



Appendix v – Instruction Letter



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Appendix vi – Terms and Conditions

These are the general terms and conditions upon which our valuation and report are prepared, unless agreed otherwise in writing or stated otherwise in the body of this report. The below terms and conditions are written in the singular. Where the reported valuation(s) refer to two or more properties these terms and conditions should also be taken to apply in the plural.

Valuation Assumptions:

We have made the following assumptions:

1. All valuations are carried out in accordance with the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS), January 2014.
2. All information supplied to us by your Client, yourselves, or your professional advisers, or any other named party, is assumed to be correct and complete.
3. We have not had access to the title deeds of the property and are therefore unable to comment as to whether they are free from, for example, any onerous or unusual covenants, restrictions, outgoings, or statutory notices likely to have an adverse effect upon the value of the property. We have assumed for the purpose of our valuation that none such exist.
4. Generally, plans and maps provided for identification purposes only are reproductions of Ordnance Survey maps with the sanction of the Controller of HM Stationery Office, Crown Copyright reserved, and are to a scale of 1:1,250 or are location maps at a scale of 1:50,000 and provided by Promap.
5. All the covenants in any Headleases have been complied with and there are no disputes with the Lessors or notices received from the Lessors or Lessees which would adversely affect the valuation.
6. Unless our enquiries have indicated otherwise, it is assumed the property’s use is duly authorised or established with the local planning authority and that no adverse planning conditions or restrictions apply. It should be noted that employees or Town Planning Departments now give information on the basis that it should not be relied upon and, therefore, we advise that formal searches are undertaken if greater certainty is required.
7. It is assumed that each property is not occupied and used with, nor that the premises have been, or are, being, put to any contaminative use. This might reduce the values now reported.
8. In the absence of any information to the contrary, no allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972.
9. The Landlord and Tenant Act 1987 gives certain rights to residential tenants to acquire the freehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act and that such tenants have elected not to acquire the freehold or head leasehold interest, and therefore any sale on the open market is unrestricted.
10. We have inspected and carried out a measured survey of the property in accordance with the Code of Measuring Practice (6th Edition) prepared by the Royal Institution of Chartered Surveyors. Unless otherwise stated, it is assumed that the building has been constructed and is being occupied and used with all requisite consents and in compliance with valid Town Planning and Building Regulations approval and has the benefit of a current Fire Certificate and that the property complies with all relevant statutory regulations.
11. We have not undertaken a building survey, nor have we tested any services or inspected woodwork or other parts of the structure, which are covered, unexposed or inaccessible. Therefore these parts are assumed to be in good repair and condition and the services in full working order.



12. The Government requires an Energy Performance Certificate (EPC) to be produced for property transactions including the sale, rent or construction of both residential and non-residential dwellings. For the purposes of this valuation we have not been provided with a copy of an EPC for the premises. Our valuation is based on the assumption that any transaction will be conducted in accordance with the aforementioned legislation.
13. We have not arranged for any investigation to determine whether high alumina cement concrete, calcium chloride additive, blue asbestos or any other deleterious or hazardous material has been used in the construction, and we cannot therefore confirm that the property is free from risk in this regard. Our valuation has been prepared on the assumption that any investigation would not reveal the presence of such materials.
14. We have not undertaken any site investigation, geological, mining or geophysical survey and therefore cannot clarify whether the ground has sufficient load-bearing strength to support any of the existing buildings or any other constructions that may be erected in the future.
15. We have not included plant and machinery not forming part of the service installations of the building. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Furthermore, no account of any goodwill, that may arise from the present occupation of the property, is allowed for in our valuation.
16. This report gives no warranties as to the condition of the structure, foundations, soil and services.
17. We have not instigated any environmental audit or other environmental investigation or soil survey on the property which may evidence any contamination or the possibility of any such contamination. Therefore we have assumed that there has been no contaminative or potentially contaminative uses ever carried out in the property. Should it be established that contamination, seepage or pollution exists at the property or on any neighbouring land or that the premises have been, or are being, put to a contaminative use (unless stated otherwise in our report) then this might affect the values stated in the report.
18.
 - i) There are no abnormal ground conditions, archaeological remains, or hazardous or deleterious materials present which might adversely affect the present or future occupation, development or value of the property;
 - ii) The property is free from rot, infestation, structural or design defect;
 - iii) No high alumina cement or other currently known prohibited or suspect materials or techniques have been used in the construction of, or any subsequent alterations or additions to, the property;
 - iv) The property is not contaminated and is not adversely affected by the Environmental Protection Act 1990 or any other environmental law; and
 - v) Any processes carried out on the property which are regulated by environmental legislation are properly licensed by the appropriate authorities and operated in accordance with the licence.

If any of the above assumptions prove to be inappropriate, then the value of the property concerned may be lower
19. We have not included any allowance in our valuation for works that might become necessary to enable access for disabled persons under the Equality Act 2010.
20. In respect of commercial and residential premises valued on a yield basis, the Market Value reported is the gross amount paid for the subject interest, less an allowance for standard purchasers costs, calculated as 1.8% in respect of agents' and legal fees, together with stamp duty liability, as follows:

Commercial & Mixed Use

Residential



Charged at a fixed rate on the entire purchase price:

| | |
|---------------------------------------|----|
| Up to £150,000 – rent under £1,000 pa | 0% |
| Up to £150,000 – rent over £1,001 pa | 1% |
| £150,001 to £250,000 | 1% |
| £250,001 to £500,000 | 3% |
| Over £500,000 | 4% |

Charged at different rates depending on the portion of the purchase price that falls within each rate band:

| | |
|------------------------|-----|
| Up to £125,000 | 0% |
| £125,001 to £250,000 | 2% |
| £250,001 to £925,000 | 5% |
| £925,001 to £1,500,000 | 10% |
| Over £1,500,001 | 12% |
| Company > £500,000 | 15% |

21. We have taken no account of any other taxation liability that may arise on disposal, nor of any costs associated with either acquisition or disposal incurred by the owner. In addition, no allowance has been made to reflect any liability to repay any government or other grants or taxation allowance that may arise on disposal.
22. Unless stated to the contrary, all rental and capital values stated are exclusive of VAT at the prevailing rate.
23. Our valuation report has been based upon a number of assumptions stated therein. If any assumptions are proved to be incorrect, we wish to reserve the right to alter our opinion of value accordingly.
24. Our maximum liability for all advice and services provided in connection with this project both before or after the date of this letter shall not in the aggregate exceed £5,000,000 (five million pounds). This limitation shall apply to our aggregate liability to you (together with any Associated Person as identified in our Terms of Engagement for whom you are acting as agent in relation to the Contract) on any basis for any losses, damages, costs or expenses ("losses") arising from or in connection with our services in relation to this project.



Appendix vii – Abbreviations

Abbreviations used within our reports are defined below.

| | |
|--------|-----------------------------------------------------------------|
| ADR | Average Daily Rate |
| AGA | Authorised Guarantee Agreement |
| AST | Assured Shorthold Tenancy |
| BREEAM | Building Research Establishment Environmental Assessment Method |
| EPC | Energy Performance Certificate |
| FF&E | Furniture, Fixtures and Equipment |
| FMS | Fair Market Share |
| FRI | Full Repairing and Insuring |
| GIA | Gross Internal Area |
| GOP | Gross Operating Profit |
| ITZA | In Terms of Zone A |
| MOD | Minor Operated Department |
| MPI | Market Penetration Index |
| MR | Market Rent |
| MV | Market Value |
| NIY | Net Initial Yield |
| NIA | Net Internal Area |
| pa | Per Annum |
| pcm | Per Calendar Month |
| psf | Per Square Foot |
| psm | Per Square Metre |
| pw | Per Week |
| RGi | Revenue Generation Index |
| RICS | Royal Institution of Chartered Surveyors |
| RPI | Retail Price Index |
| RevPAR | Revenue Per Available Room |
| sq ft | Square Feet |
| sq m | Square Metres |
| UBR | Uniform Business Rate (multiplier) |
| VAT | Value Added Tax |
| ZA | Zone A |

Planning Inspectorate Ref: DPI/G1250/20/9
The Bournemouth – Swanage Motor Road and Ferry Company
Proposed Revision of Tolls

THE BOURNEMOUTH – SWANAGE MOTOR ROAD AND FERRY
ACTS 1923 AND 1986

AND THE

TRANSPORT CHARGES &c. (MISCELLANEOUS PROVISIONS) ACT 1954

Inspector’s Pre-Inquiry Note

This Note is intended to provide guidance to those participating in the forthcoming Inquiry. Adherence to the requests below will assist the Inspector in preparing for the Inquiry and will aid its efficient running.

1. Procedural Matters

- 1.1 The Inquiry will open on Monday 16 November 2020 at 10.00, starting at 09.30 on subsequent days. It will be held as a virtual event led by Inspector Jennifer Vyse, DipTP, DipPBM, MRTPI. It will be run in the normal way, with the usual formalities observed, but with parties invited to join via Microsoft Teams or telephone.
- 1.2 As set out in more detail in the Inquiry notifications, anyone wishing to attend the Inquiry will need to have made that interest known to the Planning Inspectorate Case Officer, Sarah Tudor, as soon as possible prior to the Inquiry, either by email or telephone.

Email: sarah.tudor@planninginspectorate.gov.uk

Tel: 0303 4445572

- 1.3 Documents relating to the application can be viewed at www.sandbanksferry.co.uk

2. The Application

- 2.1 The Bournemouth–Swanage Motor Road and Ferry Company has made an application to increase the tolls charged on the ferry between Studland and Sandbanks. The current and proposed tolls are set out on the middle table of the three tables set out at Appendix 8 of the application documents.

3. Purpose of the Inquiry

- 3.1 The purpose of the Inquiry is for the Inspector to gather evidence on the proposed toll increases before making a report to the Secretary of State. That report will set out the gist of the evidence given and make a recommendation as to whether the application should succeed or not.
- 3.2 The remit for the Inquiry, is set out in Section 6(3) of the Transport Charges &c. (miscellaneous Provisions) Act 1954, namely:

'..... the Minister shall have regard to the financial position and future prospects of the undertaking and shall not make any revision of charges which in his opinion would be likely to result in the undertaking receiving an annual revenue either substantially less or substantially more than adequate to meet such expenditure on the working, management and maintenance of the undertaking and such other costs, charges and expenses of the undertaking as are properly chargeable to revenue, including reasonable contributions to any reserve, contingency or other fund and, where appropriate, a reasonable return upon the paid up share capital of the undertaking.'

4. Procedure at the Inquiry

- 4.1 The Inspector will guide the proceedings, inviting particular people to speak at particular times. During the event, unless you are speaking, it will be helpful if participants keep their microphones muted to minimise background noise. In terms of cameras, the Inspector expects the applicant's advocate to keep his camera on at all times whilst the Inquiry is sitting. Witnesses will need to keep their cameras on at all times whilst they are giving evidence. You are reminded in this regard that once questioning of a witness has started, they are not permitted to communicate with, or discuss evidence with their own advocate (for example, off camera or during breaks) until any re-examination is complete.
- 4.2 The Inquiry is currently programmed for three days. As a virtual event, in order to minimise time in front of the screen, each inquiry day will be divided into sessions of around 1.5-2 hours maximum, with extended breaks in between. Usually there will be no more than three sessions a day, although if sessions are shorter that may increase.

5. Inquiry Programme

- 5.1 At the start of the Inquiry, the Inspector will run through a brief opening confirming how the event will be run. There will be an opportunity then for the applicant's advocate to make a brief opening statement summarising the gist of the case being made, which will help set the scene. The applicant's witnesses will then be called in turn to give evidence. Currently anticipated order is:

- Mr R Glenwright (of Gerald Eve) on the valuation of the company's assets within the accounts.
- Mr T Hope (of Burness Corlett Three Quays) on ferry costings and the report on planned maintenance.
- Mr K Thomas (of Rickard Luckin) on the financial projections together with the assumptions based on that and the accounts.
- Mr M Kean (Fairacres Group) on all other matters

5.2 Those opposing the application will be able to ask questions of these witnesses on their respective evidence as they are called. That is not an opportunity for opposers to set out their cases or introduce further evidence. Rather it is simply an opportunity to ask questions about the evidence each witness has presented to the Inquiry. The Inspector is also likely to have questions for each of the witnesses.

5.3 On conclusion of questions, the applicant's advocate will have the opportunity to re-examine each witness if necessary.

5.4 There were 13 Objectors to the application

Bournemouth, Christchurch and Poole (BCP) Council

Dorset Council

Studland Parish Council

Swanage Town Council

Worth Matravers Parish Council

Dorset CPRE

Max Bond

Nick Boulter

Peter Bowyer

Andrew Parsons

John South

Eric Stobart

Malcolm Tice

5.5 Those Objectors attending the Inquiry will then have the opportunity to present their evidence and will be called in turn. They may be asked questions on that evidence by the applicant's advocate. The Inspector may also have questions. Parties may appear at the Inquiry in person and may be represented by counsel, a solicitor or some other

representative. It may be that arguments for or against the application could be made more effectively and succinctly by one person/organisation than by many individuals making the same points in slightly different ways. The Inspector urges parties/individuals to get together wherever possible to present joint cases through a single spokesperson.

- 5.6 The Inspector will then hear from any other interested persons at the Inquiry who have a relevant point to make in connection with the application. You are reminded, in this regard, that in order to ensure that the Inquiry is completed as expeditiously as possible, the Inspector will intervene to prevent any unnecessary repetition of points already made to the Inquiry.
- 5.7 In considering the application, the Inspector will take account of all of the evidence heard at the Inquiry, together with that submitted in writing.
- 5.8 People who do not need or wish to speak at the Inquiry are welcome to attend on the Teams platform as observers.
- 5.9 At the end of the Inquiry, the applicant's advocate will have the opportunity to make any closing submissions.

6. IT Test Event(s)

- 6.1 The applicant, the objectors and those who have already registered an interest in attending the virtual Inquiry, have been offered the opportunity to attend a generic test event in advance run by the Planning Inspectorate. It is confirmed that no details of this application will be discussed at those events, they are purely a means to allow participants, whatever their interest, the opportunity to familiarise themselves with Teams if not already familiar, and to test the compatibility of their IT kit in advance of the Inquiry itself.

Jennifer A Vyse
INSPECTOR

Planning Inspectorate Ref: DPI/G1250/20/9
The Bournemouth – Swanage Motor Road and Ferry Company
Proposed Revision of Tolls

THE BOURNEMOUTH – SWANAGE MOTOR ROAD AND FERRY
ACTS 1923 AND 1986

AND THE

TRANSPORT CHARGES &c. (MISCELLANEOUS PROVISIONS) ACT 1954

Inspector's Pre-Inquiry Note - ADDENDUM

This Note is intended to provide guidance to those participating in the forthcoming Inquiry. Adherence to the requests below will assist the Inspector in preparing for the Inquiry and will aid its efficient running.

1. Inquiry Opening

- 1.1 The earlier Inspector's Note indicated a start time for the Inquiry on Monday 16 November of 10.00. That is an error. As per the formal Notice of the Inquiry event, it will **open at 09.30 on 16 November**, and will resume at the same time on any subsequent sitting days.

2. Objectors

- 2.1 At the time of the original Note, 13 persons had written in objecting to the application in response to notification of the application. Those objections triggered the need for an Inquiry. Since then additional objections have been received from:

Corfe Castle Parish Council

Langton Matravers Parish Council

Claire and Richard Krause

Jon Bellamy

The Pig Hotel

Jennifer A Vyse
INSPECTOR

Sandbanks Ferry Company unveils new green commitment for ferry users

The Sandbanks Ferry Company (SFC) is today announcing a new commitment to reducing the ferry's future carbon emissions in light of the Government's target to get greenhouse gas emissions to net zero by 2050.

As SFC makes plans to safeguard the future of the ferry service between Sandbanks and Studland for future generations of passengers, it is also now ensuring that it will, as far as possible, lower its carbon footprint as a key part of this plan.

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.

Speaking today, Mike Kean, Managing Director of the Sandbanks Ferry, said: "The Sandbanks Ferry is already one of the most environmentally friendly modes of transport in Dorset, saving customers more than 9 million road miles every year. However, we know that we can all do more, and today's announcement signals our public commitment to looking at ways to reduce our carbon footprint even further when we come to replace Bramble Bush Bay.

"We are committed to continuing to serve the residents of Dorset and beyond well into the future, and we want to make sure that in the future we can offer a service that is as green as possible too."

This new commitment follows ongoing close consultation with local stakeholders through the Sandbanks Ferry Community Liaison Group and is being made as part of the Ferry Company's current toll increase application. Toll increases are an important part of the Ferry Company's prudent financial management and they secure the future safe and reliable running of the current vessel, the Bramble Bush Bay. 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.

