vessel is understood) in order to add to the maritime record of the United Kingdom and to ensure that technically or historically significant elements of the vessel are preserved for display and for re-use in other vessels where appropriate. It may include preservation by sectioning.
- **Managed deconstruction** – the term used in the report to combine preservation by sectioning and preservation/replacement by record.
- **Conservation** – all the processes of looking after a place so as to retain its cultural significance. In the report, this refers to the protection of the hull from future deterioration, but not restoration.
- **Restoration** - returning the existing fabric to a known earlier state by removing accretions or by reassembling existing components. In this case, restoration of the masts would require new materials e.g. The Warrior restoration required 65% new materials.
- **City of Adelaide** – the vessel is referred to by its original name throughout the report, as this represents the period of its life with the greatest heritage significance.

The remainder of this report sets out:

- The background to the vessel, the study and the rationale for change (chapter 2);
- The details of the options (chapter 3);
- A relative assessment framework (chapter 4); and
- Conclusions and recommendation (chapter 5).

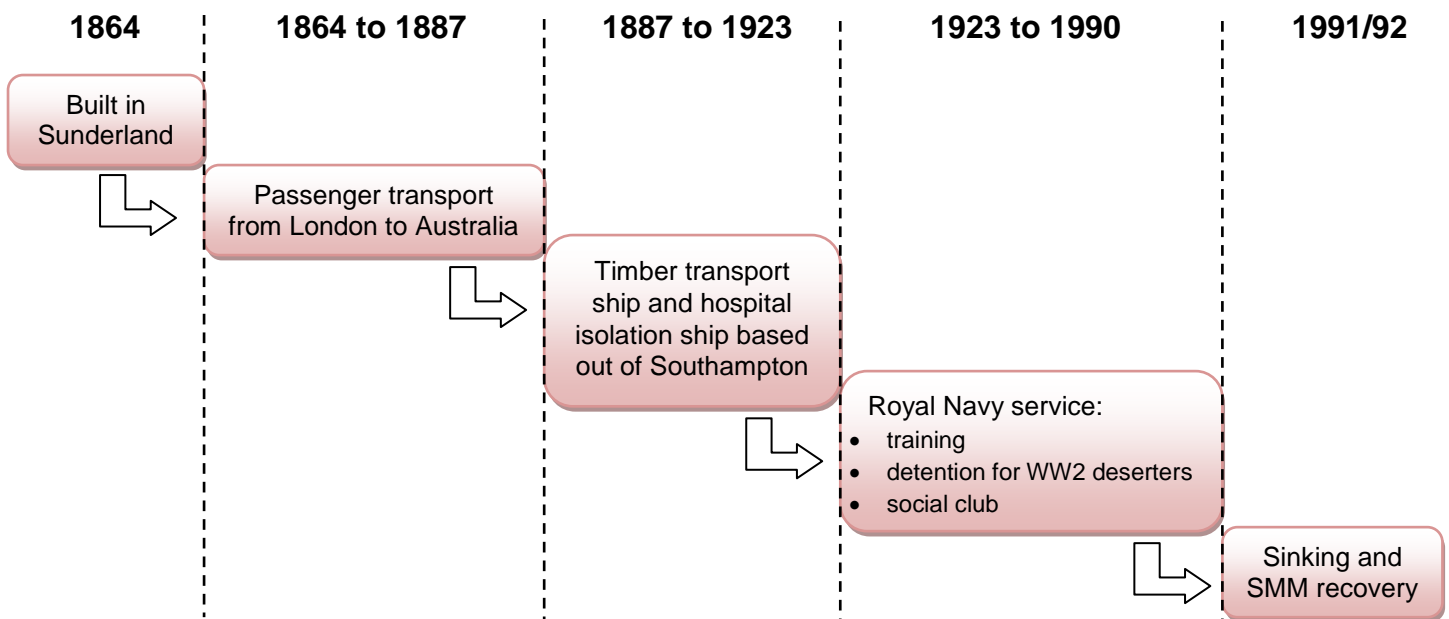
2. Background and Rationale for Change

This chapter presents a brief history of the vessel, which informs the heritage aspects for each of the proposed options.

The future of the City of Adelaide has been under discussion for a number of years, and the feasible options have evolved over this period. A summary of the research undertaken in advance of this report is also presented, including the drivers to change the current situation to ensure SMM's continued viability.

2.1 City of Adelaide Timeline

The key events and phases in the timeline of the City of Adelaide are as follows:



This provides the heritage context underpinning both the Sunderland and Australian relocation bids:

- Construction in Sunderland in 1864 represents a significant part of the area's industrial ship-building heritage for the period. It is the oldest surviving example of a composite structure vessel from this period, comprising an iron frame and timber-planked hull retained in a single piece.
- One of only two surviving sailing ships to have carried emigrants from the British Isles, it was used as a passenger transport between London and Australia between 1864 and 1887, completing 22 round trips and contributing to the colonisation of Australia. The life of the vessel represents "a whole foundation era of Australian social and economic history". Furthermore, Australians held the majority share of ownership of the vessel at that time.

2.2 History of CoA Restoration Programme in Scotland

In appraising the options for the clipper ship City of Adelaide (CoA) one must take into consideration the context of the Scottish Maritime Museum (SMM). SMM owns the City of Adelaide and has been the custodian of the vessel since January 1992, although the vessel is not part of the 'National Collections'. Its responsibility in leading the attempted restoration and latterly 'disposal' options for CoA has resulted in consequential costs that are inextricably linked to the financial welfare of the Museum as described below.

Given the break-even finances for SMM, the current options being addressed by DTZ have to consider the impact on the Museum in terms of financial exposure and risk. In particular, given that the Scottish Government has historically been providing financial support to SMM to support its core business (excluding CoA), and given its recognition of SMM's important role as custodian of one of the Scottish industrial collections, the CoA appraisal must reflect the impact of the different options on SMM in reaching its conclusions on the optimal way forward.

Table 2.1 – Chronology of Events: 1991 - 2010

Date	Events & Activities	Impact on SMM Finances
1991	CoA was refloated in the Clyde and moved to the Irvine slipway – cost < £100k	None
1992 – 1996	£1m fund made available for restoration from Irvine Development Corporation (IDC), Strathclyde Regional Council (SRC) and Scottish Enterprise Ayrshire (SEA). This funding was drawn down to cover the cost of: <ul style="list-style-type: none"> Slipping the vessel Installing infrastructure round the vessel Commencing restoration – 4 shipwrights on cleaning and maintenance. Note: full restoration costs at this time were estimated at £4m 	Sufficient funds made available for initial works on CoA. No financial problems.
1996	IDC and SRC wound up on the same day. They both withdrew all financial support to SMM. This wiped out 68% of income – both revenue grant and support-in-kind.	First major financial blow to SMM.
1997 – 98	SMM adopted a strategy of conserving its remaining funds as best it could, with <ul style="list-style-type: none"> HLF application to preserve the museum building 	
April 1999	SMM is given notice to quit the Ayrshire Metal Products (AMP) slipway. SMM entered into the slipway contract on the basis of a peppercorn rent, but with a penalty clause that for every year the vessel remains on site beyond the point when asked to quit they would pay a penalty of £50,000.	Start of growing debt to AMP to cover slipway penalty cost
1999	Scottish Government funded report on the Industrial Museum Collections (including Mining and Fisheries) approved survival funding for SMM on the condition that the CoA project was abandoned – assuming that disposal would be easy. SMM informed by NHS that finding a buyer could be problematic and initially approached US, Australian and Sunderland authorities.	Survival funding approved, excluding the CoA project

