

2011

THE ARK  
ROYAL

Produced by "Wreck The  
World"

**[APPRAISAL FOR TORBAY COUNCIL]**

BACKGROUND; INTENTION; COSTINGS; REVENUE; RISK AND REWARDS

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## Executive summary

- 1.1 In “Turning the Tide Strategy” the newly formed ERTC was given the remit to stop the decline of tourism and increase occupancy and revenue.
- 1.2 Tourism is the central industry under-pinning the Torbay economy.
- 1.3 This project mirrors that already achieved in Plymouth, through the sinking of the “Scylla” and production of the UKs first artificial reef (2004).
- 1.4 Whilst Plymouth Council, South West Regional Development Agency (“SWRDA”), University of Plymouth’s South West Economy Centre (“SWEC”) and Caradon Area Tourism Forum (“CATF) had to work on simply theory, with no track record for such an enterprise in the UK, we are in a fortunate position to have some statistical track record and evidence for this project.
- 1.5 As part of the work from SWEC to access funding from SWRDA, they predicted increase of £0.17m (pessimistic scenario) and £0.67m (optimistic scenario) in GDP pa (Gross Domestic Product) within the South West economy from the Scylla.
- 1.6 **Actual calculations** have produced by Plymouth to calculate revenue to their economy through their investment into the Scylla. Some **£25-30 million** over 5 years with initial purchase / investment recouped in 14 months.
- 1.7 Whilst Plymouth gained the Scylla, Torbay has the chance to gain the Navy’s flagship; HMS Ark Royal.
- 1.8 It is our belief that Torbay can benefit by similar, if not more, through the Ark Royal. Estimated economic benefit using similar data calculations by the Riviera International Conference Centre when showing their benefit to the wider economy and justification of council support amounts to in excess of £11 million per annum.
- 1.9 This is effectively a new “revenue source” for our Bay economy will minimal infrastructure costs for the council. Certainly “turn the tide”! Through working in conjunction with the ERTC, Torbay could become the Dive Centre of the UK.
- 1.10 The project will be set up under a charity structure in order for operating profits to be reinvested into community projects, rather than “tax man revenue”.

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1.11 Due to the type of business, the running costs for the charity are significantly low (estimated at £30,000), whilst the income stream, high. Through “diver charges”; TV documentaries; merchandising etc – estimates in excess of £350,000pa.

1.12 It is the heart of the charity to look at schemes within the Bay and be able to pass finance over using “social enterprise”; following a similar model proposed by our Mayor with his offer of 50% reduction in salary. Over the course of 5 years estimates range from £1,500,000 (low side using similar data to Scylla on diver numbers) to £5,035,000 (optimistic with increase number of divers and length of season).

1.13 Support from the council at this stage centres on “provision of a lease” via the Crown Estate. The council will have no responsibility for either the purchase; preparation, cleansing or indeed sinking. No sinking will occur unless preparation and cleansing are signed off by the MOD.

1.14 This level of support is different to the Scylla where they asked for funding on top for to cover part of the purchase and cleaning stages.

1.15 We understand that initially there had been mis-understandings about the project such as the following:

- i) Placement of the Ark Royal
- ii) Risks to council
- iii) Risks to environment; other shipping
- iv) On-going financial viability

1.16 We are very much appreciative of the support and help that has recently been received from the TDA, Council, Harbour Master and Various members of the Bay’s business community; which, through them, can help to dispel some of the myths and mis-understandings and ultimately reassure the Council and Mayor that, not only does this project have potentially huge financial and social benefits to the Bay, but also limited to negligible risks to the Council

1.17 Over the next few years the UK economy is expected to face extremely trying financial conditions. This project provides, in almost one fell swoop, a new “tourism” project, which can easily supplement the “Turning the Tide” strategy, helping our accommodation providers, restaurants, and shops.

## Mis-understandings / Fears

2.1 This is a new concept for Torbay and therefore, can, like anything else that is new, have mis-understandings.

2.2 Over recent times there has been confusion on:

- i) Placing of the Ark Royal
- ii) Council liability on the lease
- iii) Verbalising “hair brained idea”
- iv) Danger to other ships
- v) Danger to the environment
- vi) Ongoing financial viability of the project
- vii) Council open to being sued if there is a death

2.3 **Placing of the Ark Royal** has been discussed with the Harbour Authority, and in particular the Harbour Master, Mr K Mowatt.