SFC has not had a toll increase approved for any class of vehicle fare for over 5 years, and over 10 years for foot passengers and bikes. In addition to funding a future replacement ferry, a small fare increase will help to keep pace with rising operating and staff costs.

More information and details of the ferry timetable can be found at: <http://www.sandbanksferry.co.uk/timetable.php>. Service updates are announced on the Twitter feed at @sandbanksferry and on the Facebook page at www.facebook.com/sandbanksferry.

Ends

Notes to editors:

The Bournemouth-Swanage Motor Road and Ferry Company, known as the Sandbanks Ferry Company, was established in 1923 to run a chain ferry service between Sandbanks in Poole and Shell Bay in Studland, near Swanage. The Sandbanks Ferry Company has been in the same family ownership since 1983 and is headed up by managing director, Mike Kean. The present ferry, 'Bramble Bush Bay' came into service in January 1994 and is the fourth ferry to operate this service. 'Bramble Bush Bay' is 242 feet in length and has a nominal capacity of 48 cars.

For more information on the Sandbanks Ferry toll increase application, please see: http://www.sandbanksferry.co.uk/toll_application_2020.php

For more information about the Government's net zero greenhouse gas emissions target, please see: <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

For media enquiries, contact:

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Belinda Rastall: Belinda.rastall@lizleanpr.co.uk, 01202 112033

From: Tudor, Sarah [<mailto:sarah.tudor@planninginspectorate.gov.uk>]
Sent: 18 November 2020 07:17
To: Tudor, Sarah <sarah.tudor@planninginspectorate.gov.uk>; Budd, Graham <graham.budd@planninginspectorate.gov.uk>
Cc: Denise Hoggins <Denise.Hoggins@dft.gov.uk>
Subject: DPI/G1250/20/9 Bournemouth and Swanage Ferry Fees CONSULTATION

Good Morning

Shortly before opening the Inquiry to hear evidence in relation to the application made by the Bournemouth-Swanage Motor Road and Ferry Company to increase ferry tolls, a consortium of Councils (Bournemouth, Christchurch and Poole Council, Dorset Council and Swanage Town Council) submitted an alternative toll regime for consideration. The National Trust also submitted its own counter proposal in evidence to Inquiry. The Inspector is content, having regard to the provisions of Section 6(2) of the Transport Charges &c. (Miscellaneous Provisions) Act 1954, that the documents can be accepted to the Inquiry. In order to ensure that those with an interest in the eventual decision of the Secretary of State have a chance to review the alternatives and any implications of them before giving evidence, the Inspector adjourned the Inquiry to allow for a period of consultation.

Both documents are attached. One is the proposal from the Consortium, the other two documents are the National Trust's proposal (spread sheet plus explanatory note).

Any comments you may have on the suggested alternatives will need to be submitted in writing to the Planning Inspectorate **no later than close of business on 9 December 2020**. It is important that any responses are submitted by that date in order to allow the applicant, the Inspector and others the time to fully assess and understand them before the Inquiry resumes. As the Inspector confirmed at the Inquiry, it is important that any responses are confined to your views on the alternative regime – the adjournment is not an opportunity for you to submit any other evidence.

You should note that the Inquiry will resume at 09.30 on Tuesday 5 January.

Please submit your comments by email to ETC@planninginspectorate.gov.uk

Kind Regards

Sarah

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The Planning Inspectorate
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2 The Square
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DPC:76616c646f72

J10889/06 Bramble Bush Bay – Public Toll Inquiry

Supplementary Statement to ‘Planned Maintenance & Costing Report Rev 0’

Introduction

My name is Tim Hope and I am a Principal Consultant Naval Architect at Burness Corlett Three Quays in Southampton.

I joined my company in 1998 and professionally have over 25 years’ experience in the design, build and operation for a range of vessel types and sizes.

Our company provides technical consultancy to passenger and commercial vessels and other specialist vessels, including chain ferries in the UK.

Maintenance History

The 74 metre Bramble Bush Bay chain ferry has been well maintained since entering service in 1994 and has undergone routine planned maintenance throughout its lifetime.

This includes annual ‘in service’ refits with a dry-docking every 4 years.

Like other well maintained ferries a refit specification is prepared to ensure all routine maintenance is covered.

The Operator has a Planned Maintenance System to help manage the frequency of the maintenance based on:

Calendar – maintenance based on a given date/time interval, for example, hourly routines on general equipment

Utilisation – maintenance undertaken when a given number of running hours are completed, for example, engines or the hydraulic system.

Condition – maintenance completed when a condition parameter is reached, for example, wear & tear on prows or renewing protective inner & outer hull coatings.

In fact, this is just the same as a car that when it requires new tyres, an oil change or more complicated serving such as changing a cam belt.

Furthermore the ferry is kept ‘in Class’ with Lloyd’s Register and is also annually inspected by the Maritime & Coastguard Agency.

It should be noted that there is no statutory requirement to keep the ferry in Class but it is the Operator’s decision to do so and this helps maintain the vessel to the high standard of modern ships.

The advantage of keeping the ferry in Class is it provides a third party assessment that helps ensure the ferry is kept in a sound condition and is being operated safely.

For example, as a minimum a Lloyd's Surveyor will conduct the following inspections:

Full Survey

Mid-Term – conduct internal inspection afloat

Dry-Dock – special survey completed in conjunction with an out of water hull bottom survey every 4 years. More recently the ferry has been towed and dry-docked at the nearest available facility at A&P in Falmouth.

Note Lloyd's require this type of inspection at year 5 but the Operator requests the hull survey at year 4 which goes beyond the requirements.

Machinery Inspection

Continuous inspection - through the periodic planned visits by a Lloyd's Surveyor.

Annual surveys completed by MCA to enable issue of Chain Ferry Certificate includes inspection and demonstration of:

- Fire-fighting equipment
- Lifesaving appliances
- Safe operation of equipment
- Safety management system – such as procedures

2019 Breakdown History

On the 12th July 2019 it was reported that the In-Harbour drive shaft had failed.

It was found the shaft had sheared between the inner bearing and the drive wheel.

Within a couple of days the ferry had been towed to Hythe Shipyard near Southampton to undergo immediate repairs.

A new shaft was ordered which allowing for ordering of materials and machining would take a couple of weeks.

However when the Contractor set about removing the drive wheel from broken drive shaft it was found impossible to remove the Hyloc Voith tapered coupling that is used without damaging the chain drive wheel.

Therefore the decision was taken to also order both a new coupling and new drive wheel assembly.

The new drive wheel could be fabricated fairly quickly but unfortunately the new coupling (noting that is standard ship building practice for coupling components onto shafts) had to be specially made had a 10 week lead time that caused a considerable delay.

To make the best use of the ferry's extended outage it was decided to also replace the Outer – Harbour drive wheel and shaft assembly to mitigate the risk of a similar failure happening again. Again this was going considerably beyond what was required, but was implemented to future-proof the ferry.

Following Lloyd's approval the ferry returned to service on the 31st October.

Drive Shaft Life & Design History

The original drive shafts would have been designed to last 25 to 30 years.

However in 2002 the original drive shafts were replaced with a new design for the purpose of accommodating a modified bearing and hydraulic motor arrangement.

This would mean that at the time of failure in 2019 the vessel was fitted with drive shafts that were only 17 years old and therefore would potentially out last the life of the vessel.

It should also be noted that all work relating to major hull and machinery items from the time of build to present has been undertaken, scrutinized and approved by Lloyd's Register which would mean the drive shafts were fit for their intended purpose.

Both the old and new shafts were designed and manufactured with a safety factor of 5 which exceeds Lloyd's Register Class requirements and therefore deemed fit for purpose.

In conclusion this failure is considered a rare occurrence and just bad luck, however the Operator has now implemented a new regime for the regular inspection of the shafts.

The knowledge of this failure has been shared with other chain ferry operators who will be undertaking similar measures to inspect their shafts and couplings.

Non-Destructive Testing (NDT)

Learning from the 2019 breakdown the Operator has implemented a new regime for inspecting both shafts which will now undergo a quarterly NDT inspection.

Put simply this is a bit like taking an X-Ray and the last inspection took place on 2nd November this year without any issues reported.

Also the ferry now has two Voith couplings on the shelf and the plan will be to change the couplings at every major refit, i.e. every four years and to get them serviced.

Future Environmental Considerations

Note on Chain Ferry Concept

Compared to a faster free running vessel, a slower moving chain ferry will generally require about a quarter of the power to travel from A to B. This lower power requirement also follows from the fact that the ferry is permanently anchored to the chains, meaning it encounters less maneuvering issues especially when negotiating a strong flowing cross tide.

In addition, there is a double effect resulting from the drive wheel as it lifts up the chain catenary the weight of the falling chain by the stern helps propel the vessel forward. Provided the chain is properly tensioned then this will keep the vessel on track which further reduces the power requirement and time to dock, compared to a free running vessel that would need a lot of reserve power to both arrive and keep position on a slipway with 6 knots of tide running.

As such the concept of a chain ferry is an efficient method of transport and ahead of its time in terms of needing relatively low power requirements, meaning that it is already considerably greener option compared to a more conventional type of ferry.

Diesel Hydraulic v Diesel Electric

The ferry current configuration consists of a Diesel Hydraulic (DH) system which has similar emission characteristic to a Diesel Electric (DE) system that has been previously considered.

This current system operates using just one of three gensets that drives a hydraulic pump which in turn drives two hydraulic motors, one on each chain wheel.

Both DH & DE systems provide good pulling power at low RPM.

Diesel Hydraulic was chosen at build to save installation costs and for general simplicity.

Diesel Electric is a more expensive option to install but does offer more flexibility, including:

- Quick & clean to switch between engines compared to existing hydraulic manifold or pipe
- More robust if using modern brushless motors
- Less and cleaner maintenance
- Future proofing for fully electric low emission options i.e. use of battery technology

New Technology & Future-Proofing

As we know the World is currently going through a big transition in trying to achieve emission free energy solutions to meet the respective national and international environmental targets.

The marine industry is working hard on various hybrid or single energy solutions, such as bio-fuel, hydrogen, fuel cells, battery power etc.

However at the moment it is not possible to be precise on the design and cost of powering a new ferry with any new technology until nearer the time.

For example, there are electric hybrid and full electric ferries now being launched and there is potential to utilise this power source for this short ferry route. That said, at present this technology is relatively unproven, and there are only a few innovative examples in service that are considered very much the pioneers at this time.

Full electrification may be the answer but first I would strongly advise observing and gaining knowledge from other projects rather than jumping in at the deep end with an unproven technology.

Like with all new technologies that we are still learning about this can also introduce new challenges and it remains to be seen what will be the most practical and reliable solution.

Sometimes it pays to let others go first, and to learn from their experiences. However, insofar as costing is concerned, as can be expected innovative technologies are expensive when they first emerge.

Notwithstanding this I would expect the costs to come down somewhat from their current high levels over time with developments in the new technology. As such my view is that adopting the cost of current diesel hydraulic option as a useful reference point given this cost shows us what the market will pay at present for a new diesel powered ferry.

I would expect market value of any electric ferries (should they prove viable in the long term) to at least move closer to that value similar to what we see is happening to an extent within the automotive industry and which no doubt will continue over next decade.

Vessel Capacity & Future Demands

The size of the existing ferry remains the largest platform in terms of length and breadth that can be accommodated on the service.

The size of the ferry is both limited by the Harbour Master's restriction on maximum length at 75m and the breadth which is restricted by the current slipways and infrastructure arrangements.



SUPPORTING STATEMENT BOURNEMOUTH–SWANAGE CHAIN FERRY INQUIRY

On behalf of
The Bournemouth-Swanage Motor Road & Ferry Company Inc.

9 November 2020

1 INTRODUCTION

This supporting statement is prepared in advance of the Toll Application Public Inquiry in respect of The Bournemouth-Swanage Motor Road Ferry Company Inc. This statement provides further detail into the most recent, 2015, valuation of the Company's assets.

My name is Richard Philip Glenwright; I have a BSc honours degree from The University of Reading in Geography and an MSc degree from The University of Reading in Real Estate. I am a Member of the Royal Institution of Chartered Surveyors and an RICS registered valuer. I am a partner at Gerald Eve LLP Chartered Surveyors of 72 Welbeck Street, London, W1G 0AY. I specialise in work relating to industry, energy and infrastructure property valuation and have department responsibility for valuation matters.

Gerald Eve LLP have advised The Bournemouth-Swanage Motor Road & Ferry Company Inc and their holding company, Fairacres Group Limited for nearly 30 years on property matters.

2 EXPERTISE

I have specialised in the valuation of property for financial reporting, loan security, taxation and purchase & sale for over 10 years. I have specialist sector experience in the industrial, energy and infrastructure sectors advising a diverse and varied client base.

In terms of marine / waterside property experience I am a retained property advisor to the Canal & River Trust, I am advising the London Borough of Tower Hamlets on slipways on to the Thames in east London and advise Morden College on their extensive land holdings in Greenwich which comprise jetties, boat building facilities and river wharves.

In terms of infrastructure assets I advise the following clients: C.Ro Ports, EDF Energy, Essar Oil, Farnborough Airport, Heathrow Airport, Triton Power, Portsmouth Port, & Scottish Power.

3 BACKGROUND TO INSTRUCTION

Gerald Eve LLP have provided financial reporting valuations for The Bournemouth-Swanage Motor Road & Ferry Company Inc since 1996. I was involved with the 2010 and 2015 valuations. As at the date of valuation, the valuation was prepared under the terms of the Valuation – Professional Standards of the Royal Institution of Chartered Surveyors (RICS) January 2014 (the Standards in place as at the date of valuation).

4 BASIS OF VALUE

The valuation was prepared on the basis of Existing Use Value, defined as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost”.

5 METHOD OF VALUATION

There are 5 methods of valuation as set out by the RICS. They are

- Comparative Method
- Investment Method
- Residual Method
- Profits Method
- Depreciated Replacement Cost Method ('DRC')

DRC is used where there is no active market for the asset being valued – that is, where there is no useful or relevant evidence of recent sales transactions due to the specialised nature of the asset and it is impractical to produce a valuation using other methods.

The DRC method may be used for the valuation of specialised property, which is defined in the RICS Global Glossary as:

'A property that is rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise.'

6 DEPRECIATED REPLACEMENT COST

The DRC method is based on the economic theory of substitution. Like the other forms of valuation set out above, it involves comparing the asset being valued with another. However, DRC is used in situations where there is no directly comparable alternative. The comparison therefore has to be made with a hypothetical substitute, described as the modern equivalent asset (MEA). The underlying theory is that the potential buyer in the exchange would not pay more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.

The basic steps of a DRC valuation are as follows:

- Assessing replacement cost
- Calculating site / land value
- Assessing valuation depreciation
- Other considerations
- Final reconciliation
- Reporting

I summarise the three first and main steps, below:

Assessing replacement cost

The valuation adopts a build cost per sq m for the road, slipways, causeway and buildings. This is derived from the following well established published sources:

- The Building Cost Information Service – a provider of cost and price information for the UK construction industry. It is part of the RICS.
- Spon's – The architects and builders price book.

In addition I considered real world cost undertakings and quotes for work undertaken at the subject property.

Calculating site / land value

Comparable evidence is gathered. I considered the value of land with reference to surrounding uses, likely continued use and other marine uses across the south coast.

Assessing valuation depreciation

Applying valuation depreciation is primarily a process of replicating how the market would view the asset. Depreciation rates and estimates of the future economic life of an asset are influenced by market trends and/or an entity's intentions. There are three principal types of depreciation allowance:

- Physical deterioration
- Functional obsolescence
- Economic obsolescence

In order to calculate the above, we considered the lifespan of the asset and its remaining economic life and depreciate on a straight line basis.

7 THE VALUATION

As at 31 March 2015, the assets of the Ferry company were valued at £14,270,000. There are a number of assets which comprise the valuation that have been historically grouped 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 |
| Total | £14,270,000 |

I have been asked, as part of this supporting statement to provide a further breakdown of each of these categories and a brief methodology of how each constituent part has been valued.

Site Works

The site works comprise the road and slipways. There is 3,144m of road.

This element was valued with reference to DRC methodology.

The resulting valuation for the road was £2,320,000.

The slipway was valued in the same way. This comprises an area of 0.32 acres (1,333 sq m). This was valued at £2,800,000.