2000	SMM unsuccessful finding a buyer and approach North Ayrshire Council for approval to demolish – rejected as hadn't exhausted the opportunity to identify an alternative user – also 128 objections received including from pressure groups in Sunderland and Australia.	
October 2000	Duke of Edinburgh takes active interest in conservation of the vessel and conference held with expert panel to identify suitable options for new use. Concludes that first credible bid should be supported, presuming that demonstrable funding is provided by the bidder.	Lack of HLF support for CoA case
2002	Mike Edwards provides £400,000 to SMM for exclusive right to research the vessel for 2 years, with a view to conversion for luxury cruise holidays. Funding was aimed at ensuring SMM survival during the research period to cover any slipway costs owed to Ayrshire Metal Products. Option not pursued, so SMM retain reserve fund.	£400,000 reserve fund available to cover slipway costs. (Now stands at £380,000 through use for legal & survey costs associated with the vessel)
2007	SMM re-contact Sunderland and Adelaide authorities to inform that they will reapply for deconstruction unless other proposals are forthcoming. No credible responses received, so deconstruction plan developed. Interest expressed between 2000 & 2007 included inquiries from: <ul style="list-style-type: none"> • USA • Cornwall *2 • The Lake District • Australia *2 (brief descriptions of each are provided overleaf)	
April 2009	Deconstruction plan approved by North Ayrshire Council and SMM go to tender for costs for 2 options: 1 - demolition 2 – managed deconstruction Australian team bid on demolition (£1m) and deconstruction to retain the bow and stern (£1.5m), but also offer a relocation option at a lower rate (£850k).	Funding gap: Cheapest demolition bid received £380,000. Cheapest deconstruction bid received £500,000 to save bow and stern. Relocation £850,000
December 2009	Conference in Newcastle involving all key stakeholders (Historic Scotland, National Historic Ships, Heritage Lottery Fund Scotland and North East, representatives from the Sunderland bid team and the leader of the City Council). HLF's view is that Scottish deconstruction and the provisional Sunderland bid are not eligible for support in current format, and advised to develop interpretation element of proposals.	
2010	On-going SMM legal dispute with AMP over penalty clause in slipway agreement. Total potential debt = £500,000 based on 10 years at £50,000 per annum. Actual Invoices received in 2001 = £100,000 + VAT (£117,500). Mike Edwards fund depleted to £380,000 due to legal costs.	Funding gap to meet slipway penalty (if required to pay) – current £120,000 and increasing by £50,000 in 2011.

2.3 Development of Future Options

Since 1999, SMM have been seeking a viable and credible option for the future of the City of Adelaide in order to avoid deconstruction. A number of channels have been investigated pro-actively and a range of inquiries received to address the vessel's future. The initial long list of interest expressed between 2000 and 2007 included inquiries received from:

- **USA:** Business development of a North Carolina historic port to include a Museum and Heritage vessels. After six months research, the business opted for investing in another (non maritime heritage) project.
- **Cornwall:** from Tim Roper, a private businessman. Vessel to be based in Falmouth on a large barge and slowly restored. Space within the vessel was to be developed for commercial activity. This proposal has not been developed further through lack of funding identified.
- **Plymouth:** an employment training project based in Plymouth. An initial inquiry was made, however no detailed scheme has ever been presented.
- **The Lake District:** Business development of Maryport Harbour with the vessel based in the harbour as a visitor attraction. The developer withdrew their proposal after a costed technical report was prepared.
- **Australia *2**
 - CSCoA have submitted a technically feasible scheme.
 - A second inquiry was received for the vessel to be used as a floating immigration museum for Australia, and tour each state on regular basis. The project was not developed further because the timescale for attracting sufficient business support was thought to be too short. The project advisor was fund raiser for construction of the replica of the Endeavour. Restoration would have taken place at the same shipyard as the CSCoA bid.

Following the Duke of Edinburgh's conference in 2000, it was decided that the first credible and deliverable bid received should be supported. Formal bids have been received for three options and short listed as potentially viable by the SMM. These therefore form the focus of this appraisal. The full appraisal is limited to these short listed option (together with a Do Nothing option), each of which is discussed in detail in section 3:

1. Scotland-based options:
 - a. Demolition
 - b. Deconstruction
 - c. Restoration
2. Relocation to Australia: the CSCoA bid (Clipper Ship City of Adelaide)
3. Relocation to Sunderland: the SCARF bid (Sunderland City of Adelaide Recovery Foundation)



2.4 Summary of Drivers

The key drivers for the project are three-fold:

- **Safeguarding SMM and the National Collection** – the financial position of SMM varies annually between marginal profit/loss. However, they have a mounting background debt of slipway penalty due to AMP in relation to the City of Adelaide. This debt is currently estimated at £500,000, jeopardising SMM's financial viability as this exceeds the reserve fund of £380,000 available to meet this cost. This drives the timescale for the decision: the vessel needs to be removed from the AMP slipway in 2010 to avoid further potential liability of £50,000 per annum.
- **Maintaining heritage** – the City of Adelaide is on the register of the National Historic Fleet, and as such is considered by naval experts to be one of the most significant historic vessels to survive to the present day, both for its age and rarity, and for its historic connections.
- **Public benefit** – the bids provided offer an opportunity for wider interpretation, education and public benefit relating to the vessel and its heritage.

Within this context, there is a need to deliver a technically feasible and financially viable solution for the Scottish Government and the SMM.

3. The Options

This section describes the key aspects of the domestic options and the relocation bids received. The information in this section is presented at face value, as submitted to DTZ and Sir Neil Cossons, either in the bid documents, or through the consultation programme. A critical appraisal of each option then follows in Section 4, challenging the assertions in the bids.

It is also good appraisal practice to include a “Do nothing” option, as this helps to describe the rationale for change. This approach is advocated by the HM-Treasury's Green Book for Appraisal and Evaluation in the public sector.

3.1 Do Nothing

The City of Adelaide is currently on a rented slipway in Irvine. A penalty payment due on the slipway is currently the basis of a legal dispute between the owner (Ayrshire Metal Products) and the SMM. The contract for the slipway was negotiated at a peppercorn rent. However, the contract includes a penalty clause stating that should SMM be given notice to quit the site, penalty payments will be due at £50,000 per annum from that point. AMP gave SMM notice to quit the site in April 1999, so the total potential penalty currently stands at £500,000. SMM has disputed the contract and specifically the legality of the payment clause. Additional legal fees will also therefore be due if SMM are unsuccessful in their challenge.

It is understood that AMP will only engage in communications with the SMM through lawyers, until there is a confirmed removal date for the vessel from the slipway. The implications of this legal position are discussed further in the conclusions section.

If a removal date is not agreed this year, further penalty payment will be due. Based on consultations with the SMM, failure to remove the vessel in 2010 could result in:

- Bankruptcy and closure of the SMM, given that the current potential penalty liability exceeds SMM's resources. This would mean the sale / loss of the National Collection at the SMM. In practice, it is quite possible that the Scottish Government would look to support the SMM with ad hoc funding as it has on previous occasions.
- Deterioration and loss of the vessel, as a buyer is unlikely to be identified. The ownership of the vessel and timescale of survival are uncertain, pending the decision of the AMP legal challenge.

This provides the rationale and justification for any public sector support to the alternative options.

3.2 Scotland-based Options

3.2.1 Demolition

Def: Unconsidered destruction. This is the breaking-up of a vessel without a programme for recording the existing historic fabric in detail.

Following the approval of the deconstruction plan in April 2009 by North Ayrshire Council, SMM sought tenders for both demolition and managed deconstruction. Two formal proposals have been received to undertake the demolition, ranging in cost from £380,000 to £500,000. SMM are not able to finance this option without support.

Based on consultation evidence, the demolition option is unlikely to attract any private or HLF (Heritage Lottery Fund) funding, so would require 100% Scottish Government funding.

The proposals received meet the timescale for removal of the vessel from the slipway in 2010, and are deliverable.

A significant volume of recorded evidence already exists for the vessel (such as the laser survey). However, this existing record does not meet the standards of the managed decommissioning option, as new aspects of the vessel may be identified through deconstruction, which would not be comprehensively mapped by the existing record.