- i) Not in the harbour
- ii) Not in a shipping lane
- iii) Placement will have no effect if the Mayor would like to bring “cruise ships” into the Torbay

2.4 **Council Liability on Lease** - Because the project comes within a charity to benefit our local community, it requires the Council to obtain a lease from the Crown Estate, and the charity to become the “sub-leasor”. This is a similar arrangement followed by the Scylla team and its heads of terms have been received and elements will be adhered to by the charity. In particular:

- i) Archaeological Survey
- ii) Environmental impact assessment
- iii) On-going financial statement for charities viability as the tenant
- iv) Insurance

2.5 **Verbalising “hair brained idea”** – as time has gone by, with more councillors, officers and business people hearing the concept and out workings of an actual case down the road in Plymouth, so these have been captured by the potential. Why not Torbay? It has been done in Plymouth and other places around the world.

**2.6 Danger to other ships** – discussions on the Ark Royal’s resting place took place with the Harbour Master. For some reason certain people thought, and then spoke out, that it would be sunk in Torbay harbour. That would cause a danger, not least because some of the ship would be out of the water! In fact the site has been chosen away from shipping lanes. It will be required to fit buoys and sonar. Set at a depth below large boat drafts.

### **2.7 Danger to environment**

- a) Before the Ark Royal can be sunk, it needs to go through a process of cleaning and de-polluting. This work will take place at Devonport and be commissioned with Babcock International Ltd. They are ship builders, de-commissioners and “artificial reef project” supporters. They will adhere to a licence from the MMO; and not until that work has been achieved with the MMO sign off and allow the Ark Royal to be sunk.
- b) The whole purpose of the project is to produce an artificial reef in line with conservation and therefore it is paramount that it is clean.
- c) Over time, following the Scylla model, it will actually become a thriving reef, not only available for diving, but also conservation work and marine biology.

### **2.8 On-going Financial Viability of the Sub-leasor & danger that council left carrying the baby**

The charity is in the enviable position of having little on-going costs, whilst an excellent income stream; combined together to forming a very profiting organisation, to the betterment of social concerns in the Bay.

Estimated on-going costs amount to less than £30,000 with 50% due to administration costs. On the other hand, income stream just from divers (payment of £2 per dive), would amount to £200,000. This doesn’t include income from marine biology; TV documentaries; merchandise; memorabilia etc.

**2.9 Council open to being sued from death of a diver** – since the Scylla was sunk, there have been two deaths. It is not possible for the tenants of the actual boat to be held responsible. The liability either lies with the company who was used to provide the dive, where they have to hold their own public liability insurance as with any company; or the individual who has broken their PADI rules. All individual divers, outside those who go with a chartered company, are responsible themselves when they enter a wreck. However what is unknown to the layman relates to who the liability stands with. There are three types of diver.

## Company Description and Management

Registered name: Wreck The World

Charity number: 7671930

Registered address of charity: 22 Tamar Avenue, Shiphay, Torquay, Devon, TQ2 7LP.

Directors: Mr James Doddrell, Mr Jason Zapple,

Members: Mr Michael Byfield, (Mr Martin Brook, Mrs Susie Colley, Mr Andrew Baldry, all to be joining the charity very soon)

Bankers NatWest Bank, Union Street, Torquay, Devon.

## Background to Artificial Reefs and The Ark Royal

The Artificial Reef Society of Colombia describes an artificial reef as: "By definition, an artificial reef is any structure placed by man in the marine environment. Properly prepared and strategically located they attract marine life of all kinds and provide easily accessible and safe locations for divers to enjoy".

3.1 Modern artificial reefs serve a variety of purposes including promoting marine life, commercial and sport fishing, diving, education and research.

3.2 The use of reefs for recreational diving is a relatively modern development that has occurred since World War Two as a consequence of the development of reliable scuba-diving equipment.

3.3 Whilst artificial reefs can be constructed in a variety of ways, there has been an increasing trend to utilising decommissioned warships. This type of artificial reef has been developed in a number of countries including the USA, Japan, Canada, Australia, New Zealand and the Cayman Islands.

3.4 There are a number of significant advantages to utilising ships as the basis for artificial reefs. These include:

- Divers place a high value on exploring wrecks that "look like ships" but many historical wrecks have deteriorated over time.
- The ships can be prepared with safety considerations in mind.
- The ships can be prepared for novice/disabled divers.
- The location of the site can be chosen to promote local industry and tourism and minimise any adverse ecological impacts.
- Reefs can provide a breeding ground for fish and other marine life.
- Artificial reefs are often viewed as a relatively cost effective way of disposing of surplus vessels.