The total for site works is £5,120,000

Causeway

The causeway is 938m in length. It was valued in the same way as the road and slipway. It was valued at £2,400,000

Buildings

The buildings were also valued on the basis of depreciated replacement cost on the same methodology. These were valued at £850,000

Land associated with the above

This element referred to the land on which the buildings sit. It was valued at £200,000.

Land, including the rights to operate the ferry & miscellaneous property income

This element of the valuation includes land beneath the road, causeway, slipways, as well as other operational land in use. This was valued at £1,520,000

What remains is the rights to operate the ferry and miscellaneous property income. This was valued at £2,280,000

The total for this element of the valuation was £3,800,000.

Ferry

The ferry and its associated plant & machinery, including chains is also valued on a DRC basis. This was valued at £1,900,000.

8 SUMMARY VALUATION

The table below sets out the breakdown of the valuation elements and is for discussion.

| <u>Element</u> | <u>Structure</u> | <u>Land</u> | <u>Total</u> |
|----------------|------------------|-------------|--------------|
| Road | £2,320,000 | £1,100,000 | £3,420,000 |
| Slipways | £2,800,000 | £70,000 | £2,870,000 |
| Total | £5,120,000 | £1,170,000 | |
| Causeway | £2,400,000 | £350,000 | £2,750,000 |
| Buildings | £850,000 | £200,000 | £1,050,000 |

9 TITLE

I 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. I consider the perpetual interest vested in statute to be akin to a freehold.

IN THE MATTER OF THE APPLICATION TO INCREASE TOLL CHARGES ON THE BOURNEMOUTH-SWANAGE FERRY LINK

FINANCIAL STATEMENT PROVIDING UPDATING INFORMATION AND RESPONSE TO VARIOUS PROPOSALS – DECEMBER 2020

Prepared by Kevin Thomas, Accountant and Tax Adviser, Rickard Luckin

1 Introduction

This report has four sections:

- Section A provides updating information to the Inspector in relation to the Ferry's economic position since the time of the filing of the application. Section A also seeks to address some of the queries that have been raised in relation to the assumptions in the Ferry Company's original application.
- Section B then considers the proposals that have been advanced by the Consortium, and explains that while there is much of merit in the general proposal, equally there are revisions that would be required.
- Section C sets out a revised Application, which seeks to implement many of the Consortium's suggestions but also addresses some of the issues arising from those. Importantly, this revised Application seeks to ensure that charges for local residents regularly taking their car onto the Ferry do not increase more than inflation, by ensuring charges for bulk tickets are at, or less than, inflation.
- Section D considers the National Trust's proposals. These are considered un-workable as they suggest a solution for a single year rather than an increasing income scenario to at least keep track with rising expenditure for the period to 2032. While the Ferry Company considers that the NT's proposals are not workable in practice, it has nevertheless sought to address the concerns by ensuring that regular car users do not face greater than inflation increases in tolls (see above, Section C). In this manner, in real terms they will not face an increase in tolls.

SECTION A: UPDATING FINANCIAL INFORMATION

1 Basis of Turnover Projections

1.1 The last 'normal year' was the year ended 31 March 2018. This was a non-refit year without any significant outages. The turnover projections are based on the five 'normal' years prior to 31 March 2018.

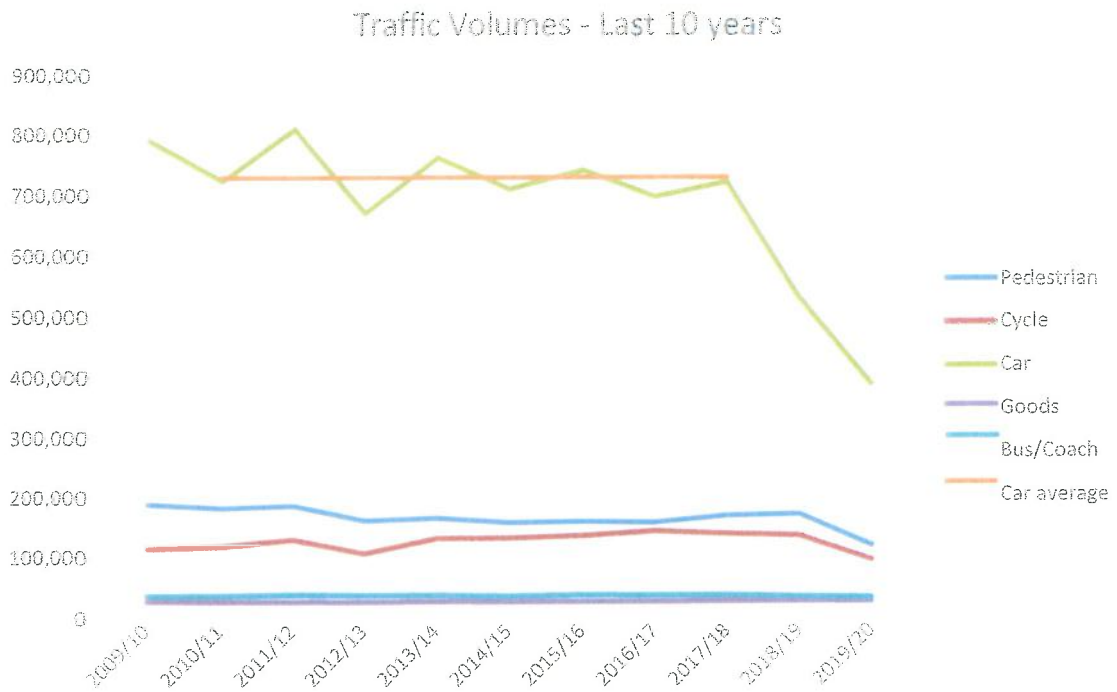
1.2 The year ended 2019 was affected by an extended refit with complications; 2020 by drive shaft failure and Covid-19; and 2021 by Covid-19.

1.3 Traffic volumes over the last 10 years have been:

| Year | Pedestrian | Cycle | Car | Goods | Bus/Coach |
|----------------|----------------|----------------|----------------|--------------|---------------|
| 2009/10 | 167,747 | 95,697 | 793,532 | 2,350 | 11,078 |
| 2010/11 | 161,458 | 99,250 | 726,796 | 2,009 | 11,464 |
| 2011/12 | 165,548 | 109,850 | 812,926 | 2,040 | 13,813 |
| 2012/13 | 140,418 | 86,336 | 673,546 | 1,505 | 11,978 |
| 2013/14 | 144,809 | 111,397 | 765,437 | 1,741 | 12,080 |
| 2014/15 | 137,310 | 111,617 | 713,241 | 1,684 | 10,764 |
| 2015/16 | 138,850 | 115,394 | 744,785 | 1,475 | 11,965 |
| 2016/17 | 137,301 | 122,957 | 700,522 | 1,415 | 11,617 |
| 2017/18 | 148,446 | 118,484 | 724,102 | 2,035 | 11,898 |
| 2018/19 | 150,150 | 115,289 | 536,088 | 2,129 | 9,184 |
| 2019/20 | 98,372 | 74,572 | 391,480 | 1,554 | 7,400 |

Emboldened years were not refit years. The average car volume for the period 2010/11 to 2017/18 was 732,669 (taking 4 full years, 2 full refits years and 2 interim refits).

Graphically this is displayed as:



1.4 Assuming traffic volumes from October 2020 return to previous levels, traffic volumes compared to 2018 are down by the following percentages:

| Class | 2019 | 2020 | 2021 (estimated) |
|--------------------|------|------|------------------|
| A – Pedestrian | 1% | -34% | -25% |
| B/C – Cycle | -3% | -37% | -19% |
| F – Car | -26% | -46% | -29% |
| G – Goods vehicles | 5% | -24% | 5% |
| Coach | -23% | -38% | -25% |

The resulting income reduction compared to 2018 is:

| Class | 2019 | 2020 | 2021 (estimated) |
|--------------------|------------------|--------------------|------------------|
| A – Pedestrian | 5,604 | (34,356) | (24,238) |
| B/C – Cycle | 2,202 | (49,952) | (25,404) |
| F – Car | (636,610) | (1,320,443) | (806,774) |
| G – Goods vehicles | 7,676 | (20,614) | 4,043 |
| Coach | (1,291) | (2,600) | (1,682) |
| Total | (622,419) | (1,427,965) | (854,055) |

2 Financial projections v Actual & Expected results for the two years ending 31 March 2021

2.1 Fall in projected income

2.1.1 The financial projections prepared and submitted with the application in January 2020 were before any impact of Covid-19. As such, they are prepared on a 'normal operations basis'. At the time of the Inquiry, operations are not back to normal levels and there is every expectation that we will see further lockdown and associated measures into the new year.

2.1.2 The company prepares its financial statements to 31 March each year. Covid-19 affected the results for the last month of the year ended 31 March 2020 and has affected the results for the present financial year to date. If further restrictions are placed on the local economy, it is probable the results of the year ending 31 March 2022 will also be impacted.

2.1.3 In the revised proposal (see Section C) the projections have been updated for the actual results for the year ended 31 March 2020. The original prediction had a profit after tax of £995,328. This compares to the audited accounts profit after tax for the year of £705,658, a reduction of £289,760.

2.1.4 The projections for the year ending 31 March 2021 predicted a profit after tax (assuming an increase) of £941,926. The management accounts to 30 September 2021 together with an extrapolation to 31 March 2021 suggest a profit before tax of £248,299 assuming the business has now returned to more normal conditions (this will be subject to any further Covid-19 related lockdowns in the early part of 2021). Deducting a provision for tax from the forecast result gives a possible profit after tax of £181,588 – a fall of £760,338 on the original projections

2.1.5 The total losses of income of £1,050,098 across the year ending 31 March 2020 and the year ending 31 March 2021 will directly reduce any dividends payable to shareholders. This means that the dividend forecast for the year ending 31 March 2021 of £429,601 cannot and will not be paid and that forecast for 31 March 2022 of £990,807 will not be fully paid (see comments below regarding Ferry Replacement Reserve). As has been noted elsewhere no dividends were paid in respect of the financial years ending

31 March 2019, or 31 March 2020.

2.2 Ferry Replacement Reserve (FRR)

- 2.2.1 Following the last increase application, the company policy towards payment of dividends and ring fencing the FRR changed.
- 2.2.2 The company policy towards the FRR is set out in accounting policy note 1.13 and note 12 in the published audited accounts for the year ended 31 March 2020.
- 2.2.3 Since the last public inquiry, the directors have revised their dividend policy. They will now only consider payment of a dividend when the FRR together with the maximum loan finance the company may obtain, exceeds the predicted ferry replacement cost.
- 2.2.4 In order for the FRR to increase to meet the anticipated cost of the new ferry, allowing for loan finance, at 31 March 2020 the FRR would need to have been £3,728,178 (per audited accounts).
- 2.2.5 Due to the reduction in profit after tax for the year ended 31 March 2020 insufficient profits were available to meet this requirement. At 31 March 2020, the FRR amounted to £3,357,762 a shortfall of £370,416, despite no dividend having been paid to the shareholders for the preceding financial year.
- 2.2.6 A further increase in the deficit is forecast for the year ending 31 March 2021 as the projections estimate the FRR will need to be £4,243,622. This would be an increase in the reserve by 31 March 2020 of £885,860, however profit of only £181,588 is forecast (see 2.1.4). Nonetheless, once there is a return to normal conditions (following Covid-19 lockdowns, and the rollout of the vaccine) it can be seen from the projections that the FRR targets will be achieved in subsequent years, in good time for the proposed purchase of the replacement ferry. In any event, following the change in company policy, the FRR will be put first, before any consideration of dividend payments.

3 Inflation

3.1.1 The forecasts were prepared at a time when the forecast RPI was 3%.

3.1.2 RPI has been used by the company for the following reasons:

- HM Government use it for other transport services – Rail Fares
- It has been in accepted use for a considerable period
- It is widely used
- In September 2019 the then Chancellor, Savid Javid advised the UK Statistics Authority it would continue to be used by HM Government until at least 2025, and would continue to use it until 2030, subject to the outcome of a public consultation to be held in the future. This was in light of the fact that *'RPI is embedded across the economy'*.
- In the November 2020 Spending Review, the Chancellor Rishi Sunak confirmed that RPI would continue to be used by HM Government until 2030, by which time CPIH and RPI would be effectively merged. HM Treasury's consultation response noted the use of RPI to determine rail fares, many regulated utilities and many private financial initiative contracts (among others).

3.1.3 There is an ongoing economic argument that CPI (or CPIH when owner occupied housing costs are included) is a better measure than RPI. The RPI uses an arithmetic average of price changes whereas the CPI uses a geometric average, which makes the CPI/CPIH mathematically more precise allowing it to capture the effects of changes in consumer spending patterns in response to inflation or deflation. RPI is generally a higher figure than CPIH which is generally higher than CPI. The RPI is an older measurement of inflation that is still published and widely used because it is used to calculate cost of living and wage escalation this does not mean CPI is always low - CPI averaged 1.74% in the UK during 2019 but in 2011 CPI averaged 3.85% and it was more than 7% in 1990/1991.

- 3.1.4 The original proposal included an average inflation at 3% per annum until 2032. This is higher than the present RPI and CPI rates but lower than forecast rates (The June 2020 Government forecast for the UK economy forecast RPI of 1.2% and CPI of 0.7%. The consumer and marketing website statista.com predicts RPI of 3.1% and CPI of 1.6% for 2022).
- 3.1.5 Forecasting inflation over the next 12 years is not an exact science and will always be subject to debate. Looking back over the last 12 years, the average price changes suggest that for a cash deposit to keep pace with inflation it had to grow at an average of 2.6% per annum.
- 3.1.6 If the forecast (with toll increase) is amended to an inflation rate of 2.6%, profit after tax will increase by £635,471. This is still less than the fall in profits for 2020 and 2021 when comparing the original proposal and resulting actual results.

4 Dividends and return on investment

4.1.1 No dividends were paid during the years ended 31 March 2019 and 2020. They are also not going to be paid for 2021 and unlikely to be paid in 2022 (it is already clear that the full dividend will not be paid; whether a reduced payment is feasible after full contributions have been made to the FRR will depend on future financial conditions, including how quickly normal conditions return with the rollout of the Covid-19 vaccination).

4.1.2 The projections (were the application to be successful) forecast total dividends payable over the 12 years commencing 1 April 2020 of £7,662,653 - an average dividend each year of £696,605. This equates to an average return on net assets (average net assets forecast to be £18.18m over the period) of 3.51%. It is already clear that the first year of dividends will be reduced (after three years of no dividend payments). If the Covid-19 impact lasts into 2021 the average return may reduce further.

4.1.3 The question that is asked is what is a reasonable rate of return? The simple answer is, it depends on your appetite for risk. Investing in a small private company is naturally more risky than investing in a balanced managed stock market portfolio.

4.1.4 You can get 0.25% a year (Virgin Money) from an easy-access cash ISA (as at 7 December 2020), or, according to MoneySavingExpert, 1.14% if you are willing to tie you cash up for three years. According to the Credit Suisse Global Investment Returns Yearbook 2020, global stock markets have delivered a real return of 7.6%, versus 3.6% for bonds over the past decade. UK returns averaged 6.4% in the years between 1970 and 2019, but just 2.7% since the beginning of this century. That compares to 4.5% and 4.2% for gilts.

4.1.5 The conclusion is that a return of at less than 5% is very low given the following factors:

- Difficulties increasing income
- Significant capital investment

- Fixed operating profile and expenses
- Restricted access to external financial support including banks
- Lack of Government grants, funding and support

SECTION B: CONSIDERATION OF THE CONSORTIUM'S PROPOSALS

5 The Consortium Proposal makes a number of beneficial suggestions:

- It recognises that the company must raise tolls to provide for a replacement ferry in due course and accepts that without a toll increase, the company will not be in a position to achieve this objective
- The proposal seeks to achieve the same level of total income sought as set out in the company's original submission in order to be able to fund the new ferry
- The proposed pricing model is clear for ferry users and promotes environmentally friendly travel
- The proposal removes the annual inflation linked increase to provide greater clarification and future transparency for (particularly) regular users.

5.1.2 However, the proposal does not address a number of key issues which reduces its impact and the ability for the company to generate the income the proposal suggests is achievable:

- The proposal fails to take into account the income reductions in alternate years due to essential maintenance work and the bi-annual ferry refit. This results in the ferry being out of operation for 6 weeks in every four years and for 2 weeks in every four years i.e. 2023 – 6wks; 2025 2 wks; 2027 – 6 wks; 2029 2 wks etc.
- The proposal puts forward an increase of £1.00 in the car ticket price from 1 April 2021 to £5.50 and then stepped at a slower rate thereafter. The company considers this initial substantial increase will be unsustainable and likely to detract usage. It further offers little encouragement for customers to purchase book tickets.
- The proposal is purely focused on income streams but only uses data from a single year as its starting point. The company proposal takes an average of several preceding 'normal' (i.e. not refit years or those without exceptional outages) as its basis for its income projections.