3.2.2 Managed Deconstruction

Def: managed deconstruction is the term used in the report to combine preservation by sectioning and preservation/replacement by record:

- **Preservation by sectioning:** when it is no longer practical to save the entire ship, a section can still evoke something of the essence and scale of the historic vessel, but in a more manageable way. Preservation by Sectioning is the careful disassembly or cutting of the hull into pieces, either to enable a reconstruction at some future date or to preserve a significant proportion of the structure to convey something of the original shape, size and configuration.
- **Preservation/Replacement by Record:** preservation/ replacement by record is achieved through a controlled dismantling programme (once the significance of a vessel is understood) in order to add to the maritime record of the United Kingdom and to ensure that technically or historically significant elements of the vessel are preserved for display and for re-use in other vessels where appropriate. It may include preservation by sectioning.

This option would be conducted in line with the deconstruction plan approved by North Ayrshire Council in April 2009. As with demolition, two formal proposals have been received to complete the managed deconstruction ranging in cost from £500,000 to £600,000. Again, SMM are not able to finance this option without support.

The managed deconstruction preserves the bow and the stern sections of the vessel, to be stored/ displayed in the SMM car park. At this stage there are no plans for further exhibition or interpretation at the SMM site, though the pieces are retained for potential future projects.

The loss of the full vessel destroys its aesthetic quality and context, but is preferred to total demolition in heritage terms. The detailed recording process for the deconstruction will also supplement the existing recorded evidence, and thus is more comprehensive than the demolition option.

In its current form, the deconstruction plan is unlikely to attract support from the Heritage Lottery Fund, due to its lack of interpretation and education elements following the



deconstruction itself. This position was confirmed to the stakeholder group in December 2009, and to date the proposal has not been adjusted accordingly to attract this funding. The option is therefore likely to require 100% Scottish Government funding.

3.2.3 Restoration

Def: returning the existing fabric to a known earlier state by removing accretions or by reassembling existing components without the introduction of new material.

Restoration retains the hull in full and re-rigs the vessel, so is preferable in heritage terms to the demolition and deconstruction options.

In the early 1990s this option was estimated to cost c. £4 million. The latest estimate at current prices is £10-12 million. However, no formal bid has been received for this option, and no potential funding sources identified. The deliverability of the option is therefore unknown.

3.3 Relocation to Australia

Bid Team

The bid has been submitted by Clipper Ship City of Adelaide Ltd (CSCoA), a not-for-profit consortium comprising engineers, heavy-lift specialists and naval architects. The bid is supported by the South Australian Minister for Infrastructure, offering a permanent location for the vessel in Port Adelaide.

Technical Proposal

Relocation phase

The physical relocation of the City of Adelaide, referred to in the bid as the rescue and transport phases, comprises:

- Manufacture of a cradle to stabilise and support the vessel in transit;
- Removal of the vessel from the slipway and use of a semi-submersible barge to float the vessel to a heavy lift transport ship (Dockship);
- Transfer to large scale heavy lift transport ship and travel to Brisbane;
- Transfer to an Australian barge for final journey to Adelaide. Temporary storage is required in Adelaide till late 2011, before transfer to the intended final display site at Cruickshanks Corner in Port Adelaide: part of a master-planned regeneration programme.

SMM and naval architects have reviewed and validated the technical feasibility of the proposals for relocation.

Operating phase - Interpretation and Public Benefit

Once the City of Adelaide is relocated to Cruickshanks corner, the focus is on conservation, rather than restoration of the vessel. The local heritage angle is based on the vessel being one of only two surviving sailing ships to have carried emigrants from the British Isles. It was

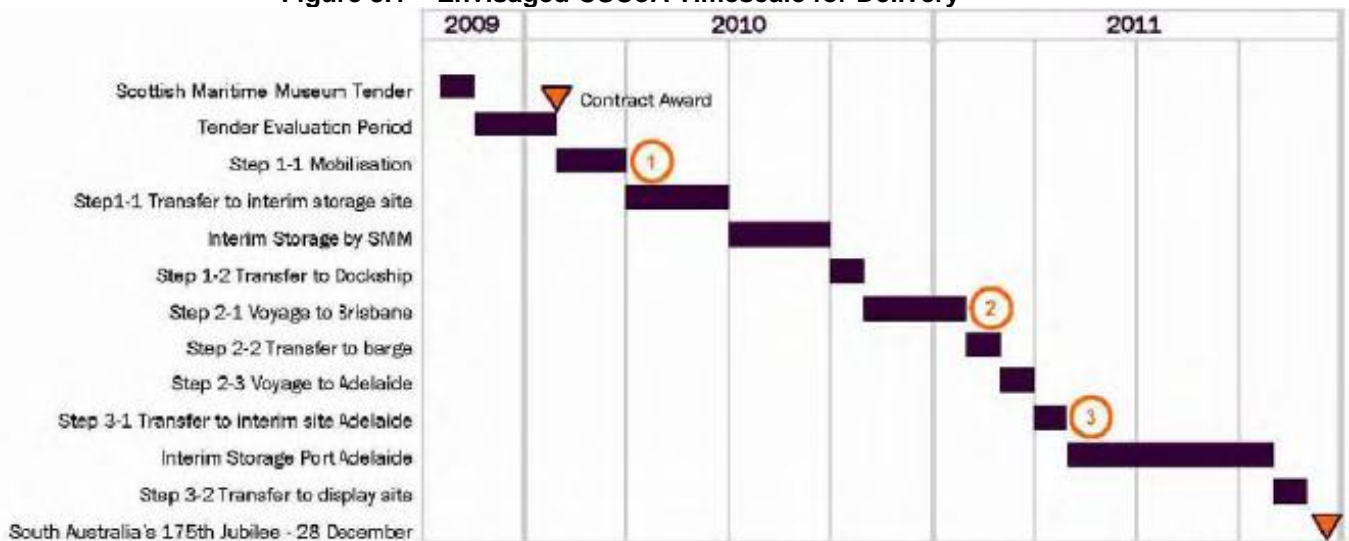
used as a passenger transport between London and Australia between 1864 and 1887, completing 22 round trips and contributing to the colonisation of Australia. The life of the vessel represents “a whole foundation era of Australian social and economic history”. Furthermore, Australians held the majority share of ownership of the vessel at that time.

It is intended that the vessel will generate significant public benefits through a number of channels:

- Providing a focal point for Port Adelaide’s 175th Anniversary celebrations;
- Display and interpretation to appeal to the large Scottish diaspora in Port Adelaide;
- Construction of a museum and on-board interpretation based on the London to Adelaide voyage period between 1864 and 1887.

Figure 3.1 illustrates the proposed timescale for the CSCoA proposals. The critical decision points relate to booking for transfer on the heavy lift ship, and ensuring arrival in time for the 175th Anniversary celebrations in December 2011. Assuming commitment is made over the summer, a slot is available for transfer in September on a heavy lift ship. This meets the SMM requirement to move from the slipway in 2010 to avoid entering a further penalty period and incur a further £50,000 debt.

Figure 3.1 – Envisaged CSCoA Timescale for Delivery



Source: CSCoA, December 2009

Financial proposals

The total capital cost associated with the movement of the vessel to Port Adelaide is AUD 3.97 million (c. £2.3 million¹). To date, a further AUD 1.3 million (c. £750,000) has already been spent via private sector and in-kind contributions relating to bid development and cradle design. This gives a total capital cost of c. £3.1 million.

¹ Exchange rate as at 31st May 2010 on XE.com (1 AUD = £0.581)

At this stage the contribution from the Government of South Australia is unknown and private sector fund raising is still on-going. No formal approach has been made to the Scottish Government, but the current financial position presented in the bid suggests a funding gap.