3.5 In 2004, the first was introduced into the UK. Purchasing, cleaning and sinking of HMS Scylla in Whitsand Bay off the coast of South East Cornwall, close to Plymouth; a Leander class frigate.

3.6 HMS Scylla is a decommissioned Royal Navy frigate that was properly prepared and cleansed prior to being scuttled on the 20m contour in Whitsand Bay. Placed on the sandy bottom, the new structure of an artificial reef has provided a permanent structure for invertebrates to attach where there was none before. The artificial reef also provided a solid surface for filter feeders to attach, and an environment similar to natural reefs where entire self-sustaining food chains are created. <sup>i</sup>

(<sup>i</sup>Atlantic Consultants. 2001. S E Cornwall Tourism Strategy 2001 – 2006. Caradon District Council, Liskeard)



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3.7 Whilst estimates were created for projected economic and social benefits to the region from the Scylla; the reality has been much greater.

3.8 The pioneers behind the Ark Royal live in Torbay. Understanding the Ark Royal was up for tender, they believed the same benefits and more could be achieved for Torbay. With a prototype in place from the Scylla, they embarked on a journey, assessing the costs, responsibilities and potential from such a project; thereby placing a tender bid, which is currently with the MOD.

3.9 Taking the model of the Scylla, they have removed some of the risks for any supporting council and are looking at support in the form of a lease that needs to be granted from the Crown Estate in order for the project to materialise (a lease if required since the crown estate will only provide to a council or private company; not a charity, the structure they want to achieve “social economic” benefits).

## Outline Time Line

4.1 There are seven stages to this project:

- i) Tender
- ii) Preliminary legal requirements
- iii) Awarding of tender
- iv) Purchase;
- v) Cleaning, de-polluting;
- vi) Sinking;
- vii) On-going formation of reef.

4.2 During the tender phase investigations were made into:

- i) Scrap Value
- ii) Cleaning & De-polluting
- iii) Proposed Site for final resting place
- iv) Charity Status
- v) Economic Impact on the Bay Economy

4.3 Through discussions with Babcock International Ltd; Scrap Merchants and MOD; it was clear that "Purchase; Cleaning, De-polluting; & Sinking" could be achieved through the scrap value of the vessel, leaving an amount over for the "charity". As such a tender price of £3.5 million was submitted.

4.4 In order to sink the Ark Royal the Crown Estate requires a lease. As a charity we are unable to receive such a lease, and therefore require the Council to apply, with the charity becoming "sub-lease holders".

4.5 We very much appreciate involvement by various people including TDA, Councillors, Officers, Harbour and Business in helping pull the strands together to get us to this point and hope receiving the required "lease"

## Startup Expenses; On-going Financial plan (expenditure & income)

4.1 There are three financial phases to the Ark Royal Project:

- i) Pre-tender
- ii) Acceptance of Tender up to Sinking
  - (a) purchase;
  - (b) preparation, de-polluting
- iii) Post Sinking

4.2 Pre-tender has been financed by the members of the charity.

Prior to actual lease, and as part of expected heads of terms arrangements will be need in place:

- i) Marine Licence
- ii) Archaeological Assessment
- iii) Environmental Assessment
- iv) Insurance ready for time of sinking

All four are in the process of being obtained and will be in place for the granting of the lease.

4.3 "Purchase to Sinking" has been planned through the scrap value of the Ark Royal, with letters from scrap companies confirming. Specific elements:

- i) Purchase
- ii) Cleaning; de-polluting by Babcocks Ltd in Devon Port
- iii) Escape Ropes and Signage

Jim Allan | Senior Estimator - Marine and Technology Division  
Babcock International Group  
Devonport Royal Dockyard | Plymouth | Devon | PL1 4SG  
Tel: 01752323676 |  
Mob: 07799 261352 |  
Email: [Jim.Allan@babcock.co.uk](mailto:Jim.Allan@babcock.co.uk)

4.4 On-going pa:

- i) Buoy and Maintenance £4,500
- ii) Company Name £1,000
- iii) DEFRA 10 year environmental £4,500\*
- iv) Insurance for lease £self funded (insurance paid by bond at out set providing annuity)
- v) Ongoing Environmental Impact £self funded (obtaining licence and qualification to complete ourselves)

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vi) Administration	<u>£15,000</u>
	£25,000