SECTION C: REVISED PROPOSAL

- 6 The company has prepared revised proposals that take into account the consortiums toll increases.
- 7 This updated proposal is prepared on the same basis and formats as the company's original proposal with the following changes/updates:
- Appendix 8, which sets out the annual tolls effective from 1 April each year for all years to 2032 has been updated to acknowledge the consortium toll proposals.
 - The cash & book ticket charges for pedestrians and bikes have been frozen at the current levels in all years to 2032.
 - The discount rates for books of tickets for motor vehicles are further enhanced and better the consortium proposal. The company now proposes an increase in discount rates. With discounts of 28% for books of 10 and 32% for books of 50 tickets from 1 April 2021. This results in increases lower than inflation; that is to say real-term reduction in costs.
 - Likewise the consortium proposal of an initial increase of £1 (from £4.50 to £5.50) for motor car cash tolls has been reduced to £0.50 which is considered to be a more sustainable rise. There are then small incremental uplifts in tolls in the ensuing years until the Maximum Toll Chargeable is reached.
 - The same principals for book tickets and cash tolls have been applied to goods vehicles, buses and coaches which are double the tolls charged for cars.
 - The resulting changes in income adjust the transfers to/from the ferry replacement reserve and reduce the dividends payable to investors. The company retains its policy of ensuring the ferry replacement reserve builds up to the required amount prior to payment of dividends but consequently, the return to investors falls to an average of 2.96% compared with an average of 3.51% in the original submission.
- 8 An additional appendix is included (appendix 8a). This illustrates the how the proposed bulk ticket prices after the increased discount rates being applied will increase at a rate lower than inflation thus benefiting the end user at all times during the period to 2032. As noted above, this means that the real

cost of these tickets decreases.

SECTION D: CONSIDERATION OF NATIONAL TRUST'S PROPOSALS

9 The National Trust proposal has been considered. Unlike the company proposal and that of the consortium, the National Trust proposal is lacking in certain respects:

- It is not clear how the percentage rates for local and regular users have been calculated. To the company's knowledge, no such surveys exist thus the rates used are subjective and are likely to be inaccurate.
- The proposal does not make it clear who benefits from the local rate of £2. The present discounted ticket regime benefits all regular users whether they live in the vicinity, are tourists on holiday who wish to make many crossings or others from further afield who use the ferry often enough to wish to purchase a book of tickets. The NT's proposal does not factor in the additional administrative cost of vetting all users purchasing bulk tickets and ensuring they are only being used by the purchaser.
- It is not clear how long a period the local rate toll of £2.00 and regular toll of £4.50 will be effective and when they will be increased. If it is being proposed that the toll prices remain set until 2032, this will result in decreasing profitability of the company as it will be subject to the usual market forces pushing up prices for its wages, salaries and other expenditures. Is the National Trust suggesting that the tolls remain static, wages and salaries of the workforce should also remain at the same, 2020 level? As profitability declines, the company will take longer to build up the ferry replacement reserve (it may end up with a deficit) and any return to investors will be negligible.
- The proposal fails to consider the different classes of user. The flat rate would appear to apply across all users meaning bus and HGV users would benefit whilst foot passenger and cyclists would be disadvantaged.
- The proposal alludes to the possibility of peak and off-peak tolls during the course of the day but does not try to assess the impact of this. It appears to be based on anecdotal accounts. It is suggested that this will be impractical from an administrative and management point of

Richard Luckin

view.

Kevin Thomas
7 December 2020

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 2.1
Forecast Profit & Loss Accounts for the 13 years to 31 March 2032 (Assuming NO proposed increase in Toll Charges)

Inflation rate 3.00%

| | Annual Increase (%) | | | | | | | | | | | | |
|---------------------------------------------------|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| SALES | | | | | | | | | | | | | |
| Class A (foot passenger) | 74,023 | 98,261 | 94,378 | 96,967 | 98,261 | 98,261 | 94,378 | 98,261 | 98,261 | 96,967 | 98,261 | 94,378 | 98,261 |
| Class B/C (Bikes & motorcycles) | 105,262 | 130,656 | 121,456 | 127,583 | 130,656 | 127,583 | 130,656 | 121,456 | 130,656 | 127,583 | 130,656 | 121,456 | 130,656 |
| Class F (car) | 2,008,235 | 2,812,999 | 2,627,931 | 2,751,310 | 2,812,999 | 2,627,931 | 2,812,999 | 2,751,310 | 2,812,999 | 2,627,931 | 2,812,999 | 2,751,310 | 2,812,999 |
| Class G (Truck) ex. VAT | 863,314 | 82,271 | 72,134 | 82,271 | 78,892 | 82,271 | 72,134 | 82,271 | 78,892 | 82,271 | 72,134 | 82,271 | 82,271 |
| Coach & Bus | 4,393 | 6,675 | 6,381 | 6,675 | 6,381 | 6,675 | 6,381 | 6,675 | 6,381 | 6,675 | 6,381 | 6,675 | 6,675 |
| Effect of double discount following ferry cut-out | | | | | | | | | | | | | |

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|-------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Sales | 1,702,897 | 2,276,807 | 3,130,862 | 2,922,260 | 3,130,862 | 3,061,328 | 3,130,862 | 2,922,260 | 3,130,862 | 3,061,328 | 3,130,862 | 2,922,260 | 3,130,862 |
| DIRECT COSTS | | | | | | | | | | | | | |
| Ferry Harbour Dues | 1,272 | 1,390 | 1,432 | 1,475 | 1,519 | 1,564 | 1,611 | 1,660 | 1,709 | 1,761 | 1,814 | 1,868 | 1,924 |
| Ferry Wages (incl Er's NIC) | 706,023 | 764,958 | 799,133 | 823,107 | 847,800 | 873,234 | 899,431 | 926,414 | 954,206 | 982,833 | 1,012,318 | 1,042,687 | 1,074,000 |
| Ferry repairs & maintenance - regular | 394,077 | 223,036 | 169,373 | 174,454 | 179,687 | 180,650 | 185,078 | 186,549 | 202,240 | 203,200 | 214,556 | 226,993 | 227,623 |
| Ferry repairs & maintenance - refit costs | 150,000 | 260,785 | 1,064,659 | 376,499 | 376,499 | 376,499 | 376,499 | 376,499 | 376,499 | 376,499 | 376,499 | 376,499 | 376,499 |
| Ferry consumable stores | 61,491 | 69,117 | 85,105 | 87,658 | 90,288 | 92,996 | 95,786 | 98,660 | 101,630 | 104,666 | 107,808 | 111,043 | 114,374 |
| Ferry insurance | 32,792 | 33,032 | 30,345 | 32,193 | 33,159 | 34,154 | 35,178 | 36,234 | 37,321 | 38,440 | 39,593 | 40,781 | 42,003 |
| Slipways repairs & maintenance - regular | 17,877 | 7,570 | 8,665 | 8,925 | 9,193 | 9,469 | 9,753 | 10,045 | 10,347 | 10,657 | 10,977 | 11,306 | 11,645 |
| Road repairs & maintenance - regular | 2,438 | 5,154 | 7,750 | 7,992 | 8,222 | 8,468 | 8,722 | 8,984 | 9,253 | 9,531 | 9,817 | 10,111 | 10,415 |
| Buildings repairs & maintenance | 28,931 | 7,151 | 8,244 | 8,491 | 8,746 | 9,008 | 9,276 | 9,557 | 9,843 | 10,135 | 10,443 | 10,756 | 11,079 |
| Depreciation | 101,111 | 102,811 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 |
| Total Direct Costs | 1,496,012 | 1,474,836 | 1,390,491 | 2,287,752 | 1,256,673 | 1,467,759 | 1,326,883 | 2,561,862 | 1,401,373 | 1,694,035 | 1,480,336 | 2,870,375 | 1,584,235 |

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| OVERHEADS | | | | | | | | | | | | | |
| Wages & salaries | 121,004 | 131,105 | 132,714 | 136,695 | 140,796 | 145,020 | 149,371 | 153,852 | 158,467 | 163,221 | 168,118 | 173,162 | 178,356 |
| Staff pension costs | 33,793 | 36,614 | 32,914 | 32,901 | 34,918 | 35,966 | 37,045 | 38,156 | 39,301 | 40,480 | 41,695 | 42,945 | 44,234 |
| Rates | 84,169 | 90,000 | 72,047 | 74,626 | 76,434 | 78,127 | 81,089 | 83,522 | 86,028 | 88,608 | 91,267 | 94,005 | 96,825 |
| Management charges | 166,795 | 192,872 | 187,734 | 193,366 | 199,167 | 205,142 | 211,296 | 217,633 | 224,164 | 230,889 | 237,816 | 244,950 | 252,298 |
| Insurance | 24,602 | 23,600 | 22,736 | 23,418 | 24,121 | 24,845 | 25,590 | 26,358 | 27,148 | 27,963 | 28,802 | 29,666 | 30,556 |
| Light & heat | 10,445 | 8,171 | 5,809 | 5,777 | 5,951 | 6,129 | 6,313 | 6,502 | 6,697 | 6,898 | 7,105 | 7,318 | 7,538 |
| Postage and stationery | 10,445 | 2,121 | 2,356 | 2,612 | 2,891 | 3,191 | 3,514 | 3,862 | 4,234 | 4,631 | 5,054 | 5,504 | 5,981 |
| Legal and Public Relations | 3,555 | 5,966 | 4,584 | 4,722 | 4,863 | 5,009 | 5,159 | 5,314 | 5,474 | 5,638 | 5,807 | 5,981 | 6,160 |
| Printing expenses | 1,713 | 10,000 | 3,129 | 38,243 | 39,391 | 40,572 | 41,790 | 43,043 | 44,334 | 45,665 | 47,034 | 48,445 | 49,899 |
| Travel | 4,206 | 1,649 | 3,603 | 3,711 | 3,822 | 3,937 | 4,055 | 4,177 | 4,302 | 4,431 | 4,564 | 4,701 | 4,842 |
| 2 professional fees | 24,499 | 14,108 | 17,935 | 16,473 | 19,027 | 19,598 | 20,791 | 21,415 | 22,058 | 22,719 | 23,401 | 24,103 | 24,826 |
| Bank charges | 53,775 | 70,008 | 50,957 | 57,349 | 57,349 | 60,842 | 62,667 | 64,547 | 66,484 | 68,478 | 70,532 | 72,648 | 74,826 |
| Sundry expenses | 19,714 | 17,007 | 17,155 | 17,246 | 18,199 | 18,745 | 19,308 | 19,887 | 20,484 | 21,098 | 21,731 | 22,383 | 23,055 |
| Total Overheads | 597,396 | 655,247 | 638,200 | 677,346 | 677,067 | 697,379 | 718,300 | 739,849 | 762,045 | 784,906 | 808,453 | 832,707 | 857,688 |

| | | | | | | | | | | | | | |
|------------------------------------------------------------------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Other income | 1,269,662 | 70,000 | 74,166 | 76,391 | 78,682 | 81,043 | 83,474 | 85,978 | 88,558 | 91,214 | 93,951 | 96,769 | 99,672 |
| Operating profit | 879,151 | 216,674 | 1,376,336 | 53,551 | 1,278,985 | 777,233 | 1,169,151 | (293,474) | 1,056,002 | 503,582 | 935,862 | (684,033) | 808,612 |
| Interest received | 25,921 | 31,625 | 31,899 | 36,039 | 28,771 | 31,135 | 30,167 | 31,580 | 20,246 | 20,642 | 17,436 | 16,840 | 2,107 |
| Profit Before Tax (PBT) | 905,072 | 248,299 | 1,408,235 | 89,590 | 1,304,575 | 808,368 | 1,199,318 | (261,894) | 1,076,248 | 524,224 | 953,338 | (667,214) | 810,718 |
| Corporation Tax | (199,414) | (66,711) | (287,280) | (86,737) | (267,584) | (173,305) | (247,585) | 30,045 | (224,202) | (119,317) | (200,661) | 107,056 | (173,751) |
| Profit After Tax (PAT) | 705,658 | 181,588 | 1,120,955 | 2,853 | 1,036,991 | 635,063 | 951,733 | (231,849) | 852,046 | 404,907 | 752,537 | (560,158) | 636,967 |
| Transfer write-back from Replacement Reserve for buildings revaluation | 16,056 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 | 17,260 |
| Transfer (to)/from Replacement Reserve | (72,171) | (198,848) | (294,120) | 798,242 | (160,566) | 251,339 | (65,332) | 1,118,250 | 34,356 | 481,495 | 133,865 | 1,446,559 | 249,434 |
| Dividends | - | - | (844,095) | (868,455) | (893,685) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) |
| Net profit retained | - | - | (844,095) | (868,455) | (893,685) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) |

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Replacement Reserve: | | | | | | | | | | | | | |
| Balance b/f | 2,585,735 | 3,857,762 | 3,826,924 | 3,988,001 | 3,258,416 | 3,486,839 | 3,303,358 | 3,436,546 | 2,386,154 | 2,419,655 | 2,006,017 | 1,940,010 | 961,308 |
| (A) Transfer as above | 721,714 | 198,948 | 294,120 | (79,942) | 160,366 | (23,139) | 65,332 | (1,118,250) | (34,356) | (481,495) | (133,865) | (1,446,559) | (249,434) |
| (B) Transfer write-back from Revaluation Reserve for ferry revaluation | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 | 703,313 |
| Balance c/f | 3,857,762 | 3,826,924 | 3,988,001 | 3,258,416 | 3,486,839 | 3,303,358 | 3,436,546 | 2,386,154 | 2,419,655 | 2,006,017 | 1,940,010 | 961,308 | 678,577 |
| Calculation of transfers to Replacement Reserve | | | | | | | | | | | | | |
| Shortfall/(surplus) | 6,408,655 | 5,886,959 | 5,894,007 | 5,817,857 | 6,842,339 | 6,916,938 | 6,916,938 | 6,842,339 | 6,916,938 | 6,842,339 | 6,842,339 | 6,842,339 | 6,842,339 |
| Required transfer | (792,027) | (269,161) | (361,977) | (730,485) | (258,423) | (183,482) | (133,189) | (109,093) | (33,501) | (413,638) | 66,008 | 1,378,702 | 181,577 |
| Actual transfer (= A + B above) | 5,616,628 | 5,616,698 | 5,532,029 | 6,548,142 | 7,100,420 | 7,279,345 | 8,651,214 | 8,948,834 | 9,703,526 | 10,120,820 | 11,861,347 | 12,415,603 | 12,415,603 |

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.