3.4 Relocation to Sunderland

Bid Team

The bid has been submitted by Sunderland City of Adelaide Recovery Foundation (SCARF). SCARF is a community interest company with the sole aim of returning the vessel to Sunderland. SCARF is not a charity, but if successful in its bid, would look to establish a charity with a board of trustees to manage the ship. The four directors of SCARF comprise heritage expertise, former naval operatives and a mixture of professional business skills. The bid is supported in principle by Sunderland City Council (SCC), through in kind provision of the site. However, SCC has indicated that they will not offer direct financial support to the project.

Technical Proposal

Relocation phase

The proposals for movement of the vessel from Irvine to Sunderland are understood to involve a number of stages:

- Design and construction of a cradle to stabilise and support the structure during transportation (if required). SCARF has made initial contact with Ove Arup regarding the development of the cradle, but to date no formal contract exists;
- Transfer of the vessel to a pontoon / floating platform, keeping the hull out of the water;
- Towing the vessel to a temporary site at South Dock for the main conservation work to take place. This is a secure site and working port. At present, it is understood that local volunteers will undertake the conservation, and no cost proposals are included in the bid for this stage.
- After 2 years, a city centre location: Pann's Bank (a wet dock) has been secured, where the vessel will rest on the cradle.

To date, no timescale has been provided for delivery of this option. It is therefore unknown whether the SMM deadline of removing the vessel in 2010 can be achieved.

Operating phase - Interpretation and Public Benefit

The City of Adelaide was constructed in Sunderland in 1864 and represents a significant part of the area's industrial ship-building heritage for the period. It is the oldest surviving example of a composite structure vessel from this period, comprising an iron frame and timber-planked hull retained in a single piece. On arrival in Sunderland, the vessel is therefore anticipated to generate significant public benefit through a number of channels:

- During the two-year conservation period, while the vessel is located at South Dock, it is SCARF's intention to allow visitors to witness the conservation. This will take the

form of pre-booked coaches, given that the site is a secure working port, not a public location.

- Once the vessel is moved to the city centre location, a visitor / interpretation centre is proposed. This is assumed to be costless, as local shipping companies are expected to donate old containers to be used in construction of the centre.
- Longer-term, the city centre location is not intended to be the permanent home, but a base from which the City of Adelaide can be moved to major local events. The bid does not include detailed proposals for delivery of this stage.

Financials

The total capital cost of the relocation phase is estimated by SCARF at £632,000, of which £500,000 is related to an initial budget to deliver the floating platform, sea fastenings and towing by a heavy lift company.

Total operating expenditure is estimated at £892,000 over the first 5 years, including staffing, security, utilities etc.

Total revenues are estimated at £731,000 over 5 years. A number of revenue streams are also anticipated:

- Estimated total visitors numbers of 20,000 visitors per annum at £2 each.
- £350,000 from associated retail (N.B. turnover, not profit, so this does not contribute directly to servicing of operating costs).
- 310 registered members of SCARF have pledged support, but no funds yet secured as this would follow the vessel's arrival. Estimated value £36,000.
- A number of corporate sponsors are referenced, most notably:
 - A deal with the distributors of Fosters, that SCARF will receive 10p from every pint of Fosters sold in Sunderland. Associated revenue of £31,000 is estimated.

At this stage, no approach has been made to the Scottish Government for funding support, and the level of support required is uncertain. However, the bid currently suggests a gap between operating income and expenditure.

3.5 Summary of the Options

Figure 3.2 overleaf summarises the advantages and disadvantages of each option. A full comparative assessment and critical appraisal is included in section 4.

Figure 3.2 – Option Summary

Option	Advantages	Disadvantages
1. Do nothing	<ul style="list-style-type: none"> Potentially no cost to Scottish Government, though in practice the Government may look to support SMM with ad hoc funding as it has on previous occasions. 	<ul style="list-style-type: none"> Jeopardises SMM viability and legal ownership of the vessel Potential criticism for failure to protect an A listed structure and national heritage Uncertainty over future ownership, pending AMP legal decision
2. Demolition	<ul style="list-style-type: none"> Cheapest option - £380,000. Well researched and documented for conservation purposes. Clears the AMP site the quickest, avoiding further penalty. SMM retain space in car park for alternative collection use. 	<ul style="list-style-type: none"> Loss of vessel for future physical interpretation Potential criticism from enthusiasts for demolition of heritage
3. Managed deconstruction	<ul style="list-style-type: none"> Higher cost than demolition, but still comparatively low cost - £500,000. Preserves the most significant pieces of the vessel for future interpretation. SMM has sufficient storage space to re-erect the pieces on-site subject to sourcing funding. 	<ul style="list-style-type: none"> Risk of iron-work deterioration if funding not sourced within 5 years. NHS believes more extensive pieces of the vessel could be saved on the SMM site, potentially inviting criticism.
4. Restoration in Scotland	<ul style="list-style-type: none"> Heritage retained and enhanced. Potential for significant public benefit through interpretation and touring of vessel round SMM sites. Estimated 25 year life from restoration. 	<ul style="list-style-type: none"> Most expensive option – estimated at £10-12 million capital and c. £0.5m p.a. maintenance. Not fundable without public subsidy. Requires negotiated extension of the AMP slipway.
5. Relocation to Australia CSCoA bid	<ul style="list-style-type: none"> Technically feasible and skills of bid team endorsed by SMM. Huge enthusiasm and public support for the project in Australia. In heritage terms, the trips to Australia are deemed the most significant period in the vessels history. Australian Civil Service and Cultural Division support. Funding structure includes committed corporate support and Australian public sector. Timescale is within SMM's requirements to avoid further penalty. 	<ul style="list-style-type: none"> High cost option – est. £3.1 million. Final financial plans unable to be completed and sponsorship gathered without confirmation of the ship arriving. The current bid includes a funding gap, and to date no approach has been made to the Scottish Government for funding. Speedy decision critical for delivery timescale as movement to a heavy lift ship is only possible at certain times of year.
6. Relocation to Sunderland SCARF bid	<ul style="list-style-type: none"> Significant local enthusiasm for project. Sites identified for relocation with large potential public catchment. 	<ul style="list-style-type: none"> Technical feasibility of proposals not verified. Financial proposals not verified, introducing risk. Timescale uncertain, and thought unlikely to meet SMM requirements to avoid further penalty.

4. Relative Assessment of the Options

The final decision for the City of Adelaide is not purely a financial one, but determined by a number of other less tangible drivers, such as the value of maintaining heritage. We have therefore developed a framework to combine the quantitative and qualitative information available in a consistent and transparent manner for critical assessment.

4.1 Assessment Criteria

The selection of key criteria for inclusion in the framework has been informed and developed during the stakeholder consultations to give the most comprehensive view. Twelve separate criteria have been selected to assess the options, grouped around three appraisal themes:

Financial indicators

- **Capital cost** – the total one-off cost for the initial stage of delivery: demolition, deconstruction or to move the vessel from the Irvine slipway to its intended destination. The scope of this phase varies significantly between the options, thus so do the costs. Where possible, actual values have been presented based on bids received: this includes the demolition and managed deconstruction options. For the relocation options, best estimates are presented in line with the latest information available from the bid teams.
- **Sources of capital funding** – this includes identified funders from the public and private sector and the corresponding amounts. As with capital cost, this is a moving target for some options, so best available information is presented. The gap between capital cost and capital funding is the anticipated requirement for Scottish Government funding.
- **Operating income** – sources and value of revenue anticipated once the City of Adelaide is at its final destination. This includes committed funding and anticipated sales of visitor tickets and merchandise, etc. The operating phase is not relevant to the demolition and deconstruction options, as these are capital-only projects. Ideally, HS and SMM are seeking an option which is sustainable in the long term, rather than merely an opportunity to avoid future potential penalty payments at Irvine.
- **Operating expenditure** - the on-going maintenance of the vessel and any on-going display, interpretation and education costs. Any gap between operating expenditure and income raises questions over the long term sustainability of the option.

