

## **Objection to proposed Toll increases from the National Trust**

The Ferry Company states that it has two main objectives.

- From a public service point of view to be able to provide and maintain a safe, reliable and cost-effective ferry service.
- To provide a reasonable return on investment to the owner.

The National Trust objects to the proposed toll increases on the following grounds.

### **Affordability of the ferry**

The ferry tolls compared to others around the country, as stated in the objection of John South is exceptionally expensive. It is not always practical or indeed equitable to assume commuters can use foot or bicycle to reach their places of work and thus avoid the vehicle charges. Much of the work in the Studland area is in the service sector which is not highly paid. 70% of National Trust Staff in Purbeck reside on the Poole side of crossing and thus need to use the ferry to access work or to make the long drive around the harbour. The ferry fare as it stands, used for car based commuting purposes takes up 11.6% of take-home pay of the average National Trust employee (when taking full advantage of discounts available). We already find it difficult to attract and retain staff because of this cost. Further raises will make this situation more acute.

This rationale also applies to local residents, many of whom are older and living on pensions, who need to access Poole for healthcare and provisions needs. Car use is key.

Whilst mileage-based comparisons are used to suggest that the ferry offers comparable value for money, this does not take into account the additional time factor this builds into the day for regular commuters. This easily adds an additional 90 minutes travel time each day, which is significant for individuals and families.

The ferry was created *'to provide a more direct means of communication between Bournemouth and Swanage and be of local and public advantage'* (Bournemouth-Swanage Motor Ferry Act, 1923).

Nearly 100 years after this, that regular users cannot afford this more direct means of communication does not seem to be of local or public advantage. Far from increasing tolls, ways to reduce them for regular users seems to be urgently required.

### **Right of free access to Toll road**

The 1923 Act gave rights for the Ferry Company to raise a toll for the use of the Ferry Road as well as the use of the Ferry itself. In the same Act there were provisions for certain users to have free use, without toll, of the Ferry Road. Section 97 (6) sets out these benefits that the Bankes Settled Estates, now the National Trust would enjoy. The Ferry Company's current justification for increasing the toll is to secure a reasonable financial return from all its assets, including the Ferry Road. Since the separate road toll was removed it can reasonably be assumed that a proportion of the single toll charge includes a return on the valuation or investment in the Ferry Road, the status of which will be raised later in this submission. It is The National Trust's assertion that whenever its employees and anyone else who should benefit from Section 97 (6) pays a single toll it is in fact paying a sum for the use of the road and that it should not be liable for the payment of this

proportion of the charge. Therefore, any new schedule of charges should set out the specific rate applicable to the Ferry only proportion of the charge due to be paid by the beneficiaries of Section 97(6) of the 1923 Act. Alternatively, the Ferry Company could remove any value of the Ferry Road in their calculation of the reasonable return to reach a revised single toll charge for the various types of vehicles and passengers.

### **Estimated costs and ferry replacement plans.**

The requirement for toll increases is based upon a need for the ferry company to replace the current ferry in 2032 with the new ferry expected in service in 2034 (as shared at the last liaison group meeting). The calculations are thus based upon raising £12.8million for the replacement cost of the ferry, less borrowings that can be up to £5m, by increasing current toll levels in order to have this amount put aside by that date.

In a recently added statement to the Toll Inquiry appendices, the Ferry Company made the following statement

*“To meet this priority, SFC is today making a public commitment to carry out ongoing robust investigations into emerging environmentally -friendly alternatives to diesel propulsion for the replacement of the Bramble Bush Bay, which is due to be ordered in 2032. Currently, Naval Architects do not believe there is a viable non-diesel alternative drive system available on the market and the costs of unproven emerging technologies are an unknown. However, as and when alternative power sources become available, SFC will continue to evaluate their viability and sustainability. These alternative power sources will include but not be limited to electric, hydrogen and biofuel”.*

The statement is weakened by the addition below that suggests this is a possibility not a firm commitment for the 2032 replacement.

*“Alongside increases in efficiency, cost savings and the commitment from the Directors not to pay dividends to the owners until the ferry replacement fund is topped up, sound financial planning also ensures that a replacement ferry – **ideally a more environmentally-friendly one than the Bramble Bush Bay – can be purchased, when it is judged necessary by the Company’s Naval Architects.**”*

Whilst it is accepted that ferries powered by cleaner technologies are still fairly new. If this is a genuine intention, rather than a populist statement, it is of concern that the finances put forward justifying the fare increases are based upon a quotation of £12.8m for a replacement diesel ferry and the costs for maintaining the current ferry until that time. No exploration has been made of greener alternatives and what impact they might have on financial projections.