Appendix 3.1

Forecast Year End Balance Sheets for the 13 Years to 31 March 2032 (Assuming No proposed increase in Toll Charges)

| | 31 March 2020 £ | 31 March 2021 £ | 31 March 2022 £ | 31 March 2023 £ | 31 March 2024 £ | 31 March 2025 £ | 31 March 2026 £ | 31 March 2027 £ | 31 March 2028 £ | 31 March 2029 £ | 31 March 2030 £ | 31 March 2031 £ | 31 March 2032 £ |
|-------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed Assets | 13,319,417 | 13,216,606 | 13,112,843 | 13,009,080 | 12,905,317 | 12,801,554 | 12,697,791 | 12,594,028 | 12,490,265 | 12,386,502 | 12,282,739 | 12,178,976 | 12,075,213 |
| Current Assets | | | | | | | | | | | | | |
| Other debtors | 45,486 | 46,851 | 48,256 | 49,704 | 51,195 | 52,731 | 54,313 | 55,942 | 57,620 | 59,349 | 61,129 | 62,963 | 64,852 |
| Stocks | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 |
| Trade debtors | 11,805 | 4,554 | 6,262 | 5,845 | 6,262 | 6,123 | 6,262 | 5,845 | 6,262 | 6,123 | 6,262 | 5,845 | 6,262 |
| Stocks & Debtors | 334,426 | 328,539 | 331,653 | 332,683 | 334,592 | 335,988 | 337,709 | 338,922 | 341,017 | 342,607 | 344,526 | 345,943 | 348,249 |
| Cash at Bank | 3,162,516 | 3,189,938 | 3,603,860 | 2,877,084 | 3,113,509 | 3,016,707 | 3,158,002 | 2,024,583 | 2,064,196 | 1,743,586 | 1,683,963 | 2,10,672 | 33,289 |
| | 3,496,942 | 3,518,477 | 3,935,513 | 3,209,767 | 3,448,101 | 3,352,695 | 3,495,711 | 2,363,505 | 2,405,213 | 2,086,192 | 2,028,489 | 556,615 | 381,538 |
| Creditors: Amounts Falling Due Within One Year | | | | | | | | | | | | | |
| Trade Creditors and Accruals | 414,222 | 70,802 | 63,281 | 64,361 | 65,474 | 66,620 | 67,800 | 69,016 | 70,269 | 71,558 | 72,887 | 74,255 | 75,665 |
| Corporation Tax | 52,507 | 133,063 | 176,996 | 162,009 | 152,161 | 220,445 | 210,445 | 108,770 | 97,079 | 171,760 | 160,089 | 46,903 | 33,348 |
| | 466,729 | 203,864 | 240,277 | 226,370 | 217,635 | 287,065 | 278,245 | 177,786 | 167,347 | 243,318 | 232,976 | 121,158 | 109,012 |
| Net Assets | 3,030,213 | 3,314,613 | 3,695,236 | 2,983,397 | 3,230,466 | 3,065,631 | 3,217,465 | 2,185,719 | 2,237,866 | 1,842,874 | 1,795,513 | 435,457 | 272,526 |
| Total Assets Less Current Liabilities | 16,349,630 | 16,531,219 | 16,808,079 | 15,992,477 | 16,135,783 | 15,867,185 | 15,915,256 | 14,779,747 | 14,728,131 | 14,229,376 | 14,078,252 | 12,614,433 | 12,347,739 |
| Cr : Amounts Falling Due After One Year | | | | | | | | | | | | | |
| Other creditors | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) |
| Provisions For Liabilities & Charges | | | | | | | | | | | | | |
| Deferred Tax | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) |
| | 15,883,640 | 16,065,229 | 16,342,089 | 15,526,487 | 15,669,793 | 15,401,195 | 15,449,266 | 14,313,757 | 14,262,141 | 13,763,386 | 13,612,262 | 12,148,443 | 11,881,749 |
| Capital & Reserves | | | | | | | | | | | | | |
| Called Up Share Capital | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 |
| Revaluation Reserve | 12,464,878 | 12,377,305 | 12,292,188 | 12,207,071 | 12,121,954 | 12,036,837 | 11,951,720 | 11,866,603 | 11,781,486 | 11,696,369 | 11,611,252 | 11,526,135 | 11,441,018 |
| Ferry Replacement Reserve | 3,357,762 | 3,626,924 | 3,988,901 | 3,258,416 | 3,486,839 | 3,303,358 | 3,436,546 | 2,386,154 | 2,419,655 | 2,006,017 | 1,940,010 | 561,308 | 379,731 |
| Profit & Loss Account | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Shareholders' Funds | 15,883,640 | 16,065,229 | 16,342,089 | 15,526,487 | 15,669,793 | 15,401,195 | 15,449,266 | 14,313,757 | 14,262,141 | 13,763,386 | 13,612,262 | 12,148,443 | 11,881,749 |

The Bourne-mouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 3.2

Forecast Year End Balance Sheets for the 13 Years to 31 March 2032. (Assuming an Increase in Toll Charges)

| | 31 March 2020 | 31 March 2021 | 31 March 2022 | 31 March 2023 | 31 March 2024 | 31 March 2025 | 31 March 2026 | 31 March 2027 | 31 March 2028 | 31 March 2029 | 31 March 2030 | 31 March 2031 | 31 March 2032 |
|-------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Fixed Assets | 13,319,417 | 13,216,606 | 13,112,843 | 13,009,080 | 12,905,317 | 12,801,554 | 12,697,791 | 12,594,028 | 12,490,265 | 12,386,502 | 12,282,739 | 12,178,976 | 12,075,213 |
| Current Assets | | | | | | | | | | | | | |
| Other debtors | 45,486 | 46,851 | 48,256 | 49,704 | 51,195 | 52,731 | 54,313 | 55,942 | 57,620 | 59,349 | 61,129 | 62,963 | 64,852 |
| Stocks | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 | 277,135 |
| Trade debtors | 11,805 | 4,554 | 6,771 | 6,437 | 7,024 | 6,991 | 7,276 | 7,026 | 7,781 | 8,242 | 8,349 | 8,086 | 8,981 |
| Stocks & Debtors | 334,426 | 328,539 | 332,162 | 333,276 | 335,353 | 336,856 | 338,724 | 340,103 | 342,536 | 344,726 | 346,614 | 348,184 | 350,968 |
| Cash at Bank | 3,162,516 | 3,189,938 | 4,157,113 | 4,472,581 | 4,985,666 | 5,187,146 | 5,717,304 | 5,768,664 | 6,428,587 | 7,005,895 | 7,789,573 | 8,061,626 | 9,068,013 |
| | 3,496,942 | 3,518,477 | 4,489,276 | 4,805,857 | 5,321,020 | 5,524,002 | 6,056,027 | 6,108,767 | 6,771,124 | 7,350,621 | 8,136,187 | 8,409,810 | 9,418,981 |
| Creditors: Amounts Falling Due Within One Year | | | | | | | | | | | | | |
| Trade Creditors and Accruals | 414,222 | 70,802 | 63,281 | 64,361 | 65,474 | 66,620 | 67,800 | 69,016 | 70,269 | 71,558 | 72,887 | 74,255 | 75,665 |
| Corporation Tax | 52,507 | 133,063 | 201,185 | 214,869 | 218,532 | 301,156 | 303,697 | 217,554 | 231,348 | 352,311 | 369,071 | 263,311 | 282,203 |
| | 466,729 | 203,864 | 264,466 | 279,230 | 284,006 | 367,776 | 371,497 | 286,570 | 301,616 | 423,869 | 441,958 | 337,566 | 357,868 |
| Net Assets | 3,030,213 | 3,314,613 | 4,224,809 | 4,526,627 | 5,037,014 | 5,156,227 | 5,684,530 | 5,822,197 | 6,469,508 | 6,926,752 | 7,694,229 | 8,072,244 | 9,061,113 |
| To | 16,349,630 | 16,531,219 | 17,337,652 | 17,535,707 | 17,942,331 | 17,957,781 | 18,382,321 | 18,416,225 | 18,959,773 | 19,313,254 | 19,976,968 | 20,251,220 | 21,136,326 |
| Creditors: Amounts Falling Due After One Year | | | | | | | | | | | | | |
| Other creditors | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) | (34,978) |
| Provisions For Liabilities & Charges | | | | | | | | | | | | | |
| Deferred Tax | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) | (431,012) |
| | 15,883,640 | 16,065,229 | 16,871,662 | 17,069,717 | 17,476,341 | 17,491,791 | 17,916,331 | 17,950,235 | 18,493,783 | 18,847,264 | 19,510,978 | 19,785,230 | 20,670,336 |
| Capital & Reserves | | | | | | | | | | | | | |
| Called Up Share Capital | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 |
| Revaluation Reserve | 12,464,878 | 12,377,305 | 12,289,732 | 12,202,159 | 12,114,586 | 12,027,013 | 11,939,440 | 11,851,867 | 11,764,294 | 11,676,721 | 11,589,148 | 11,501,575 | 11,414,002 |
| Ferry Replacement Reserve | 3,357,762 | 3,626,924 | 4,520,930 | 4,806,558 | 5,300,755 | 5,403,778 | 5,915,891 | 6,037,368 | 6,668,489 | 7,109,543 | 7,860,830 | 8,222,655 | 9,195,334 |
| Profit & Loss Account | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Shareholders' Funds | 15,883,640 | 16,065,229 | 16,871,662 | 17,069,717 | 17,476,341 | 17,491,791 | 17,916,331 | 17,950,235 | 18,493,783 | 18,847,264 | 19,510,978 | 19,785,230 | 20,670,336 |

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 4.1

Forecast Dividends and Return on Investment (Assuming No proposed increase in Toll Charges)

| | Year ending 31 March: | | | | | | | | | | | | |
|--------------------------------------------|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | | | | | |
| Previous years: | | | | | | | | | | | | | |
| Dividends on equity shares | 626,400 | 661,200 | 696,000 | 713,400 | 730,800 | 748,200 | 769,275 | - | | | | | |
| Total net assets ("NA's") | 12,437,116 | 11,850,409 | 11,909,853 | 15,025,332 | 14,198,837 | 14,555,858 | 15,139,685 | 15,108,018 | | | | | |
| Turnover | 2,950,812 | 2,494,611 | 2,908,635 | 2,636,546 | 3,057,547 | 3,056,480 | 3,130,862 | 2,508,443 | | | | | |
| Actual dividends as a %age of total NA's | 5.0% | 5.6% | 5.8% | 4.7% | 5.1% | 5.1% | 5.1% | 0.0% | | | | | |
| Actual dividends as a %age of turnover | 21.2% | 26.5% | 23.9% | 27.1% | 23.9% | 24.5% | 24.6% | 0.0% | | | | | |
| Forecast: | | | | | | | | | | | | | |
| Total net assets | 15,883,640 | 16,065,229 | 16,342,089 | 15,526,487 | 15,669,793 | 15,401,195 | 15,449,266 | 14,313,757 | 14,262,141 | 13,763,386 | 13,612,262 | 12,148,443 | 11,881,749 |
| Turnover | 1,702,897 | 2,276,807 | 3,130,862 | 2,922,260 | 3,130,862 | 3,061,328 | 3,130,862 | 2,922,260 | 3,130,862 | 3,061,328 | 3,130,862 | 2,922,260 | 3,130,862 |
| Profit after tax | 705,658 | 181,588 | 1,120,955 | 52,853 | 1,036,991 | 635,063 | 951,733 | -231,849 | 852,046 | 404,907 | 752,537 | -560,158 | 636,967 |
| Return on Investment | 4.4% | 1.1% | 6.9% | 0.3% | 6.6% | 4.1% | 6.2% | -1.6% | 6.0% | 2.9% | 5.5% | -4.6% | 5.4% |
| Forecast dividends | 0 | 0 | 844,095 | 868,455 | 893,685 | 903,661 | 903,661 | 903,661 | 903,661 | 903,661 | 903,661 | 903,661 | 903,661 |
| Forecast dividends as a %age of total NA's | 0.0% | 0.0% | 5.2% | 5.6% | 5.7% | 5.9% | 5.8% | 6.3% | 6.3% | 6.6% | 6.6% | 7.4% | 7.6% |
| Forecast dividends as a %age of turnover | 0.0% | 0.0% | 27.0% | 29.7% | 28.5% | 29.5% | 28.9% | 30.9% | 28.9% | 29.5% | 28.9% | 30.9% | 28.9% |

The Boumemouth-Swanage Motor Road & Ferry Co. Inc.

Appendix 4.2

Forecast Dividends and Return on Investment (Assuming increase in Toll Charges)

| | Year ending 31 March: | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------------|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------|------|------|------|------|------|------|------|--|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | |
| Previous years: | | | | | | | | | | | | | | | | | | | | | | |
| Dividends on equity shares | 626,400 | 661,200 | 696,000 | 713,400 | 730,800 | 748,200 | 769,275 | - | | | | | | | | | | | | | | |
| Total net assets ("NA's") | 12,437,116 | 11,850,409 | 11,909,853 | 15,025,332 | 14,198,837 | 14,555,858 | 15,139,685 | 15,108,018 | | | | | | | | | | | | | | |
| Turnover | 2,950,812 | 2,494,611 | 2,908,635 | 2,636,546 | 3,057,547 | 3,056,480 | 3,130,862 | 2,508,443 | | | | | | | | | | | | | | |
| Actual dividends as a %age of total NA's | 5.0% | 5.6% | 5.8% | 4.7% | 5.1% | 5.1% | 5.1% | 0.0% | | | | | | | | | | | | | | |
| Actual dividends as a %age of turnover | 21.2% | 26.5% | 23.9% | 27.1% | 23.9% | 24.5% | 24.6% | 0.0% | | | | | | | | | | | | | | |
| Forecast: | | | | | | | | | | | | | | | | | | | | | | |
| Total net assets | 15,883,640 | 16,065,229 | 16,871,662 | 17,069,717 | 17,476,341 | 17,491,791 | 17,916,331 | 17,950,235 | 18,493,783 | 18,847,264 | 19,510,978 | 19,785,230 | 20,670,336 | | | | | | | | | |
| Turnover | 1,702,897 | 2,276,807 | 3,385,490 | 3,218,519 | 3,511,752 | 3,495,347 | 3,638,014 | 3,512,902 | 3,890,542 | 4,121,097 | 4,174,634 | 4,042,792 | 4,490,290 | | | | | | | | | |
| Profit after tax | 705,658 | 181,588 | 1,327,204 | 297,304 | 1,358,435 | 1,001,782 | 1,380,106 | 267,302 | 1,497,713 | 1,298,671 | 1,640,617 | 396,929 | 1,801,696 | | | | | | | | | |
| Return on Investment | 4.4% | 1.1% | 7.9% | 1.7% | 7.8% | 5.7% | 7.7% | 1.5% | 8.1% | 6.9% | 8.4% | 2.0% | 8.7% | | | | | | | | | |
| Forecast dividends | 0 | 0 | 520,771 | 99,249 | 951,812 | 986,333 | 955,566 | 233,398 | 954,165 | 945,189 | 976,904 | 122,677 | 916,589 | | | | | | | | | |
| Forecast dividends as a %age of total NA's | 0.0% | 0.0% | 3.1% | 0.6% | 5.4% | 5.6% | 5.3% | 1.3% | 5.2% | 5.0% | 5.0% | 0.6% | 4.4% | | | | | | | | | |
| Forecast dividends as a %age of turnover | 0.0% | 0.0% | 15.4% | 3.1% | 27.1% | 28.2% | 26.3% | 6.6% | 24.5% | 22.9% | 23.4% | 3.0% | 20.4% | | | | | | | | | |

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 5.1
Comparisons With Industry Averages - Data Table