Heritage and public benefit indicators

- **Heritage value** – the heritage case for the City of Adelaide is well established, and all stakeholders share a preference for the vessel to be saved, rather than lost based on its heritage value and its historic relevance. The extent to which this is achieved in the short term and on a more permanent sustainable basis varies between the options. In physical terms, there is a clear order of preference whereby retaining the entire vessel is preferred to retaining key pieces (such as the bow and stern), which in turn is preferred to photographic only record. The heritage value is also determined by the historic link between the vessel and its final destination.

- **Public benefit** – proposals for display and interpretation of the City of Adelaide generate public education and tourism benefits. This criterion is assessed on the level of interpretation proposed under each option and the potential public catchment e.g. footfall or visibility in the community. It should be noted that public benefit at present is assumed to be very low: while the vessel is visible, there is no access and no interpretation.

Commercial solution indicators

- **Deliverability** – This captures the availability of a formal proposal for the option, their viability and the ability to meet the 2010 timescale for movement of the vessel.
- **Bid team credibility** – this is a practical indicator which encompasses the credibility of the partners or bid team involved in delivery of the option, their technical knowledge, resources and the long term sustainability of the project.
- **Start time** – given the time-pressure for movement of the vessel to avoid further penalty payments at the Irvine slipway, it is preferable to begin delivery as soon as possible. It is also anticipated that a guaranteed removal date for the vessel could ease the current legal dispute with AMP sufficiently to enable site access.
 - A further time pressure in relation to the CSCoA bid is the requirement to book the heavy lift transport in sufficient time to ensure optimal travel conditions (cost is minimised if booked at certain times of year and in safer weather conditions) and arrival for the 175th Anniversary celebrations. A deferred decision on the preferred option could potentially result in the loss of a key element of this bid (the anniversary focal point) if the timescale for delivery cannot be met.
- **Project support** – this relates to support from domestic agencies, including Scottish Government / Historic Scotland and, in the case of the relocation bids, the receiving local authorities. It also reflects the level of private sector buy-in. Linked to the need for long term sustainability of the option, this indicator captures the ability to secure planning permission for display / interpretation of the vessel, safeguarding the location and long term financial support as required. Positive public sector engagement enhances the credibility and viability of the option.
- **Impact on SMM** – a key rationale for the project is the need to safeguard SMM's long term viability and protect the National Collection. The timescale for delivery of each option, in particular the need to have the vessel moved in 2010, has implications for SMM's continued operation. By avoiding further penalty payments on the slipway and easing the current legal situation with AMP, SMM's marginal financial position can potentially be safeguarded. Options which remove the vessel within the critical timescale have a positive impact on SMM, while those which leave the vessel or have significant ambiguity around timescale present a risk to the Museum's sustainability.
- **Risk** – The nature and impact of risk varies between the options, but includes political opposition and financial exposure for the Scottish Government, as well as technical and logistical risks relating to the delivery of the options.

4.2 Populated Framework

Figure 4.1 overleaf summarises the key evidence available for each option in relation to the assessment criteria listed above. A comparative assessment of the options follows.

Figure 4.1 – Summary of Key Indicators

Option	Financial indicators				Benefit indicators		Commercial solution indicators					
	Capital Cost	Source of capital funding	Operating Income	Operating Expenditure	Heritage Value	Public Benefit	Deliverability	Bid team credibility	Start time	Project support	Impact on SMM	Risk
1. Do Nothing	Nil	N/A	Nil	Liability (unknown)	Unknown future	Very low	High 100% deliverable	N/A	On-going	Listed building status to retain at site – not acceptable to HS/SG	Negative - threat of bankruptcy / closure	Public Safety Political opposition Maintenance of listed building
2. Scotland - demolition	c. £400k	SMM x SG x	Nil	Nil	Very low photo record	Nil	High 100% deliverable	Bids received from recognised operators	<3 months	Not acceptable to HS / SG	Positive - credible solution	Political opposition - NHS, SCARF & CSCoA
3. Scotland - deconstruction	c. £500 – 600k	SMM x SG?	Nil	Limited	Medium	Medium	High 100% deliverable	Bids received from recognised operators	<3 months	Acceptable to HS / SG	Positive - credible solution	Political opposition - NHS, SCARF & CSCoA
4. Scotland - restoration	c. £10 – 12m	SMM x SG x Private x	Unknown, but significant	c. £500k - £750k p.a.	Very high	Very high	Not feasible – no credible offer of funding	N/A No formal bids received	Years	None	Not considered feasible	Very high Inability to source funding
5. Australia - relocation & conservation	£3.1m (£0.75m already spent)	SMM x SG? SA? Private sector £1.3m	Visitors £300k (2007)	c. £200k	High	High	Current bid can be developed to a deliverable solution	Credible bid team, skills and management	2 months (pending decision in July)	SG? SA very high Private sector high	Positive – subject to timetable and funding	Low-medium failure to secure funding Technical risk around move
6. Sunderland – relocation & conservation	£630k	SCC x private sector?	£731k over 5 years	£892k over 5 years	High	High	Unknown – bid not fully developed and based on civil rather than marine engineering	No credible bid team at this stage: reliance on external contractors	Unknown	SG? SCC high	Positive - subject to timetable & funding	Very high (at present): - funding source - credibility of bid team - Ability to meet SMM timetable

SMM – Scottish Maritime Museum, SG – Scottish Government, SA – South Australia Government, SCC – Sunderland City Council

Based on this profile, we have critically reviewed each option for evidence of significant “deal breakers” and on this basis prioritised those which should be rejected or retained. Each option is now discussed in turn.

Do nothing – this option will likely result in failure to remove the City of Adelaide from the slipway. If SMM is unsuccessful in its legal challenge to AMP, it does not have the operating capital to meet the slipway penalty payments due. SMM would therefore potentially be declared bankrupt and face closure and sale of all assets. This would jeopardise the future of one of Scotland’s National Collections. In practice, it is quite possible that the Scottish Government would look to support the SMM with further ad hoc funding as it has on previous occasions. In addition, though City of Adelaide is not part of the National Collections, it is likely that the Scottish Government would face criticism for failure to protect and maintain a Category A-listed structure. Given the Scottish Government’s commitment to protect the National Collections, this option is not recommended.

Demolition – this is the cheapest capital funding option for the Scottish Government (c. £400k), and meets the requirement to clear the slipway in 2010, thus avoiding further potential penalties and helping to sustain the SMM. There is documented research relating to the City of Adelaide, such as the 2009 laser survey. However, from a heritage perspective this is the least attractive option as the entire vessel is lost.

Managed Deconstruction – for a premium of around £100k above the demolition cost (total cost £500k) the City of Adelaide could be deconstructed in compliance with the guidelines developed by National Historic Ships. This option already has planning approval from North Ayrshire Council, thus avoiding criticism over failure to protect a Category A-listed structure. It is deliverable and also meets the requirement to clear the slipway in 2010, helping to safeguard SMM. The key elements of the vessel are retained and displayed, albeit without any interpretation or education benefits. This would however give opportunity for future interpretation if funding could be sourced. Given the additional heritage benefits and the potential for some future public benefit would be achieved at the incremental cost of £100k, this option is preferred to demolition.

Restoration in Scotland – This is by far the most expensive option, at around 4 times the cost of the next most expensive alternative. It also commits the Scottish Government to significant on-going maintenance and operating costs. Given the SMM’s failure to source private sector funding to support the on-going restoration programme over the last 10 years, this option is not thought to be deliverable. The 1999 Government appraisal of the Industrial museums also previously rejected this option, recommending SMM discontinue the planned restoration. This option is therefore excluded as, based on this evidence, it is not considered to be technically or commercially viable.

Relocation to Australia – the CSCoA bid team includes engineering expertise and offers a deliverable technical solution which has been verified by the SMM. The bid also has tangible public sector support from the government in South Australia, both in-kind commitment and potential funding support. In heritage terms, the emigrant voyages to Australia represent a significant period during the vessel’s lifetime. There is also a demonstrated Scottish Diaspora in Port Adelaide, who would benefit from the vessel’s location there. Our view is that this is a deliverable and credible bid, which meets the objectives of SMM, NHS and delivers public benefit.