Enclosed are some links below to green commercial ferry options to illustrate that this technology is already available in the commercial sector and the general consensus is that they offer significantly lower running costs to the tune of around 80% less. As a total of £7.5 million is costed in for maintenance and running of the diesel ferry between now and 2032, this is potentially a significant saving. Less time out of the water, will also offer opportunities for increased income and a better continuity of service for users.

Whilst the purchase price of newer ferries is still higher than traditional technologies, it is also possible to retrofit existing ferries with electric motors. Whilst the general consensus is that the hull of the existing ferry is in excellent condition, this might offer an alternative way to reduce running costs and improve service without raising tolls further.

It is appreciated that the detail is key. The general point is that no exploration of these options has been carried out before this inquiry, thus the need for toll rises is predicated upon the quotation for replacing a diesel ferry, which does not reflect the ferry companies stated intent.

### **Environmentally friendly ferries**

<https://www.insider.co.uk/news/debut-most-environmentally-friendly-ferry-20785525>

A new £14 million ferry which operators claim is the most environmentally friendly in Scotland is going into service. The twin-hulled ship takes 430 passengers and 98 cars, and operators **Pentland Ferries** said its green design means it can run for up to six days on the fuel needed for one day on most traditional mono-hull ferries of equivalent capacity

<https://www.bbc.co.uk/news/business-50233206#:~:text=The%20first%20fully-electric%20car%20ferry%20was%20launched%20in,maritime%20industry%20is%20not%20the%20fastest%20to%20change.%22>

Powered entirely by batteries, Ellen is something of a Tesla among ferries. Fully charged, the 60m vessel can sail 22 nautical miles with up to 200 passengers and 30 cars onboard.

<https://www.danfoss.com/en/service-and-support/case-studies/dps/finland-s-oldest-ferry-goes-all-electric/>

Retro fitting of existing ferry with electric propulsion

<https://electrek.co/2018/03/05/all-electric-ferries-battery-packs/>

A new fleet of all-electric ferries with massive battery packs is going into production. This includes new ferries as well as retro fitting existing diesel ferries.

### **Who should pay for the new ferry?**

The financial projections of the ferry company indicate that current users will be those paying for the future ferry. This does not seem to be fair or logical. It would be possible to lease a ferry, which if paired with significantly lower running costs, would create a situation when sufficient revenue from future users may well be adequate for this purpose.

It would have helpful to have seen alternative funding scenarios in the figures put forward to demonstrate that the ferry company had fully investigated alternatives to fare rises before making these proposals.

## **Calculation of reasonable return on investment**

The Ferry Company have approached the calculation of a Toll charge with reference to the overall value of their assets and the need for the company to obtain a reasonable return from the valuation of such assets.

The 1923 Ferry Act provided the necessary rights for the company to build a road and take land for certain other purposes. For the Ferry Road, in relation to the land owned by the Bankes Estate in 1923 (which is the heathland over which the road was constructed) the company was given the right to enter into an easement and to take a conveyance of other land. These rights are set out in Section 97 (1) (a & b); further restrictions of sale were applied to these rights and lands and on the Ferry Company by Section 97 (16). The National Trust is not aware of an easement or a conveyance having been agreed.

The National Trust is the successor to the Bankes Estate via a Deed of Assent dated 19<sup>th</sup> August 1982 which was completed some 12 months after the death of Henry John Ralph Bankes on the 19<sup>th</sup> August 1981.

I would refer the Inspector to Appendix 1 which is the first page of the Assent of 1982. This extract clearly identifies that all of the Bankes Estate (Bankes Land) was vested to The National Trust including the Ferry Road verges which are accurately described in the Schedule of Lands via reference to the relevant OS Field Parcel number and area. Whilst the width of the actual carriageway of the Ferry Road was not included in the detailed schedule the final section of this page of the Assent document vests all of the late Mr Bankes's remaining interest in property in the Parish of Studland to The National Trust. We have not seen any evidence to indicate that this would not have included the freehold of the width of the carriageway of the Ferry Road. the carriageway of the Ferry Road remains unregistered. If the company owns the carriageway, why have they not registered it despite having registered other lands acquired by them. (Please note that when the Land Registry registered The National Trust's Title under DT350216 it appears that the exclusion of the carriageway was an error – the registration was done as part of a wider project which did not afford time for detailed analysis).

A combined value of £11.529 million is shown on the balance sheet of the Ferry Company for the year ended 31<sup>st</sup> March 2019 for the value of land, road and slipways.

The balance sheet notes that the land occupied by the buildings, causeway and slip way is freehold. This amounts to 0.6 acre at Southhaven.

It further notes that the two and a half miles which is occupied as the Ferry Road is held in perpetuity under the terms of the 1923 Act.

# THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

4 Tangible fixed assets	Land, roads & slipways	Buildings	Motor Ferry	Equipment and motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 April 2018	11,528,971	967,981	1,900,000	110,701	14,507,653
Additions	-	-	-	13,157	13,157
At 31 March 2019	11,528,971	967,981	1,900,000	123,858	14,520,810
<b>Depreciation and impairment</b>					
At 1 April 2018	-	105,572	814,286	80,054	999,912
Depreciation charged in the year	-	26,589	67,857	6,626	101,072
At 31 March 2019	-	132,161	882,143	86,680	1,100,984
<b>Carrying amount</b>					
At 31 March 2019	11,528,971	835,820	1,017,857	37,178	13,419,826
At 31 March 2018	11,528,971	862,409	1,085,714	30,647	13,507,741

The two and a half mile strip of land which is occupied for the ferry road is held in perpetuity under the terms of The Bournemouth-Swanage Motor Road and Ferry Act 1923.

The land for the buildings, causeway and slipways is freehold.

As detailed in the accounting policies, the land, buildings and ferry are carried at a transitional deemed cost.

The Ferry Company is not claiming ownership of the road, the description is 'held in perpetuity'. However, when considering the impact of this term on the overall valuation on the balance sheet, it feels a little disingenuous. The Ferry Company do not 'hold' Ferry Road and have not adequately explained the basis on which they have rights over it.

If the company are able to establish that they have an easement. It is crucial to understand how this balance sheet figure was reached, in order to understand if the valuation upon which the Ferry Company seeks reasonable return is fairly assessed.

The Gerald Eve valuation carried out for the company in 2015 made the below assessment in terms of values, which is the basis of the balance sheet figure. It refers to the perpetual interest but gives no legal basis for the interest.

## 14. Existing Use Value

We are of the opinion that the Existing Use Value of the freehold interest in the subject interest, as at 31 March 2015, is in the sum of:

**£14,270,000**  
**Fourteen Million, Two Hundred and Seventy Million Pounds**

The various elements of the valuation are apportioned as follows:

Site Works	£5,120,000
Causeway	£2,400,000
Buildings	£850,000
Land associated with the above	£200,000
Land, including the rights to operate the ferry & miscellaneous property income	£3,800,000
Ferry	£1,900,000
	<b>£14,270,000</b>

Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 300 employees.

In addition to valuation our range of services includes occupational



## 9. Tenure

We understand that The Bournemouth-Swanage Motor Road and Ferry Company retains either the freehold title to the properties or has a perpetual interest or power over the properties vested in it by statute. We have not been provided with and have not inspected the deeds from which this information is derived.

## 10. Tenancy

The property and assets are owner occupied.

A small area of land at Ferry Road / Causeway is let to Poole Harbour Commissioners for a mast site. This is let on a 10 year lease, from 2 March 2011, with a review in March 2016. The current passing rent is £5,200 per annum. The lease has a six month mutual break clause.

The restriction on disposal of the Bankes Lands and the lack of freehold ownership of the Ferry Road are material factors in the valuation of the assets of the company and as such any valuation that is relied upon to calculate a reasonable return and subsequently used to set new toll charges should refer specifically to the legal status of these assets.

If the Toll revision calculations are based on a valuation where the assumptions are materially incorrect or the valuer has not been fully apprised on restrictions on sale we submit that the whole set of calculations are not reasonable due to a gross over-valuation of the land assets and are therefore built on sand.

Whatever view is taken of our reasoning above, a crucial consideration is whether it is appropriate for what was given freely by the Bankes estate under an Act of Parliament 'to provide a more direct means of communication.... And to be of public and local advantage' should now be used as the

basis of a valuation from which the Ferry Company are seeking to make financial return. Many such ferry operations are in public ownership, possibly for this very reason.

Finally, below is a section from the 2019 accounts of the Ferry Company. According to this statement the Ferry company has entered into a composite guarantee with four other group companies in respect of bank overdrafts.

As the objective of the proposed toll raise is to create a fund to purchase a new ferry. It seems necessary that such savings are protected from being potentially used as a guarantee against overdraft in other parts of the Fairacre group trading activities.

Without some kind of ringfenced Trust fund arrangement, any savings made could be used to manage overdraft issues elsewhere. If a decision is made to accept the proposed raises, it seems necessary for a simultaneous order directing how these monies are protected and used for this purpose only.

#### **12 Financial commitments, guarantees and contingent liabilities**

The company, together with four other group companies, has entered into a composite guarantee in respect of bank overdrafts of those companies. There is a right to set off incorporated within the cross guarantee. The net overdraft indebtedness of the group companies to the bank at the year end date was £Nil (2018: £Nil).

The company, together with four other group companies, has also entered into a composite cross guarantee in respect of bank loans totalling, at the balance sheet date, £8,000,000.