

Virtual Public Inquiry - The Bournemouth-Swanage M.R. & Ferry Company

I am writing to put on record my objections to the above application to increase various tolls on the Sandbanks to Shell Bay ferry. I am a full time resident of Studland having purchased a property in 2014. In the ensuing period there has been a significant increase in the fares charged. The service has been unreliable and there have been substantial periods whilst the ferry has been out of action. The Ferry company also decided to unilaterally withdraw the service as it was uneconomic to operate during lockdown. This caused further distress and inconvenience to users of the service.

Whilst my wife and myself are retired we are frequent users of the Ferry, and the lack of a reliable service has added significantly to our journey times particularly in the summer months because of heavy traffic on the A354 via Wareham.

We also have to go to Sandbanks frequently and this is 3.7 miles via the ferry and 25 miles when the ferry is out of action. This is particularly frustrating as Sandbanks is so close by and can be seen from our house.

My objections to the application to increase tolls are as follows:

- The ferry company is already very profitable. In the year to 31st March 2019 the company made a pre-tax profit of £1.48M .There is no need to increase fares in order to replace the ferry. Michael Kean – Managing Director of the company, admitted at the last Public Inquiry that the company placed payment of dividends ahead of building up funds for the ferry replacement. The then Inspector refers to this in his summing up as being unacceptable.
- Previous applications have referred to the need to pay for a new ferry. There is no sign of this happening in the medium term. Tolls increase and no action is taken. As mentioned above there is no need to increase fares in order to replace the ferry, as the current profitability together with some funding would be sufficient.
- Significant dividends are paid to the owners rather than the profits being applied to purchase a new reliable vessel. Originally the existing vessel was deemed to have a useful life of 23 years. Subsequently the Directors decided to depreciate the vessel over 40 years and also extended the servicing program from 2 to 4 years between major refits. This appears to be in search of greater profitability. Reliability has, not surprisingly, now become

an issue. The major breakdown last year was caused by the failure of a component that the ferry company admitted should have lasted the life of the vessel. This surely confirms that replacement should have taken place earlier and been a higher priority.

- The strategy of the company seems to require the **current** users of the ferry to pay for the new ferry which would then operate from 2034 for another 30 to 40 years. Normal commercial practice is to obtain funding for a capital purchase at the time of the expenditure, and then use the tax relief and future income to pay for the asset. The **future** users would therefore be funding the ferry replacement. The financial costs of servicing loan finance would have been partially offset by Corporation Tax relief.
- The Application seeks to build up a substantial cash balance over the next 12 years to pay the majority of the cost of the new Ferry. According to the projected Balance Sheet there would be Bank funds of £5.8M available despite having paid Dividends of over £9M in the 12 years. The dividends are excessive and being enabled by the fare increases sought.
- This cash accumulation program is not commercially efficient from the tax viewpoint. In the 12 year-period going forward the company have provided for Corporation Tax at 19%. This amounts to £3.76M. The increase in the liability is being driven by the fare increases. It is also likely that tax rates could rise post COVID and increase the shortfall further.
- The Ferry company have stated that they cannot obtain loan funding to purchase the new ferry and have enclosed a letter from Handelsbanken to that effect. My own feeling is that this is influenced by the overall facility granted to the Fairacres Group which already has significant borrowings due to its diversification into hotels.
- The ferry company guarantees the overall bank borrowing of the Fairacres Group and as such the accumulation of a substantial cash balance strengthens the guarantee. Hence the reluctance of FG to consider foregoing the fare increase and substantial dividends.
- The cash balances of the ferry company are at risk in three ways:
 - a) From the bank guarantee in respect of FG borrowings.
 - b) From creditors of the ferry company.
 - c) From the FG who could decide not to proceed with the ferry replacement, transfer the funds to themselves perfectly legally, as they form part of the Reserves of the ferry company and are therefore distributable.

In order to safeguard these funds, they need to be held beyond reach of the above parties. This should be done by physically transferring them to a Trust or an Escrow account. This is particularly pertinent as increases granted at previous Inquiries have not been applied for the stated purpose of Ferry replacement.

- The events of the COVID lockdown of the past six months must put the financial situation of the ferry company and FG under more strain. The hotels of the Group have not been a financial success since acquisition. They were loss making even in good times when they were open. They must have suffered dreadfully from being closed, suspension of horse racing and lack of wedding and function income. Enough to push many a business to the edge. The ferry must have also suffered substantially from suspension of service and people not being able to travel in the first part of the year.
- In normal times Company Law requires companies to file accounts within 6 months of the financial year end. However COVID has extended this period to December 31st for the ferry company and FG . The Inquiry should ask FG not to hide behind this extension and volunteer their accounts in advance of the Inquiry. They form an important part of the information required to ensure clarity as to where things stand.

If the Inspector were to make an order that allowed the application to proceed as requested, it would substantially enrich the ferry company and it's shareholders at the expense of the users. There would also be no guarantee that the funds would be applied on a replacement ferry.

I would be pleased if my objections can be put before the individual considering the application. In the event of a Public Inquiry being held I would hope to attend digitally.

Yours sincerely

Malcolm Tice

Ballard Glebe

Glebe Estate

Studland

Swanage

Dorset BH19 3AS