The key risk for the Scottish Government is the current uncertainty around the exact level of financial support required. The current funding gap is c. £1.3 million. We understand that CSCoA and the Australian Government would be interested in a contribution from the Scottish Government.

In their advice to Historic Scotland (submitted 19th July 2010), NHS offer a view consistent with this assessment. In terms of technical expertise, NHS concludes that the Committee “*are comfortable with the principles behind the CSCoAL proposals*” and that “*CSCoAL has in-house expertise in civil and marine engineering, heavy lift work, architecture, and someone within the organisation with historic ships experience. CSCoAL therefore demonstrates inbuilt capability to deliver its own technical solutions and to act as an informed client when external expertise is required*”.

Relocation to Sunderland – the Sunderland bid team is driven by local enthusiasm, but SCARF does not include the technical knowledge and resources to deliver the relocation without contracting out the main elements to parties who are not already in the consortium. Significant elements of the bid are still to be verified including:

- Appointment of Ove Arup to design and oversee a contractor to build the cradle, and the associated costs. This is critical to the technical deliverability of the bid and is not substantially demonstrated in the current bid document.
- The total capital costs for the project and requirement for funding from the Scottish Government;
- The income sources to address the current gap between operating expenditure and income once the vessel has arrived in Sunderland; and
- The proposed timescale for delivery, and ability to meet SMM's 2010 deadline for removal of the vessel from the slipway.

The bid has a strong link to Sunderland's industrial heritage, and the proposals presented would deliver significant public benefit. However, the key elements of the bid have not been presented in sufficient detail to give confidence over the deliverability of the relocation in technical and financial terms, or the sustainability of the display and interpretation plans. SCC support has been volunteered in kind, but not financially. Given that fundamental questions still exist around the credibility of the bid, and the skills and resource within the SCARF bid team to address the gaps within the timescale required by the Scottish Government, this option has to be discounted.

Again, National Historic Ships' submitted advice to Historic Scotland is consistent with this assessment of the SCARF bid. In terms of technical expertise and capacity to develop a response to conservation issues, NHS state that they have “*concerns over those (proposals) put forward by SCARF*”.

Within the bid team, NHS states that “*SCARF has no internal technical expertise and is reliant on accessing the necessary skills through external consultants. Whilst this is workable at one level, SCARF does not appear to have the means to act as an informed client, and has to draw on external advice to make judgements on technical proposals before it.*” NHS also states this “*reliance on external expertise to bring forward marine engineering and*



conservation solutions and to make considered judgements on those proposals exposes SCARF to a level of risk not faced to the same degree by CSCOAL”.

Overall, in terms of the technical expertise and credibility of the bid team to deliver, NHS concludes *“The CSCOAL bid demonstrates a high level of understanding of the technical issues around the support, removal, movement and delivery of the ship: the SCARF bid is much less developed, and as things stand is based on a civil engineering approach, rather than one based on marine engineering. Those Committee members in National Historic Ships with direct and longstanding marine engineering and ship construction experience are comfortable with the principles behind the CSCOAL proposals, but have concerns over those put forward by SCARF”.*

NHS’s full advice note to Historic Scotland is replicated in Appendix B.

Figure 4.2 overleaf summarises the key risks in relation to each of the relocation bids.

Figure 4.2 – Risks relating to the relocation bids

Nature of risk	CSCoA Australia relocation	SCARF Sunderland relocation
<p>Capital funding</p>	<p>Medium risk</p> <p>The requirement for capital funding is currently unknown, and CSCoA have yet to make an approach to the Scottish Government. The current capital cost gap is c. £1.3 million.</p> <p>However, the experience and expertise of the bid team in the sector suggest that the main cost elements are identified.</p>	<p>High risk</p> <p>The requirement for capital funding from the Scottish Government is currently unknown. The total capital cost of the bid is still not determined, as a contractor has not been appointed to design and build the cradle. There is a significant risk of cost escalation from the £630,000 figure presented relating to those elements not yet identified in the bid.</p>
<p>Management team skills and resources</p>	<p>Low risk</p> <p>The CSCoA bid team includes significant technical expertise and a track record of delivering similar projects.</p>	<p>High risk</p> <p>At present, there are significant gaps in relation to the proposals for relocation and restoration. The SCARF bid team does not include the expertise to deliver these elements without sub-contracting.</p>
<p>Timing</p>	<p>Low risk</p> <p>The proposed timetable meets the SMM requirement to remove the vessel from the slipway in 2010, assuming a decision is reached in sufficient time to book the heavy lift ship.</p>	<p>High risk</p> <p>At present the bid has not confirmed the timescale for delivery. Given that a contractor has not yet been appointed to design and build the cradle, and the current gap in capital cost required, it is unlikely that the bid will meet the SMM timescale for removal of the vessel, thus incurring further penalty payments.</p>

5. Conclusions and Recommendations

The aim of this study is to offer guidance to Historic Scotland and the Scottish Government over the future of the City of Adelaide. Each option offers a number of advantages, but also a number of disadvantages and practical risks. The decision making process therefore needs to be made in three distinct stages in order to meet the study rationale:

1. Identifying credible bids – the preferred bid has to be deliverable in both technical and financial terms. In order to minimise SMM’s potential penalty liability, the vessel has to be removed from the slipway in 2010. Options which cannot meet this timescale jeopardise the future sustainability of the SMM and the National Collection it protects, and must therefore be rejected.
2. Maximising the heritage value of the City of Adelaide, given its historic significance.
3. The above must be achieved within the context of delivering an affordable and value-for-money solution for Historic Scotland and the Scottish Government.

Identifying the credible bids

Based on the critical appraisal of the options, figure 5.1 summarises the overall credibility of each of the options.

Figure 5.1 – Potential feasibility of the options

Option	Potential feasibility	Rationale
1. Do nothing	✘	This does not meet the need to safeguard the National Collection, as SMM could face closure and a solution for the City of Adelaide has not been provided.
2. Demolition	✓	Bids have been received to deliver the demolition within the required timescale.
3. Managed deconstruction	✓	Bids have been received to deliver the managed deconstruction within the required timescale.
4. Restoration in Scotland	✘	This is a theoretical option, and no bids have been received or sources of funding identified.
5. Relocation to Australia CSCoA bid	✓	The bid is technically feasible and potentially meets the timescale, though there is uncertainty around the funding requirement from SG.
6. Relocation to Sunderland SCARF bid	✘	In its current form, the bid does not demonstrate the technical feasibility of the option. Significant risks also exist in relation to the ability to meet the timescale, and the capacity of the SCARF bid team.

The most important criteria in establishing a credible bid is the calibre, experience and deliverability of the bid team. Only 3 out of the 6 options have demonstrated this: demolition, deconstruction and the CSCoA bid.

Also, within the context of the SMM, the solution is driven by the need to make a quick decision over the future of the City of Adelaide. Only 3 of the 6 options have demonstrated at this stage that they are able to meet this requirement.

This position is consistent with the assessment made by National Historic Ships in their submission to Historic Scotland (19th July 2010). Referring to the CSCoA and SCARF bids, NHS concludes that *“neither proposal has been developed sufficiently for either to be accepted as a fully fledged and completely workable bid to remove and save the ship. Therefore the question to be asked is whether or not one or both of the bids can be shown to have the capacity to develop a proposal to the point where a sustainable future for City of Adelaide can be reasonably expected”*.

NHS based their assessment on four key criteria: technical expertise; tangible political support; capacity to develop a response to the conservation issues; and business acumen essential to securing a sustainable future. They conclude that:

“The bid submitted by CSCoAL is more advanced than that of SCARF’s in the essential competencies identified in this advice note and it is felt that in these key aspects the CSCoAL proposal demonstrates the necessary potential to develop into a scheme which can deliver a sustainable solution”.