| Ratios | | The Bournemouth-Swanage Motor Road & Ferry Co. Inc. | | | | | | | | | | | Industry Averages (SIC 6120)*** (Source: www.fisidlist.com) | | | Industry Averages (SIC 6110)**** (Source: www.fisidlist.com) | | | | | | | | | | | |
|-------------------------|--|-----------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------------------------------------------------------|--------|--------|-----------------------------------------------------------------|--------|--------|--------|--------|--------|---------------------------------------------|----------|---------|---------|----------|---------|
| | | (Actual) | | | | | | | | | | | (Forecast - with no proposed toll increase) | | | (Forecast - with no proposed toll increase) | | | | | | | | | | | |
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Lower % | Median % | Upper % | Lower % | Median % | Upper % |
| PBT/Capital Employed | | 1.6 | 8.9 | 0.3 | 8.3 | 8.2 | 9.5 | - | 5.5 | 1.5 | 8.4 | 0.6 | 8.1 | 5.1 | 7.5 | 1.8 | 7.3 | 3.7 | 6.8 | - | 6.6 | (6.3) | 7.3 | 12.9 | - | 0.7 | 3.4 |
| PBT/Total Assets | | 1.5 | 8.7 | 0.3 | 8.1 | 8.0 | 9.3 | - | 5.4 | 1.5 | 8.3 | 0.6 | 8.0 | 5.0 | 7.4 | 1.8 | 7.2 | 3.6 | 6.7 | - | 6.5 | (1.5) | 3.4 | 12.7 | (0.1) | 4.2 | 9.4 |
| PBT/Shareholders' Funds | | 1.6 | 8.9 | 0.3 | 8.8 | 8.5 | 9.8 | - | 5.7 | 1.5 | 8.6 | 0.6 | 8.3 | 5.2 | 7.8 | 1.8 | 7.5 | 3.8 | 7.0 | - | 6.8 | - | 14.7 | 45.7 | (0.4) | 14.5 | 71.3 |
| Sales/Total Assets | | 20.6 | 23.8 | 17.3 | 19.8 | 19.8 | 19.7 | 15.9 | 10.1 | 13.6 | 18.4 | 18.0 | 19.1 | 19.0 | 19.3 | 19.5 | 21.0 | 21.2 | 21.9 | 22.9 | 25.1 | 33.8 | 102.7 | 291.4 | 16.3 | 63 | 124.1 |
| Sales | | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | (Forecast - with no proposed toll increase) | | | | | |
| PBT | | 2,495 | 2,909 | 2,637 | 3,058 | 3,056 | 3,130 | 2,508 | 1,703 | 2,277 | 3,131 | 2,922 | 3,131 | 3,061 | 3,131 | 2,922 | 3,131 | 3,061 | 3,131 | 2,922 | 3,131 | (Forecast - with no proposed toll increase) | | | | | |
| Capital Employed* | | 187 | 1,064 | 48 | 1,253 | 1,244 | 1,483 | - | 905 | 248 | 1,408 | 90 | 1,305 | 808 | 1,199 | 262 | 1,076 | 524 | 953 | - | 667 | (Forecast - with no proposed toll increase) | | | | | |
| Total Assets** | | 11,954 | 11,989 | 15,079 | 15,040 | 15,250 | 15,655 | 15,624 | 16,350 | 16,531 | 16,808 | 15,992 | 16,136 | 15,867 | 15,915 | 14,780 | 14,728 | 14,229 | 14,078 | 12,614 | 12,348 | (Forecast - with no proposed toll increase) | | | | | |
| Shareholders' Funds | | 12,100 | 12,246 | 15,242 | 15,409 | 15,463 | 15,891 | 15,822 | 16,816 | 16,735 | 17,048 | 16,219 | 16,353 | 16,154 | 16,194 | 14,958 | 14,895 | 14,473 | 14,311 | 12,736 | 12,457 | (Forecast - with no proposed toll increase) | | | | | |
| Sales | | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | (Forecast - with increase) | | | | | |
| PBT/Capital Employed | | 1.6 | 8.9 | 0.3 | 8.3 | 8.2 | 9.5 | - | 5.5 | 1.5 | 9.6 | 2.2 | 9.5 | 7.0 | 9.4 | 1.9 | 9.9 | 8.4 | 10.3 | 2.5 | 10.6 | (Forecast - with increase) | | | | | |
| PBT/Total Assets | | 1.5 | 8.7 | 0.3 | 8.1 | 8.0 | 9.3 | - | 5.4 | 1.5 | 9.4 | 2.2 | 9.3 | 6.9 | 9.2 | 1.9 | 9.7 | 8.2 | 10.0 | 2.5 | 10.5 | (Forecast - with increase) | | | | | |
| PBT/Shareholders' Funds | | 1.6 | 8.9 | 0.3 | 8.8 | 8.5 | 9.8 | - | 5.7 | 1.5 | 9.9 | 2.3 | 9.7 | 7.2 | 9.6 | 2.0 | 10.1 | 8.6 | 10.5 | 2.6 | 10.9 | (Forecast - with increase) | | | | | |
| Sales/Total Assets | | 20.6 | 23.8 | 17.3 | 19.8 | 19.8 | 19.7 | 15.9 | 10.1 | 13.6 | 19.2 | 18.1 | 19.3 | 19.1 | 19.4 | 18.8 | 20.2 | 20.9 | 20.4 | 19.6 | 20.9 | (Forecast - with increase) | | | | | |
| Sales | | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | (Forecast - with increase) | | | | | |
| PBT | | 2,495 | 2,909 | 2,637 | 3,058 | 3,056 | 3,130 | 2,508 | 1,703 | 2,277 | 3,385 | 3,219 | 3,512 | 3,495 | 3,638 | 3,513 | 3,891 | 4,121 | 4,175 | 4,043 | 4,490 | (Forecast - with increase) | | | | | |
| Capital Employed* | | 187 | 1,064 | 48 | 1,253 | 1,244 | 1,483 | - | 905 | 248 | 1,663 | 391 | 1,701 | 1,261 | 1,728 | 354 | 1,873 | 1,628 | 2,050 | 514 | 2,249 | (Forecast - with increase) | | | | | |
| Total Assets** | | 11,954 | 11,989 | 15,079 | 15,040 | 15,250 | 15,621 | 15,609 | 16,350 | 16,531 | 17,338 | 17,536 | 17,942 | 17,958 | 18,382 | 18,416 | 18,960 | 19,313 | 19,977 | 20,251 | 21,136 | (Forecast - with increase) | | | | | |
| Shareholders' Funds | | 12,100 | 12,246 | 15,242 | 15,409 | 15,463 | 15,891 | 15,822 | 16,816 | 16,735 | 17,602 | 17,815 | 18,226 | 18,326 | 18,754 | 18,703 | 19,261 | 19,737 | 20,419 | 20,589 | 21,494 | (Forecast - with increase) | | | | | |

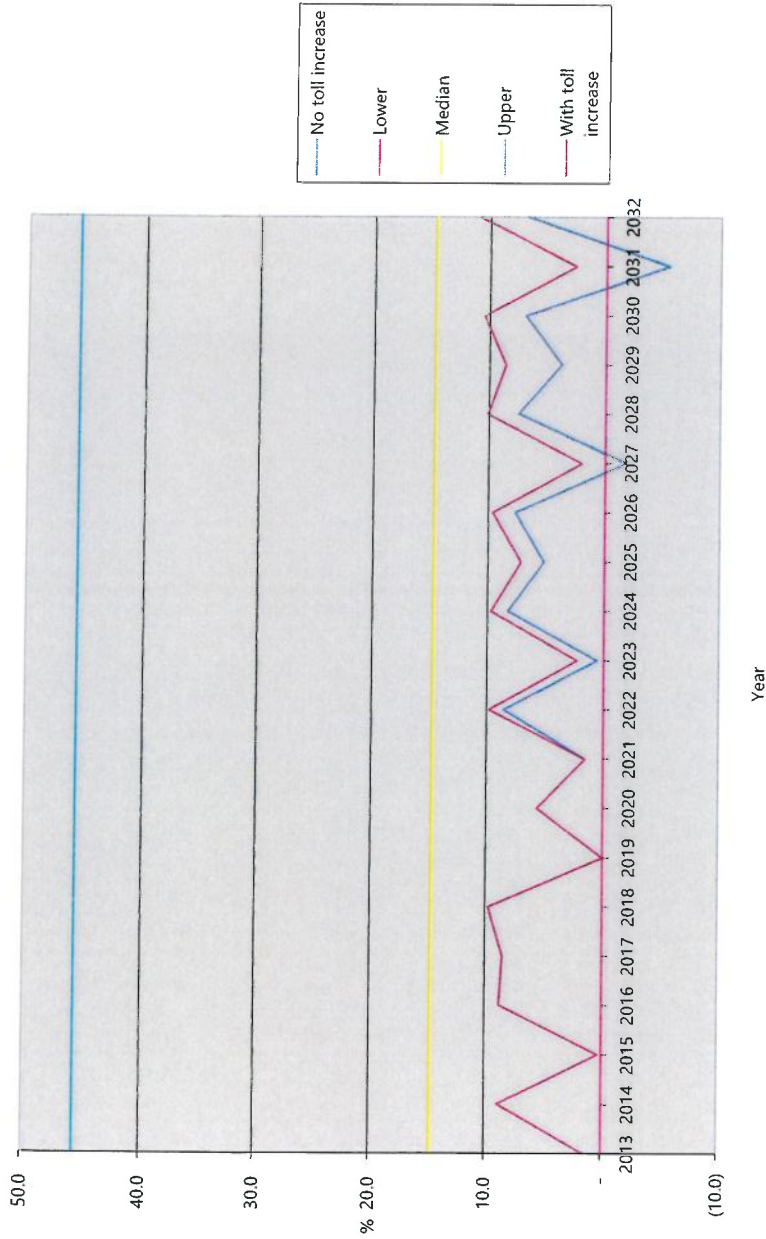
* Capital Employed = Total Assets Less Current Liabilities

** Total Assets = Fixed Assets plus Current Assets

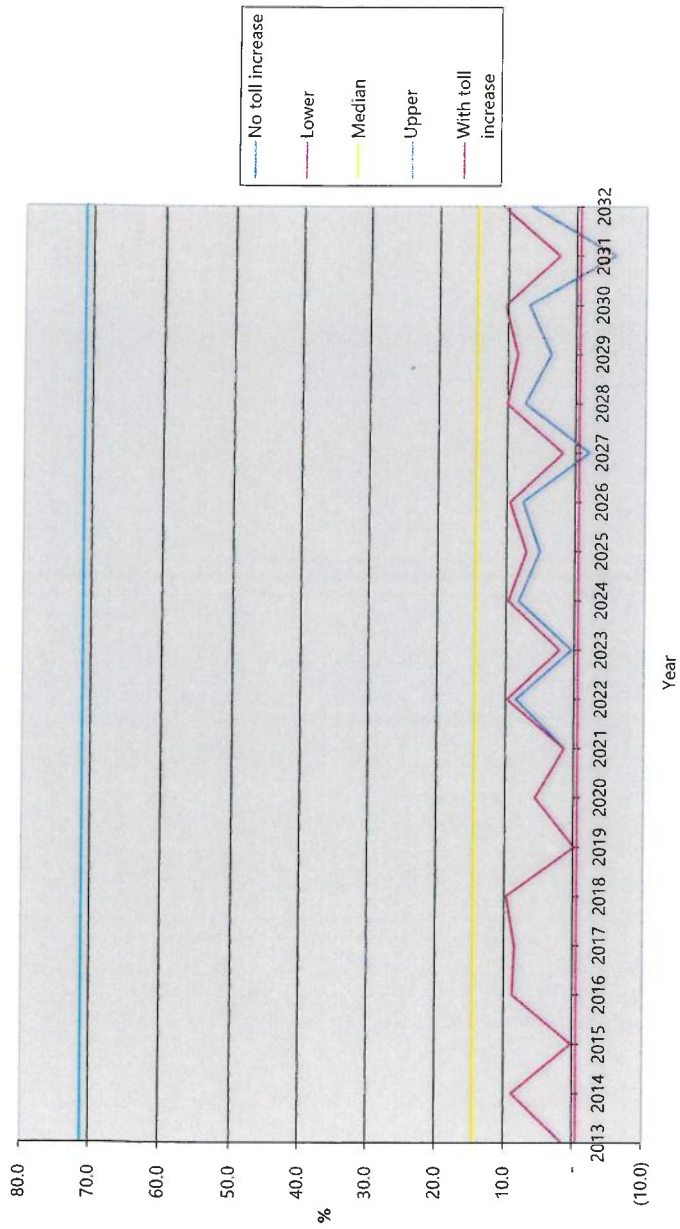
***SIC 6120 = 'Inland Water Transport'

****SIC 6110 = 'Passenger Sea & Coastal Water Transport'

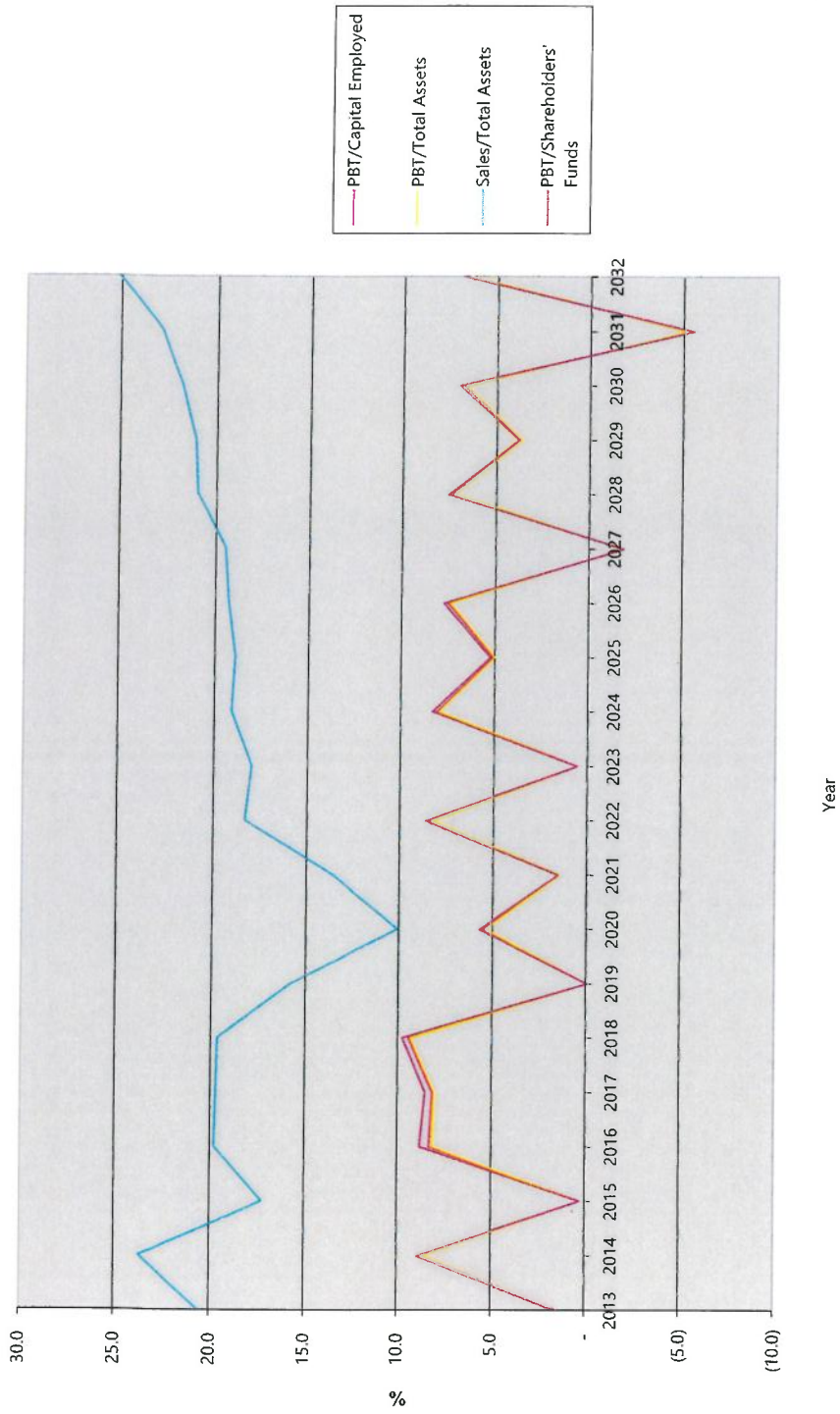
Appendix 5.2 - PBT/Shareholders' Funds vs. SIC 6120 (Inland Water Transport) Averages



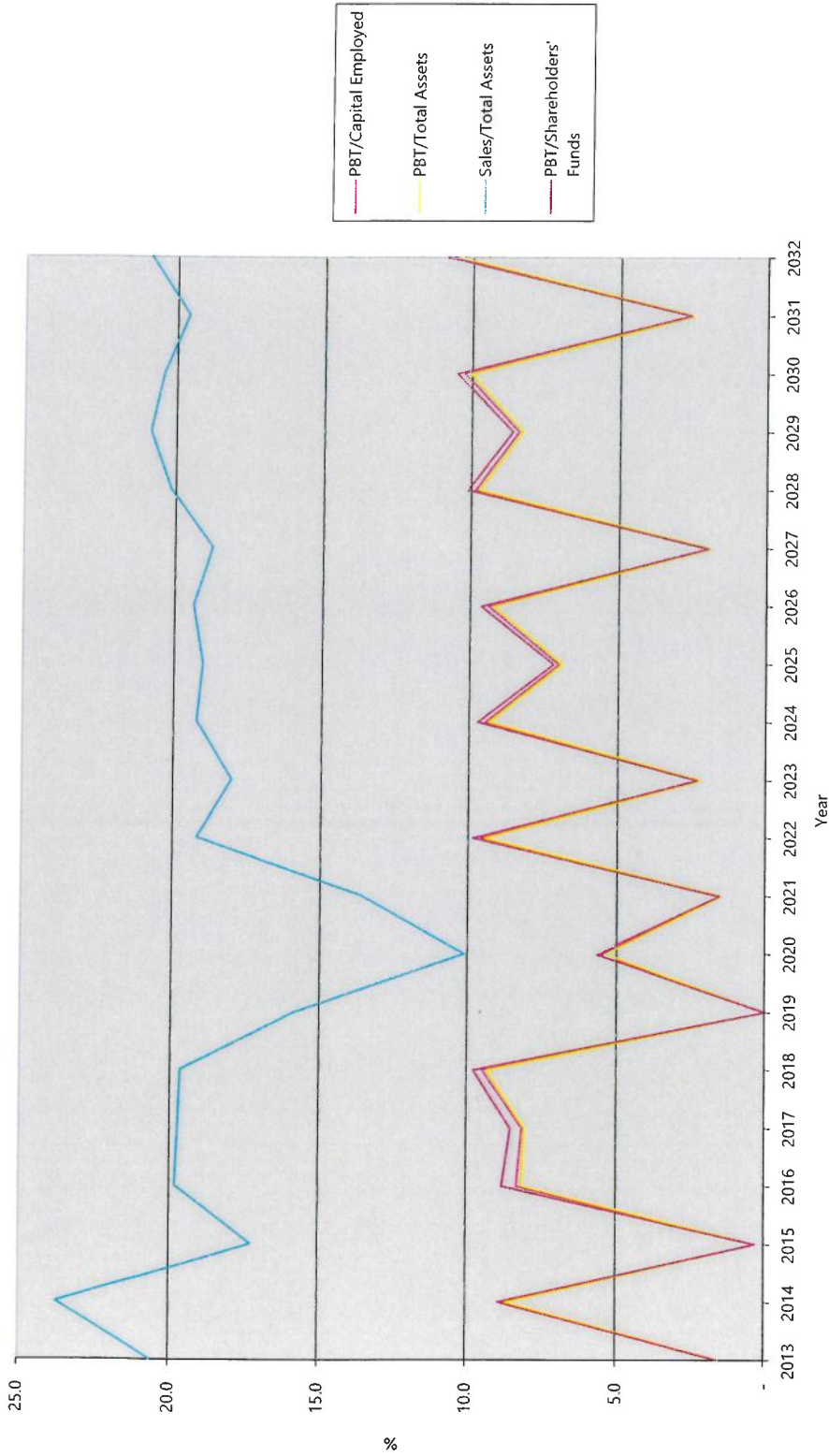
Appendix 5.3 - PBT/Shareholders' Funds vs. SIC 6110 (Passenger Sea & Coastal Water Transport) Averages



Appendix 5.4: Trends - 2013 to 2017 (actual) and 2018 to 2032 (forecast) assuming no proposed increase in toll charges



Appendix 5.5: Trends - 2013 to 2017 (actual) and 2017 to 2032 (forecast) assuming an increase in toll charges



The Bournemouth-Swanage Motor Road & Ferry Co. Inc.