### 4.7 Income Stream

- 1) The main income stream would be generated by “diver users”. 300 divers per day; doing 3 dives a day over a 28 week period would generate £352,800 pa assuming a 28 week period (in line with Scylla ref. Diver numbers).
- 2) We would expect the Ark Royal to generate a greater number of divers; and, with benign climate in the bay, increase the open period.
  - i) 28 weeks; 300 divers £352,800
  - ii) 28 weeks; 500 divers £588,000
  - iii) 52 weeks; 300 divers £657,000
  - iv) 52 weeks; 500 divers £1,095,000
- 3) TV Documentaries - We have also been approached by the BBC for a history documentary and Lion TV for another documentary on the full de-pollution and sinking of the vessel all prices are still in the negotiation stage and will have definite prices after tender win
- 4) Ships memorabilia items
- 5) Selling of merchandise
- 6) Charity boxes
- 7) Charity and fund raising events
- 8) Etc...

4.8 Buoys & Maintenance - Includes fitting to vessel and 2 other buoys all with navigation lights and main A.I.S have GPS included, also has a 100m radius with up to 4 marker points

4.9 DEFRA 10 Year Environmental -We expected there will be a need for a 10 year report which, generally, can cost up to £45,000; however we can hopefully do the report studies over the 10 year period to satisfy Defra’s requirements working alongside B.S.A.C producing all the photographic and video evidence along with written and detailed reports.

We believe we can lower these costs by carrying out most of the required work ourselves, as we are in the process of signing up for a archaeological surveying and sonar ocean

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mapping course, we have marine conservation and project awareness as part of our portfolio.

4.10 Archaeological Impact Assessment - Our verdict we will not need a archaeological impact report due to the fact that we believe that this was referred to in heads of terms for the wreck to reef project in Weymouth, as they are on the Jurassic coast although we will be finding out the costs of having this report should it be needed. Details of one company we have found that are competent of this task is:

ADA (UK) archaeological diving association  
[www.underwater-archaeology.org.uk](http://www.underwater-archaeology.org.uk)

4.11 Insurance for lease - Initially obtaining quotations for unlimited liability, however this has changed due to confirmation from (), going to £5Million indemnity insurance so this will substantially lower our costs. We are currently awaiting quotes from 20+ insurance companies through the following brokers:

RMK Insurance Consultants Ltd  
c/o Stuart Wicks  
Suite 11  
351 London Road  
Hadleigh  
Essex SS7 2BT  
Direct Dial Number 01702 426355  
Tel 01702 555560  
Fax 01702 555528

## Economic & Social Impact Assessment

### Benefits to the Bay

#### Financial Example

5.1 The Riviera International Conference Centre used an average £215 per delegate when they calculated its benefit to the bay. Using the same for a diver and assuming similar number of divers recorded with the Scylla we can extrapolate to £11.8 million:

280 persons per day

28 weeks

@ £215

= £11 million 799 thousand 200

5.3 In our option the £215 is on the high side; however if we assume £160 (dives £80; accommodation £40; food and misc £40) we still arrive at £8.78million.

5.3 Divers do not always travel alone, bringing partners. Assuming 1/3 bringing partners, but reducing spend from £80 (accommodation; food and misc); produces a further £1,097,600 (280 divers at 25% partners = 70; at £80; over 28 weeks).

5.4 Combining 5.3 and 5.4 provides £9.88 million per annum.

5.5 It is our belief that the Ark Royal will attract both more divers per day, as well as over a longer period of time. If numbers and period by 25%, that would increase amount by nearly £2.5 million.

5.5 These figures simply show the huge potential for the bay; for local businesses, new businesses and the wider community.

5.6 History has shown that the amount achieved depends to a lesser or greater degree with various organisations working together. Businesses/Marketing/Hoteliers etc. We have in place, within the Bay, already the infrastructure. The Ark Royal name will give the catalyst. But surely we can do better than Plymouth.

## **Educational Example**

5.6 We have contacted Silvia Allen who is a governor of the schools in Torbay. She has agreed to help us by writing out a report for and behalf of the educational board on how this project will have a massive impact on the education. From a conversation with Silvia Allen she has informed us that of all the schools she has spoken to have had a positive outcome towards the project, and as such have been asked to make a presentation for all the schools.

## **Examples of Social Benefits through Charity Structure**

5.7 In our hearts, we want this project to benefit Torbay Society and as such have set up the project under a charity structure.

- i) Coast Guards - For example one of our main beneficiaries would be the coast guard. Now they are on verge of being closed down it is imperative that we get the Ark Royal so profits from the project could then help our charity to then fund the coast guard as we feel many lives will be lost from this closure.
  - ii) Youth Projects
  - iii) Community Projects
  - iv) Community Partnerships
-