Maximising the heritage value

Of the three remaining potentially feasible options, only the CSCoA bid retains the vessel in complete form and thus must score top marks in terms of heritage value and potential public benefit.

Between the remaining two options, demolition destroys the vessel completely leaving only the existing documented records, while the managed deconstruction retains the bow and stern sections. The managed deconstruction option does not include any interpretation at this stage, so public benefit is very low, but the retention of the sections gives scope for this at a future stage if funding can be identified. Managed deconstruction is therefore preferred to demolition.

Delivering an affordable and value-for-money solution

The CSCoA bid is preferred in heritage terms. However, the level of funding support required from the Scottish Government is uncertain at this stage. If the requirement for funding is greater than the cost of managed deconstruction, this leaves the question of whether the extra heritage benefit justifies the funding premium where the ownership of the vessel transfers from Scotland to Australia.

The recommended option is for Historic Scotland and the Scottish Government to actively pursue discussions with the CSCoA bid team and South Australia Government to establish

the level of funding required. The key to success is the financial proposals, which should be reviewed and evaluated as a matter of urgency by HS, the Scottish Government and CSCoA.

In terms of funding, the fallback option for the Scottish Government is the cost of managed deconstruction, for which bids of £500,000 to £600,000 have been received. Based on consultation evidence, the managed deconstruction option is not going to be able to attract 3rd party funding in its current form, thus the Scottish Government would be required to fund the full amount.

Given this context, the Scottish Government should enter negotiations with CSCoA on the basis that any funding deal achieved in the order of £500-600k to support an international collaboration becomes an attractive value-for-money proposition.

If the requirement for funding exceeds this level, then there is a subjective argument as to the premium value associated with the retained heritage: the greater the difference, the more difficult it will be for the Government to defend, particularly given the current financial and budgetary climate. If agreement cannot be reached, the fallback option of managed deconstruction should be pursued.

Delivery

Acceptance of the CSCoA bid should carry the condition that CSCoA guarantee to meet the timescale for removal of the City of Adelaide from the AMP slipway in 2010, or at minimum underwrite any further potential liability incurred due to slippage.

The current legal situation between SMM and AMP must also be taken into consideration. SMM's view is that notification of a guaranteed removal date for the City of Adelaide will facilitate discussions with AMP to enable access to the site, which is critical to the delivery of any option. As an alternative, the Council could investigate a CPO (Compulsory Purchase Order) approach for the slipway area to ensure access, as part of a back-to-back agreement with CSCoA.

The position in relation to SMM's current potential debt of £500,000 to AMP is also uncertain. There is a possibility that a Government-backed solution and guaranteed removal date from the slipway could ease legal negotiations.

- In the worst case scenario, the Scottish Government would have to meet the gap between SMM's £380,000 reserve fund and the total liability of £500,000. In addition, there is a further uncertain liability relating to AMP's incurred legal fees.
- In the best case scenario, SMM will not be liable for the outstanding penalty, and thus retain the current £380,000 reserve fund. This reserve fund potentially limits the Scottish Government's exposure to the project, as it could be used to reduce the tax payer commitment as low as £120,000 (£500k - £380k). Alternatively, it could reduce the Government's on-going funding requirement for SMM moving forward.

These financial scenarios are the same, regardless of whether the CSCoA bid or managed deconstruction option is pursued.



Conclusion

It is recommended that Historic Scotland and the Scottish Government enter into discussions with CSCoA to establish the level of funding support sought. If an acceptable deal cannot be negotiated, the fall back option of managed deconstruction should be pursued.

In conclusion, the CSCoA bid offers a deliverable and potentially strong value-for-money solution for Historic Scotland and the Scottish Government, and helps to safeguard the National Collection held by the Scottish Maritime Museum. The option safeguards and maximises the heritage benefits of the vessel, and enhances the public benefit through interpretation.



Appendix A – List of Consultees

Australia

Creagh O'Connor Chairman, CofA Trust
Peter Roberts, Director, CofA Trust, naval architect, and Program Manager, ASC Pty Ltd, Osborne, SA
Peter Christopher, Director, CofA Trust
Richard Smith, Director, CofA Trust
Tom Chapman, Director, CofA Trust
Mark Gilbert Director, CofA Trust, and Director, Aztec Analysis, Engineers, Planners and Project Managers
Wendy Chapman, former Mayor of Adelaide
His Excellency Rear Admiral Kevin Scarce, Governor of South Australia and Patron of the CofA Trust
Gary Johanson, Mayor, City of Port Adelaide Enfield
Mark McShane, Director Corporate Services, City of Port Adelaide Enfield
Louise Miller Frost, Director Community Development, City of Port Adelaide Enfield
Pat Conlon, Minister for Infrastructure, South Australia Government
John Rau, Minister for Tourism, South Australia Government
Duncan McFetridge MP, South Australia Government (opposition member)
Trevor Powell, President, Scottish Associations of South Australia
Lady Anne Miller, Chief, Caledonian Society of South Australia
George Samaras, General Manager, Samaras Structural Engineering and Fabrication

Sunderland

Peter Maddison, Chairman, SCARF
Allyn Walton, Company Secretary, SCARF
John Tyrrell, SCARF and University of Sunderland
Tim Brennan, University of Sunderland
Ian Fitz, Fitz Architects, engineer and architect
Craig Fitz, Fitz Architects, architect
Councillor Paul Watson, Leader, Sunderland City Council
David Smith, Chief Executive, Sunderland City Council

Other stakeholders

Jim Tildesley, Director, Scottish Maritime Museum
Martyn Heighton, Director & Secretary, National Historic Ships
Robert Prescott, Chairman, National Historic Ships
Dan Atkinson, Maritime Department Manager, Headland Archaeology
Lucy Casot, Heritage Lottery Fund Scotland
Ivor Crowther, Heritage Lottery Fund North East
Kevin Fewster, Director, National Maritime Museum, Greenwich.



**Appendix B – National Historic Ships: Further Advice on the
submissions from CSCOAL and SCARF
19th July 2010**

19th July 2010



**National
Historic
Ships**

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Malcolm Cooper
Chief Inspector
Historic Scotland
Longmore House
Salisbury Place
Edinburgh EH9 1SH

Dear Malcolm

City of Adelaide: Further advice on the submissions from CSCOAL and SCARF

The Advisory Committee on National Historic Ships (National Historic Ships) offers this advice following the release of further documentation from CSCOAL on its bid, and the presentation by Sir Neil Cossons given on Thursday 8th July 2010, setting out to members of the Committee the information given to him by CSCOAL and SCARF during his visits to both organisations.

Overall, the Committee understands and supports the 2-stage approach being adopted by Historic Scotland. We agree it is both sensible and appropriate that the two bids to save *City of Adelaide* should be treated as pre-applications for proposals on this Grade “A” Listed structure. In assessing the bids, the objective is (if possible) for Historic Scotland to identify a preferred bidder, who will then be invited to work their bid up into a detailed and costed proposal and submit it for further evaluation, prior to a final recommendation on the way forward being made to Scottish Ministers.

Analysis of the two bids

As they stand, neither proposal has been developed sufficiently for either to be accepted as a fully-fledged and completely workable bid to remove and save the ship. Therefore, the question to be asked is whether or not one or both of the bids can be shown to have the capacity to develop a proposal to the point where a sustainable future for *City of Adelaide* can be reasonably expected. In addressing this question, it is clear moreover that neither bid has the wherewithal to stand on its own feet financially; it is evident that considerable monies from the public purse will have to be found in order to take a preferred project forward. In these circumstances Scottish Ministers will need to have the strongest assurance possible that any further direct expenditure they might consider making will not be nugatory. If neither bid is deemed to have the capacity to be developed into a robust, implementable and sustainable scheme, the likely outcome will be the managed deconstruction of the *City of Adelaide*.

