

# CORPORATE DISCONTINUITY.

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**Within the context of major developments, and particularly those requiring a long-term regime of management after construction, there is a resultant and equally long-term risk-exposure for the Local Authority and public finance.**

## **INTRODUCTION :**

Because there is, very simply, no such thing as a long-term commercial certainty, this section addresses the financial issues to which the Local Authority may become exposed at a future date within the context of the two hundred year lifetime of any major project. This section addresses the manner in which truly massive costs might at some future time fall upon the public purse.

## **CONSIDERATIONS :**

- 1.1. It is of critical importance that Planning Authorities both local and National fully recognise and accept that there is no possible way in which “the public purse” can be insulated from the possible risk, irrespective of the odds, that at some time in the future, either the Tax-payers or local Community Charge-payers could find themselves faced with a very substantial financial problem the roots of which lie within an ill-considered Development Planning decision.
- 1.2. At once it must be recorded here that whilst financial evidence is provided elsewhere in the CBW submissions regarding the so-called ‘extant’ consent, the financing of the project under consideration appears readily available and well funded. It follows that, upon the public evidence presently available, no-one could seriously propose that this major project could not be funded to its completion.

- 1.3. That position having been made clear, as Mr. Peter Drucker (a management guru of international fame) wrote many years ago, we all live in an age of what he chose to call "corporate discontinuity".
- 1.4. Corporate discontinuity arises from a very wide range of factors, sometimes the result of political change or changes in tastes and fashions, sometimes simply the result of mis-management. Often, discontinuity is the result of changes in the ownership of controlling shareholdings.
- 1.5. Market forces will also regularly impose themselves and simply drive out some of the players. Too frequently however, the financial planning and control goes badly awry, just as happened in a very big way with Baring's Bank, with Enron, and with the Eurotunnel development, when the cash flow simply dries up. F.W.Woolworth is a sad addition to the list.
- 1.6. Another such company was Alders, a very well respected company established a century ago, with a sales volume of well over £500 millions per year. Effectively, that company was lost to its owners and, whilst there are laws which protect the staff, there is nothing that could fully protect the creditors from substantial financial loss.
- 1.7. More locally, a number of projects have failed through inadequate financial support or because cash-flow has dried up. The Gaia Energy Project immediately comes to mind, as does the South West Film Studio project and a well-established frozen-desserts company in North Devon.
- 1.8. Even though some of these projects were funded by public money through Objective 1 or from Regional Development grants, they could not be saved. That does not apply to the beach development because no public money is presently involved but, however, it is equally true to state that within the quite recent history of the beach itself is a litany of corporate financial disasters, Exchange Travel, Domaine Leisure, and others all having become lost without trace.
- 1.9. Importantly, the assertion that the latest design of the Sea Wall will not require beach re-charge is challenged. The most casual observer can readily see that the

proposed beach-to-wall profile (even allowing for artistic licence) simply cannot be maintained without a permanent regime of recharge.

- 1.10. For this reason alone, we state that because of a potential risk (however remote) of corporate discontinuity, there is, in perpetuity, a tangible and potentially very substantial risk that the consequence of corporate discontinuity may become a feature in the future maintenance of the sea wall and beach which must be thoroughly assessed prior to any public commitment.
- 1.11. This risk, however small, will be present throughout the planned 200 year lifetime of any development of this nature. We say that even if a protective financial or insurance bond were to be lodged with Cornwall Council, its regular renewal over the long lifetime of the project is potentially problematic. Any provider of any such bond would very largely be influenced by the continuing ability to maintain adequate storm-insurance with a reliable underwriter.
- 1.12. It could of course transpire that the expression of these concerns about a long term future liability happily prove themselves to have been entirely speculative, and thus of consequence. However, on present medical knowledge, it is highly unlikely that today's Planning decision-makers will live long enough to find that out !
- 1.13. No-one can reasonably deny that there exists a potential liability, in legal perpetuity and beyond, which may fall upon some distant future generation to meet the highly onerous and very costly repair and continual maintenance commitments associated with any development of the nature proposed. No-one really knows, including the best brains in the weather business, what effect climatic changes will have upon any coastal development, but the clear consensus is that they will certainly be adverse. Consequently, what effect will future storm-damage experience have upon the minds of the insurance underwriting profession?
- 1.14. That being the case, there is surely a duty upon the Planning Authorities, together with the Coastal Protection Authorities, to properly assess the extent of that financial liability, and equally to understand and approve the manner in which

that liability is to be indemnified and guaranteed 'in perpetuity'. In any development of this nature, the assessment must include the long-term stability of all those parties who are, or may at some future time become, liable, and must include a thorough assessment and valuation of "What happens if... ? "

- 1.15. It is easily conceivable that the risks associated with this type of development could become uninsurable or, at least, uneconomically insurable, due to claims experience and future climate change. Who then would be left holding this financial baby ?
- 1.16. The Netherlands Government has already decided that it cannot hope to beat the increasingly huge financial costs of nature. Accordingly, it is presently engaged in relinquishing huge tracts of its coastal lands in order to create new flood 'lagoons' which may be able to accommodate increasing tide levels.
- 1.17. For all these reasons, we reiterate without apology that it is the duty of all those public authorities involved in these processes to ensure, in the exercise of their powers, that these questions are properly and fully addressed in their consideration of any major development which may incur these inherent risks. It is impossible to consider the long-term and cumulative effects of any massive development of this nature which, for public safety alone requires perpetual maintenance without first **making absolutely certain that the money will always be there to pay for it.**
- 1.18. ***Finally, a note of caution as to the present circumstance :*** It is not acceptable for the Authorities to attempt on this occasion to hide behind the normal planning rules by proposing that financial stability of the project is not a planning matter. The Government's guidance in the **EIA** process clearly and specifically directs that consideration **must** include "***direct and indirect, secondary, cumulative, short, medium and long-term, permanent and temporary, positive and negative effects of the project***".