Appendix 6

Summary of Costs for the 5 Years from 2015 to 2019 (excluding Depreciation)

| | 31 March 2015 £ | 31 March 2016 £ | 31 March 2017 £ | 31 March 2018 £ | 31 March 2019 £ | Average annual increase / (decrease) (%) | Total increase / (decrease) from 2015 to 2019 (%) |
|------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------------------------------|------------------------------------------------------------|
| DIRECT COSTS | | | | | | | |
| Ferry Harbour Dues | 1,150 | 1,150 | 1,272 | 1,272 | 1,272 | 2.6% | 10.6% |
| Direct Wages | 633,506 | 684,950 | 709,329 | 710,613 | 724,079 | 3.4% | 14.3% |
| Ferry repairs & maintenance - day to day | 227,399 | 88,100 | 143,920 | 112,230 | 155,000 | (9.1%) | (31.8%) |
| Ferry repairs & maintenance - refits | 653,764 | 799 | 215,125 | | 945,936 | | |
| Ferry consumable stores | 71,328 | 57,391 | 60,789 | 74,888 | 77,883 | 2.2% | 9.2% |
| Ferry insurance | 45,837 | 42,356 | 32,323 | 35,201 | 27,770 | (11.8%) | (39.4%) |
| Slipways repairs & maintenance - regular | 130,034 | 58,193 | 11,879 | 7,622 | 7,930 | (50.3%) | (93.9%) |
| Road repairs & maintenance | 5,329 | 104,489 | 5,642 | 4,839 | 7,092 | 7.4% | 33.1% |
| Buildings repairs & maintenance | 10,741 | 19,864 | 7,891 | 11,742 | 7,544 | (8.5%) | (29.8%) |
| Total Direct Costs | 1,779,088 | 1,057,292 | 1,188,170 | 958,407 | 1,954,506 | 2.4% | 9.9% |
| OVERHEADS | | | | | | | |
| Wages & salaries | 116,096 | 120,472 | 114,714 | 114,783 | 121,452 | 1.1% | 4.6% |
| Staff pension costs | 36,425 | 34,848 | 34,696 | 25,712 | 30,121 | (4.6%) | (17.3%) |
| Rates | 96,748 | 98,999 | 99,750 | 144,825 | 65,933 | (9.1%) | (31.9%) |
| Insurance | 12,731 | 20,347 | 17,732 | 11,836 | 20,807 | 13.1% | 63.4% |
| Light & heat | 6,138 | 5,799 | 6,263 | 6,079 | 5,133 | (4.4%) | (16.4%) |
| Tickets | 3,922 | 5,498 | 3,692 | 5,580 | 2,321 | (12.3%) | (40.8%) |
| Printing, postage and stationery | 4,570 | 4,235 | 5,907 | 5,762 | 4,195 | (2.1%) | (8.2%) |
| Advertising | 401 | 45 | 45 | 45 | 45 | (42.1%) | (88.8%) |
| Telephone | 2,794 | 2,814 | 3,286 | 4,266 | 3,297 | 4.2% | 18.0% |
| Motor running expenses | 7,187 | 3,636 | 4,697 | 5,912 | 16,413 | 22.9% | 128.4% |
| Legal and professional fees | 13,188 | 25,229 | 11,171 | 17,269 | 49,470 | 39.2% | 275.1% |
| Audit fees | 12,875 | 12,575 | 12,825 | 11,000 | 11,325 | (3.2%) | (12.0%) |
| Management charges | 134,067 | 118,931 | 127,396 | 158,701 | 171,803 | 6.4% | 28.1% |
| Bank charges | 7,151 | 8,692 | 10,072 | 14,457 | 15,699 | 21.7% | 119.5% |
| Sundry expenses | 23,348 | 28,753 | 28,695 | 28,619 | 32,096 | 8.3% | 37.5% |
| Total Overheads | 477,641 | 490,873 | 480,941 | 554,846 | 550,110 | 3.6% | 15.2% |
| Grand Total | 2,256,729 | 1,548,165 | 1,669,111 | 1,513,253 | 2,504,616 | 2.6% | 11.0% |

50,945 Average excluding 31 March 2015

The Bourne-mouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 7.2
Monthly Traffic Volume Averages for the 6 Years from April 2013 to March 2019

Average of Non-Refit years (FY 2014, 2016, 2018)
(No. of crossings)

| | Total | April | May | June | July | August | September | October | November | December | January | February | March |
|---------------------------------|------------------|---------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Class A (Foot passenger) | 144,035 | 12,448 | 13,434 | 16,139 | 21,005 | 23,097 | 12,335 | 10,261 | 5,880 | 6,483 | 6,349 | 7,123 | 9,480 |
| Class B/C (Bikes & motorcycles) | 115,092 | 12,232 | 13,323 | 15,504 | 15,189 | 16,500 | 10,286 | 7,567 | 4,938 | 4,094 | 4,059 | 4,342 | 7,057 |
| Class F (car) | 744,775 | 68,075 | 76,501 | 72,040 | 84,602 | 88,942 | 66,811 | 60,181 | 44,013 | 44,146 | 41,306 | 44,014 | 54,144 |
| Class G (Truck) | 1,750 | 163 | 151 | 153 | 173 | 162 | 137 | 151 | 125 | 128 | 122 | 113 | 173 |
| Coach & Bus | 11,981 | 844 | 1,056 | 1,399 | 1,477 | 1,562 | 1,125 | 865 | 759 | 700 | 724 | 691 | 778 |
| Total | 1,017,633 | 93,761 | 104,465 | 105,236 | 122,446 | 130,264 | 90,695 | 79,025 | 55,715 | 55,551 | 52,560 | 56,283 | 71,632 |

Average of Refit years (FY 2013,2015,2017)
(No. of crossings)

| | | | | | | | | | | | | | |
|---------------------------------|----------------|---------------|----------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Class A (Foot passenger) | 138,343 | 12,355 | 15,669 | 14,146 | 18,268 | 21,332 | 13,281 | 9,844 | 2,843 | 6,131 | 8,364 | 8,184 | 7,925 |
| Class B/C (Bikes & motorcycles) | 106,970 | 9,713 | 13,290 | 12,368 | 14,385 | 15,677 | 11,886 | 7,758 | 2,033 | 3,017 | 4,797 | 5,120 | 6,926 |
| Class F (car) | 695,776 | 63,405 | 70,029 | 71,686 | 82,740 | 91,588 | 72,103 | 59,671 | 11,793 | 28,034 | 43,039 | 46,752 | 54,936 |
| Class G (Truck) | 1,535 | 166 | 167 | 162 | 166 | 143 | 143 | 131 | 23 | 49 | 106 | 108 | 149 |
| Coach & Bus | 11,453 | 833 | 1,122 | 1,404 | 1,521 | 1,758 | 1,182 | 868 | 170 | 361 | 729 | 692 | 811 |
| Total | 954,076 | 86,472 | 100,278 | 99,766 | 117,081 | 130,520 | 98,596 | 78,272 | 16,863 | 37,591 | 57,034 | 60,856 | 70,747 |

Average of Non-Refit years (FY 2014, 2016, 2018)
(No. of crossings as a percentage of total)

| | Total | April | May | June | July | August | September | October | November | December | January | February | March |
|---------------------------------|--------|--------|--------|--------|--------|--------|-----------|---------|----------|----------|---------|----------|-------|
| Class A (Foot passenger) | 100.0% | 8.64% | 9.33% | 11.20% | 14.58% | 16.04% | 8.56% | 7.12% | 4.08% | 4.50% | 4.41% | 4.95% | 6.58% |
| Class B/C (Bikes & motorcycles) | 100.0% | 10.63% | 11.58% | 13.47% | 13.20% | 14.34% | 8.94% | 6.58% | 4.29% | 3.56% | 3.53% | 3.77% | 6.13% |
| Class F (car) | 100.0% | 9.14% | 10.27% | 9.67% | 11.36% | 11.94% | 8.97% | 8.08% | 5.91% | 5.93% | 5.55% | 5.91% | 7.27% |
| Class G (Truck) | 100.0% | 9.29% | 8.65% | 8.74% | 9.86% | 9.27% | 7.81% | 8.61% | 7.14% | 7.29% | 6.99% | 6.44% | 9.90% |
| Coach & Bus | 100.0% | 7.05% | 8.82% | 11.68% | 12.33% | 13.04% | 9.39% | 7.22% | 6.34% | 5.85% | 6.04% | 5.76% | 6.49% |

Average of Refit years (FY 2013,2015,2017)
(No. of crossings as a percentage of total)

| | | | | | | | | | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|
| Class A (Foot passenger) | 100.0% | 8.93% | 11.33% | 10.23% | 13.21% | 15.42% | 9.60% | 7.12% | 2.06% | 4.43% | 6.05% | 5.92% | 5.73% |
| Class B/C (Bikes & motorcycles) | 100.0% | 9.08% | 12.42% | 11.56% | 13.45% | 14.66% | 11.11% | 7.25% | 1.90% | 2.82% | 4.48% | 4.79% | 6.47% |
| Class F (car) | 100.0% | 9.11% | 10.06% | 10.30% | 11.89% | 13.16% | 10.36% | 8.58% | 1.69% | 4.03% | 6.19% | 6.72% | 7.90% |
| Class G (Truck) | 100.0% | 10.82% | 10.88% | 10.53% | 10.84% | 10.71% | 9.34% | 8.56% | 1.50% | 3.19% | 6.89% | 7.02% | 9.73% |
| Coach & Bus | 100.0% | 7.28% | 9.80% | 12.26% | 13.28% | 15.35% | 10.32% | 7.58% | 1.49% | 3.15% | 6.37% | 6.04% | 7.08% |

Average non-refit year activity is (higher)/lower than an average MAJOR refit year:

| | | | | | | | | | | | | | |
|---------------------------------|---------|---------|--------|---------|---------|--------|-------|---------|---------|---------|---------|--------|---------|
| Class A (Foot passenger) | (4.0%) | (0.7%) | 16.6% | (12.3%) | (13.0%) | (7.6%) | 7.7% | (4.1%) | (51.6%) | (5.4%) | 31.7% | 14.9% | (16.4%) |
| Class B/C (Bikes & motorcycles) | (7.1%) | (20.6%) | (0.2%) | (20.2%) | (5.3%) | (5.0%) | 15.6% | 2.5% | (58.8%) | (26.3%) | 18.2% | 17.9% | (1.9%) |
| Class F (car) | (6.6%) | (6.9%) | (8.5%) | (0.5%) | (2.2%) | 3.0% | 7.9% | (0.8%) | (73.2%) | (36.5%) | 4.2% | 6.2% | 1.5% |
| Class G (Truck) | (12.3%) | 2.0% | 10.4% | 5.7% | (3.7%) | 1.2% | 4.9% | (12.8%) | (81.6%) | (61.6%) | (13.6%) | (4.4%) | (13.8%) |
| Coach & Bus | (4.4%) | (1.3%) | 6.2% | 0.3% | 3.0% | 12.5% | 5.1% | 0.3% | (77.6%) | (48.5%) | 0.7% | 0.2% | 4.3% |

The Beaumont-Swanage Motor Road & Ferry Co. Inc.

Appendix 8a

Comparison of proposed prices for books of tickets than if increase was at rate of inflation for the 12 years to 31 March 2032 (Assuming Toll Increases)

| Current & Proposed Tolls | 17/02/21 | | 17/02/22 | | 17/02/23 | | 17/02/24 | | 17/02/25 | | 17/02/26 | | 17/02/27 | | 17/02/28 | | 17/02/29 | | 17/02/30 | | 17/02/31 | | |
|----------------------------------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | Incl. toll | User benefit | |
| Class 7: Book of 50 tickets for Pedestrians | 4635 | 138 | 4774 | 142 | 4917 | 147 | 5065 | 152 | 5217 | 157 | 5374 | 162 | 5535 | 167 | 5701 | 172 | 5872 | 177 | 6048 | 182 | 6229 | 187 | 6413 |
| Class 8: Book of 50 tickets for Cyclists | 4735 | 143 | 4874 | 148 | 4917 | 153 | 5065 | 158 | 5217 | 163 | 5374 | 168 | 5535 | 173 | 5701 | 178 | 5872 | 183 | 6048 | 188 | 6229 | 193 | 6413 |
| Class 9: Book of 100 tickets for Cyclists | 9755 | 285 | 9914 | 290 | 10073 | 295 | 10232 | 300 | 10391 | 305 | 10550 | 310 | 10709 | 315 | 10868 | 320 | 11027 | 325 | 11186 | 330 | 11345 | 335 | 11504 |
| Class 10: Book of 10 tickets for Motor Cars | 3748 | 108 | 3819 | 112 | 3890 | 116 | 3961 | 120 | 4032 | 124 | 4103 | 128 | 4174 | 132 | 4245 | 136 | 4316 | 140 | 4387 | 144 | 4458 | 148 | 4529 |
| Class 11: Book of 50 tickets for Motor Cars | 17510 | 510 | 17826 | 525 | 18142 | 540 | 18458 | 555 | 18774 | 570 | 19090 | 585 | 19406 | 600 | 19722 | 615 | 20038 | 630 | 20354 | 645 | 20670 | 660 | 20986 |
| Class 12: Book of 10 tickets for Goods Vehicles (Trucks) | 7418 | 216 | 7638 | 224 | 7858 | 232 | 8078 | 240 | 8298 | 248 | 8518 | 256 | 8738 | 264 | 8958 | 272 | 9178 | 280 | 9398 | 288 | 9618 | 296 | 9838 |
| Class 13: Book of 10 tickets for Motor Vehicles (Trucks) | 7523 | 220 | 7743 | 228 | 7963 | 236 | 8183 | 244 | 8403 | 252 | 8623 | 260 | 8843 | 268 | 9063 | 276 | 9283 | 284 | 9503 | 292 | 9723 | 300 | 9943 |
| Class 14: Book of 10 tickets for Buses & Coaches | 7416 | 216 | 7636 | 224 | 7856 | 232 | 8076 | 240 | 8296 | 248 | 8516 | 256 | 8736 | 264 | 8956 | 272 | 9176 | 280 | 9396 | 288 | 9616 | 296 | 9836 |
| Class 15: Book of 50 tickets for Buses & Coaches | 35220 | 1020 | 36021 | 1040 | 36822 | 1060 | 37623 | 1080 | 38424 | 1100 | 39225 | 1120 | 40026 | 1140 | 40827 | 1160 | 41628 | 1180 | 42429 | 1200 | 43230 | 1220 | 44031 |
| TOTAL | 100000 | 3000 | 102000 | 3060 | 104000 | 3120 | 106000 | 3180 | 108000 | 3240 | 110000 | 3300 | 112000 | 3360 | 114000 | 3420 | 116000 | 3480 | 118000 | 3540 | 120000 | 3600 | 122000 |