There is no doubting the passion and commitment of the bidders: both have expended significant time, emotional energy and intellectual effort on their bids, and both have used their own and donated financial resources, and help in kind, in developing their proposals. In these circumstances, we appreciate that in the event of a preferred bidder being identified, the feelings of disappointment in the other party will be profound.

National Historic Ships has analysed closely and with great care the documentation released by Historic Scotland and the information provided through the presentation by Sir Neil Cossons, and considers that there are 4 key competencies that should inform decision-making on the capacity of the 2 bids to develop their proposals. These competences are: *technical expertise; tangible political support; capacity to develop a response to the conservation issues; and business acumen essential to securing a sustainable future.*

a) Technical expertise

CSCAOL has in-house expertise in civil and marine engineering, heavy lift work, architecture, and someone within the organisation with historic ships experience. CSCOAL therefore demonstrates inbuilt capability to deliver its own technical solutions and to act as an informed client when external expertise is required.

SCARF has no internal technical expertise and is reliant on accessing the necessary skills through external consultants. Whilst this is workable at one level, SCARF does not appear to have the means to act as an informed client, and has to draw on external advice to make judgments on technical proposals before it. Though not a crippling deficiency of itself, this could however present obvious and serious difficulties as this complex and profoundly challenging project develops. There are several current examples in the UK of what can go wrong when in-house technical capability is found wanting, some with a very high profile: we can provide further illustration and information on this if required.

National Historic Ships has examined the technical proposals of both bids. The CSCOAL bid demonstrates a high level of understanding of the technical issues around the support, removal, movement, and delivery of the ship: the SCARF bid is much less developed, and as things stand is based on a civil engineering approach rather than one based on marine engineering. Those Committee members in National Historic Ships with direct and longstanding marine engineering and ship construction experience are comfortable with the principles behind the CSCOAL proposals, but have concerns over those put forward by SCARF.

b) Tangible Political support

Both bidders can demonstrate political support and both have been promised help in kind, notably the provision of free sites to display the ship, and in SCARF's case a free holding-berth and indications that Sunderland City Council will carry out repair works to Pann's Dock at no charge to the project. With regard to tangible financial support CSCOAL has been promised state funding (admittedly, at a level yet to be determined). The position for SCARF is that the Leader and the Chief Executive of Sunderland City Council informed Sir Neil that whilst there is full political commitment to the project, there can be no direct significant financial support from the Council. The relative positions of the two projects in the matter of public funding are of material significance when considering long-term viability.

c) Capacity to develop a response to the conservation issues

Both projects show an understanding of the principle that *City of Adelaide* should be stabilised and preserved not reconstructed, and both propose that conservation work will be carried out in front of visitors in order to involve the public in the process. CSCOAL has in-house expertise in marine engineering and ship structures and some knowledge of the needs of historic vessels. SCARF internally has neither. It is felt by National Historic Ships that reliance on external expertise to bring forward marine engineering and conservation solutions and to make considered judgments on those proposals exposes SCARF to a level of risk not faced to the same degree by CSCOAL.

d) Business acumen essential to securing a sustainable future.

Running historic vessels as heritage businesses in order to secure their long-term future is exceedingly challenging and requires well-developed business planning based on a sound methodology, a realistic appreciation of the essential practicalities, and a strong market base.

SCARF's business proposals include some imaginative merchandising opportunities. However the proposed levels for admission charges are insufficient to deliver the necessary income, there is an over-reliance on non-admission income, and no differentiation between gross and net receipts. There appears to be no allowance for the impact of VAT. There are also, we understand, practical difficulties and cost implications around public access to the ship while in her holding berth in the South Docks (SCARF has identified access during this period as being an important generator of income). The comparative data for potential visitors has been taken across a variety of cultural, sports, and events-orientated audiences and other perhaps less relevant comparators, rather than concentrating on heritage visitation patterns.

CSCOAL has submitted a detailed market analysis based on comparable data taken from relevant heritage visitor information, and has developed its approach to pricing, marketing and business planning accordingly. This data is now some 3 years old, but the submission indicates that there is an established and logical methodology in place through which an analysis based upon the data for 2010 and looking forward can be developed.

Additional Factors

Heritage Significance

The Committee takes the view that there is a differentiation between regional and national significance for Australia and the UK. At regional level *City of Adelaide's* heritage associations lie more strongly with South Australia than with Sunderland. At national level, it could be argued this ship is of greater significance to the UK as a whole than to the Commonwealth of Australia. Additionally there is international social significance arising from this ship's role in the movement of voluntary migrants from Britain to South Australia, including notable numbers of Scots from whom many now living in the state are descended. This dimension of *City of Adelaide* as a significant international cultural artifact (as reflected in her name and the civic arms she once bore on her stern) should not be ignored.

Conservation Issues

It is unrealistic to expect a full conservation management plan at this point in the process. However, neither scheme sets down satisfactorily the conservation philosophy and principles which the bidders propose to adopt. National Historic Ships would expect to see a conservation statement in the development phase, with a commitment to apply the values enunciated in it as the project goes forward. A notable feature of both bids is the proposal that the ship will not be fully enclosed in a climatically-conditioned building. The latter is not necessarily essential (at least in the short term), but the ship must have an effective cover to shield her from the elements, and will need to be well-ventilated. This approach means that the hull will be subject to local environmental conditions. As a composite ship with iron framing and wooden hull and deck planking, *City of Adelaide* is especially demanding when it comes to establishing the most effective conservation regime: corroded metal (especially that attacked by chlorides) requires different conditions from wood. When these conflict, metal dictates the overriding environment within which an object should be conserved. This being the case, the significantly dryer (and hotter) climate of South Australia will deliver an environment more conducive to the overall health of the ship than the much wetter and cooler climes of the north east coast of the UK.

The form that protection for the ship will take in the longer term must be the subject of further well-informed discussion no matter where she goes.

Economic climate pertaining in the UK

The UK government, devolved administrations, and local authorities are facing challenging circumstances in which they are being required to implement significant budget reductions as a result of the coalition government's policies to reduce the national budget deficit. Funding bodies such as HLF and private patrons alike will come under extreme pressures from the heritage and arts world to provide monies no longer available directly from the public purse. Competition within this context of reduced funding sources will be fierce. Furthermore there is less likelihood of grant aid being available from HLF (and other such sources) or from national and local government, for projects which demand large amounts of money, whilst the requirements for matching funds to secure such grants will be higher than previously experienced.

These factors, not present when SCARF originally began to put its plans together, must now be regarded as material considerations of considerable magnitude.

Conclusions and advice

The Advisory Committee is committed to working with all agencies involved to secure a sustainable future for *City of Adelaide* and is looking to mitigate the risks that will militate against this being achieved. The bid submitted by CSCOAL is more advanced than that of SCARF's in the essential competencies identified in this advice note and it is felt that in these key aspects the CSCOAL proposal demonstrates the necessary potential to develop into a scheme which can deliver a sustainable solution.

This being the case it is the Committee's view that it would be appropriate for the CSCOAL bid to be nominated as the preferred bidder within a pre-application framework, subject to CSCOAL agreeing to develop its bid in those areas where the need for further information has been identified, and a defined timetable within which all matters outstanding will be addressed.

Should CSCOAL succeed in submitting an acceptable developed bid, as an object of national significance to the United Kingdom *City of Adelaide* is likely to be the subject of an export license process under European Union and national government regulations. Account will have to be taken on the requirements attaching to this in due course.

The future of *City of Adelaide* will continue to demand attention beyond the immediate decision on which organisation might be awarded preferred bidder status, including any matters arising from what those not achieving this status might choose to do. National Historic Ships has a continuing role in providing advice to all parties and looks forward to working closely with Historic Scotland and the other organisations involved in order to achieve the best outcome for this highly significant maritime artifact.

Yours sincerely,

Martyn

Martyn Heighton
Director & Secretary to the Advisory Committee
National Historic Ships