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 9.1
Cash Flow Analysis - Assuming No Increase in Toll Charges

| | Actual | | | | | | | | | | | | | | | |
|--------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|------------------|------------------|--------------------|------------------|
| | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 | 31 March 2022 | 31 March 2023 | 31 March 2024 | 31 March 2025 | 31 March 2026 | 31 March 2027 | 31 March 2028 | 31 March 2029 | 31 March 2030 | 31 March 2031 | 31 March 2032 |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Operating Profit/(Loss) (Profit Before Interest & Tax) | 1,244,072 | 1,483,243 | (32,064) | 879,151 | 216,674 | 1,376,336 | 53,551 | 1,275,805 | 777,233 | 1,169,151 | (293,474) | 1,056,002 | 503,582 | 935,962 | (684,053) | 808,612 |
| Depreciation of tangible assets | 178,748 | 177,220 | 103,763 | 101,111 | 102,811 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 |
| Decrease (Increase) in stocks & debtors | 34,639 | (104,604) | 1,482 | 46,017 | 5,887 | (3,114) | (1,030) | (1,908) | (1,397) | (1,721) | (1,212) | (2,095) | (1,590) | (1,920) | (1,417) | (2,306) |
| Increase (Decrease) in creditors due within one year | (156,434) | 22,725 | 30,236 | 201,304 | (262,865) | 36,412 | (13,907) | (6,735) | 69,430 | (8,819) | (100,459) | (10,439) | 75,971 | (10,342) | (111,818) | (12,146) |
| Net Cash Inflow From Operating Activities | 1,301,025 | 1,578,584 | 103,417 | 1,227,583 | 62,507 | 1,513,398 | 142,377 | 1,368,924 | 949,029 | 1,262,374 | (291,382) | 1,147,230 | 681,726 | 1,027,463 | (693,525) | 897,923 |
| Interest received | 7 | 143 | 20,397 | 25,921 | 31,625 | 31,899 | 36,039 | 28,771 | 31,135 | 30,167 | 31,580 | 20,246 | 20,642 | 17,436 | 16,840 | 2,107 |
| Interest paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend paid | (751,875) | (769,275) | - | - | - | (844,095) | (868,455) | (893,685) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) | (903,661) |
| Corporation tax paid | (281,699) | (309,247) | (20,000) | (199,414) | (66,711) | (287,280) | (36,737) | (267,584) | (173,305) | (247,585) | 30,045 | (224,202) | (119,317) | (200,861) | 107,056 | (173,751) |
| Payments to acquire tangible fixed assets | (116,049) | (35,106) | (13,157) | (702) | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Inflow (Outflow) | 151,409 | 465,099 | 90,657 | 1,053,388 | 27,421 | 413,922 | (726,776) | 236,426 | (96,802) | 1,41,294 | (1,133,418) | 39,613 | (320,610) | (59,623) | (1,473,291) | (177,383) |
| Opening Cash at Bank & In Hand | 1,401,963 | 1,553,372 | 2,018,471 | 2,109,128 | 3,162,516 | 3,189,938 | 3,603,860 | 2,877,084 | 3,113,509 | 3,016,707 | 3,158,002 | 2,024,583 | 2,064,196 | 1,743,586 | 1,683,963 | 210,672 |
| Closing Cash at Bank & In Hand | 1,553,372 | 2,018,471 | 2,109,128 | 3,162,516 | 3,189,938 | 3,603,860 | 2,877,084 | 3,113,509 | 3,016,707 | 3,158,002 | 2,024,583 | 2,064,196 | 1,743,586 | 1,683,963 | 210,672 | 33,289 |

P. 188

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 9.2
Cash Flow Analysis - Assuming An Increase in Toll Charges

| | Actual | | | | | | | | | | | | | | | |
|------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 | 31 March 2022 | 31 March 2023 | 31 March 2024 | 31 March 2025 | 31 March 2026 | 31 March 2027 | 31 March 2028 | 31 March 2029 | 31 March 2030 | 31 March 2031 | 31 March 2032 |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Operating Profit (Profit Before Interest & Tax) | 1,244,072 | 1,483,243 | (32,064) | 879,151 | 216,674 | 1,630,964 | 349,811 | 1,656,695 | 1,211,252 | 1,676,303 | 297,169 | 1,815,682 | 1,563,351 | 1,979,734 | 436,479 | 2,168,040 |
| Depreciation of tangible assets | 178,748 | 177,220 | 103,763 | 101,111 | 102,811 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 | 103,763 |
| Decrease (Increase) in stocks & debtors | 34,639 | (104,604) | 1,482 | 46,017 | 5,887 | (3,623) | (1,114) | (2,078) | (1,503) | (1,867) | (1,379) | (2,434) | (2,190) | (1,888) | (1,570) | (2,784) |
| Increase (Decrease) in creditors due within one year | (156,434) | 22,725 | 30,236 | 201,304 | (262,865) | 60,602 | 14,764 | 4,776 | 83,770 | 3,722 | (84,927) | 15,046 | 122,253 | 18,089 | (104,392) | 20,301 |
| Net Cash Inflow From Operating Activities | 1,301,025 | 1,578,584 | 103,417 | 1,227,583 | 62,507 | 1,791,706 | 467,224 | 1,763,156 | 1,397,282 | 1,781,920 | 314,626 | 1,932,057 | 1,787,177 | 2,099,698 | 434,280 | 2,289,320 |
| Interest received | 7 | 143 | 20,397 | 25,921 | 31,625 | 31,899 | 41,571 | 44,726 | 49,857 | 51,871 | 57,173 | 57,687 | 64,286 | 70,059 | 77,896 | 80,616 |
| Interest paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend paid | (751,875) | (769,275) | - | - | - | (520,771) | (99,249) | (951,812) | (986,333) | (955,566) | (233,398) | (954,165) | (945,189) | (976,904) | (122,677) | (916,589) |
| Corporation tax paid | (281,699) | (309,247) | (20,000) | (199,414) | (66,711) | (335,659) | (94,078) | (342,985) | (259,326) | (348,068) | (87,040) | (375,655) | (328,966) | (409,176) | (117,446) | (446,960) |
| Payments to acquire tangible fixed assets | (116,049) | (35,106) | (13,157) | (702) | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Inflow (Outflow) | 151,409 | 465,099 | 90,657 | 1,053,388 | 27,421 | 967,176 | 315,468 | 513,085 | 201,480 | 530,158 | 51,360 | 659,923 | 577,308 | 783,678 | 272,053 | 1,006,387 |
| Opening Cash at Bank & In Hand | 1,401,963 | 1,553,372 | 2,018,471 | 2,109,128 | 3,162,516 | 3,189,938 | 4,157,113 | 4,472,581 | 4,985,666 | 5,187,146 | 5,717,304 | 5,768,664 | 6,428,587 | 7,005,895 | 7,789,573 | 8,061,626 |
| Closing Cash at Bank & In Hand | 1,553,372 | 2,018,471 | 2,109,128 | 3,162,516 | 3,189,938 | 4,157,113 | 4,472,581 | 4,985,666 | 5,187,146 | 5,717,304 | 5,768,664 | 6,428,587 | 7,005,895 | 7,789,573 | 8,061,626 | 9,068,013 |

Statement of Michael Kean
Bournemouth-Swanage Motor Road and Ferry Company

9th December 2020

- 1- The Ferry Company welcomes the opportunity this Public Inquiry provides to communicate its approach to toll increases since the last toll increase application was refused in 2018.
- 2- Since that time, the Ferry Company has developed a significantly revised toll increase plan that takes on board the conclusions from the last Public Inquiry and incorporates discussions with local stakeholders and residents through the Ferry Community Liaison Group.
- 3- Toll increases, which have not been approved since February 2015, are needed periodically by the Ferry Company. These toll increases pay for regular maintenance of the Bramble Bush Bay and are needed to keep pace with rises in running costs in the business. Further they will contribute annually to the Ferry Replacement Reserve (FRR) to ensure the required funds are available when the current ferry, the Bramble Bush Bay, needs to be replaced.

Rationale for the original application

- 4- The approval of the original application would allow small rises in tolls in line with inflation only, never exceeding inflation annually. The application was also structured to increase discounts for regular ferry users.

Rationale for the revised application

- 5- An alternative toll proposal has now been received from a consortium of Councils (Bournemouth, Christchurch and Poole, Dorset and Swanage Town) ("**the Consortium**"), the Ferry Company has now had the opportunity to consider that alternative Consortium proposal.
- 6- The Ferry Company welcomes the Consortium's involvement and believes there is considerable merit in its proposals.
- 7- The Consortium's proposal accepts that without the same level of total income as sought in the Ferry Company's original proposal, and so a toll increase, the Ferry Company will not be able to fund the replacement ferry.

- 8- The Ferry Company consider that the Consortium's use of fixed increases provides greater clarity and transparency for (particularly) regular users.
- 9- The Consortium's proposal also promotes the use of bikes and foot travel.
- 10- Having therefore considered the Consortium's proposal, the Directors decided to submit a revised application implementing many of the Consortium's suggestions but also addressing some of its issues, as set out below. That new proposal is attached at Section C of Mr Thomas's report.
- 11- The Ferry Company's revised application seeks to achieve the objectives pursued by the Consortium but also seeks to ensure that charges for local residents regularly taking their vehicles onto the Ferry do not increase significantly. It does this by ensuring charges for bulk tickets remain discounted at higher levels than presently, such that any increases are less than inflation and so, in real terms, are decreases in the cost. For occasional car users, the initial increase is less and more incremental than that proposed by the Consortium.
- 12- The Ferry Company therefore puts this proposal forward as a revised application for approval. It believes it will secure the future safe and reliable running of the current vessel, the Bramble Bush Bay.
- 13- Further along with increases in efficiency, cost savings and the commitment from the directors not to pay dividends until the FRR reaches the level it needs to it will ensure that the funds will be in place to purchase a replacement ferry when judged necessary by the Ferry Company's Naval Architects
- 14- Both the original and revised applications assume that the Ferry Company will borrow the maximum it is permitted by Parliament, £5 million, as part of funding a replacement ferry.
- 15- There has been a certain amount of misunderstanding about what is proposed. There is a local "rumour" that prices for vehicles will double immediately. This is not the case. Both the original and revised applications provide that the maximum chargeable tolls will be phased in over twelve years. In the original application, the Ferry Company's Directors proposed limiting cash toll increases to inflation using the preceding January's RPI and rounded down to the nearest 5p. The revised application provides greater certainty. It is possible to see exactly how the fares will increase over the next 12 years; generally by a small fixed amount of 10p or 20p per annum.

Changes to investor returns policy

- 16- The Ferry Company has now adopted a formal policy so that returns for shareholders rank behind the FRR. If the Ferry Company's application is granted, no dividend will be paid to shareholders unless the balance on the FRR plus £5m (being the maximum amount the Ferry Company can raise) exceeds the forecast cost of a new ferry. In addition, no dividend will ever exceed the profit after tax earned in the year.

17- The financial risks are therefore borne first by the shareholders. This can be demonstrated as no dividends have been paid to shareholders since 2017. This was due to the significant financial impact of unprecedented mechanical failures in 2018 and 2019 and the COVID-19 service suspension. In all three years, any profits that have been made have been allocated only to the FRR, meaning these financial impacts have been borne by the Shareholders, rather than customers. This will continue to be the case in the future. If and when dividends are paid in future, the average estimated return on investment (assuming the revised application is approved) will be a modest return when compared to the assumption of risk, the returns obtained by other similar operators and returns generally available on other investments. The figures are as set out in the Kevin Thomas report but briefly no dividend is anticipated for the next 2 years and thereafter a range of dividends from 0.6% and 5.6% averaging 3.7%

Funding a replacement to the Bramble Bush Bay

18- The Parent Company, Fairacres Group, as controlling shareholder, gave a legal undertaking to ring-fence the FRR in February 2020 so that it cannot be used for any other purpose. This undertaking has also been committed to publicly. The legal undertaking is the maximum protection that can be provided. It ensures that the Ferry Company will not (as envisaged by Studland PC) pay these sums to the Parent Company as dividends.

19- The Director's do not believe that it is possible, without breaching company law, to remove funds from a company and place them in trust or escrow so as to deny those funds to the Ferry Company's creditors, including the preferred creditors such as employees and the Crown, in the event of insolvency.

20- Even if it was possible (which the directors do not accept) to set up such a trust the only possible beneficiary of the trust would be the Ferry Company. The funds would have to be released from the trust and paid back to the Ferry Company on demand.

21- To fully fund the replacement of the Bramble Bush Bay, the Ferry Company is permitted by statute to borrow £5 million in addition to the reserves built up in the FRR. To further guarantee continuity of service, the Ferry Company has obtained an undertaking from its Parent Company to the Secretary of State that, in the likely event the Ferry Company is unable to obtain loan monies for a replacement vessel, the Parent Company will provide what financial support is required to purchase the replacement vessel. This demonstrates the shareholders' taking on considerable risk, for the benefit of the Ferry Company.

How the toll increases would be implemented

22- Toll applications must, by virtue of the legislation that governs the operation and management of the ferry, apply only for the maximum level a toll could reach – the Maximum Tolls Chargeable (MTC's) – for each

passenger class. This is not the same as a toll increase. Although the current application requests MTC's that are 50% above the current tolls, it will take 12 years for tolls to reach these MTCs given that the revised application commits to small annual rises.

23- If the revised application is approved:

- a. Pedestrians and bike tolls would stay unchanged, at £1, for the entire period;
- b. Single use cars would initially increase by 50p and thereafter generally at 10p per year, sometimes 20p.
- c. Books of car tickets would continue to have significant discounts as detailed in Appendix 8. These discounts will be below inflation, such that, in real terms they will amount to a reduction in the cost of tolls over the period set out below.

| £ for | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cars | | | | | | | | | | | | |
| Cash Toll | 4.50 | 5.00 | 5.10 | 5.20 | 5.30 | 5.40 | 5.60 | 5.80 | 6.0 | 6.25 | 6.50 | 6.75 |
| Book of 10 tickets | 36.00 | 36.00 | 36.72 | 37.44 | 38.16 | 38.88 | 40.32 | 41.76 | 43.20 | 45.00 | 46.80 | 48.60 |
| Book of 50 tickets | 170.00 | 170.00 | 173.40 | 176.80 | 180.20 | 183.60 | 190.40 | 197.20 | 204.00 | 212.50 | 221.00 | 229.50 |

Timescales for a replacement ferry

24- If this application is approved, it is projected that these updated MTCs will be sufficient to fund extra running costs up to and the ferry replacement in 2034 without the need for additional applications, and consequent public inquiry, to increase the MTCs.

25- A prudent maintenance regime alongside investment in hundreds of different spare parts on site at the Ferry Company operation means that Naval Architects have extended the expected lifespan of the Bramble Bush Bay by a number of years since the previous assessments were carried out. Naval Architects now estimate that if the current maintenance regime is maintained, the Bramble Bush Bay can continue in service until 2034. After this, a replacement will be necessary to ensure the continuance of a reliable and cost-effective service for customers.

Environmental commitments

26-Currently, Naval Architects do not believe there is a viable non-diesel alternative to the Bramble Bush Bay available on the market and the costs of emerging technologies are an unknown. As such, responsible projections of the likely costs to purchase a replacement vessel are based on the most cost-effective like-for-like replacement, a diesel-propelled hydraulic vessel, as this is the technology for which accurate figures are available. However, the Ferry Company has publicly committed to investigating a more environmentally-friendly replacement for the Bramble Bush Bay at the time of ordering a replacement, likely to be in 2032.

27- Annually, the Ferry removes approximately 9 million road miles from Dorset, thereby helping local residents and businesses reduce their own carbon footprint, and is committed to reducing its own carbon footprint in line with the Government's stated commitment to be zero carbon by 2050.

Issues with the Consortium's Proposals

28- The Ferry Company is less convinced than the Consortium that all the environmental efforts should be focussed on discouraging car use. It considers there is a necessary place for car use in the local economy, particularly electric cars and buses.

29- The Consortium's proposal fails to take into account the income reductions in alternate years due to essential maintenance work and the bi-annual ferry refits. This results on the ferry being out of operation for 6 weeks in every four years and for 2 weeks in every other four years i.e. financial year ending 2023 – 6 weeks; 2025 – 2 weeks; 2027 – 6 weeks; 2029 – 2 weeks, and so on.

30- The historic figures used were taken from one year only; not as with the Ferry Company's proposals using several previous years.

31- The proposal places the burden of increases on the single trip car use. This might have wider implications for hospitality businesses and possibly means fewer cars using ferry at peak tourist times resulting in yet further polluting road congestion, damaging local business at the same time.

32- In its note, the Consortium sets out how it has adopted, for cars, "three-stepped approach to increases rather than" as now proposed by the Ferry Company small rises in tolls every year.

33- The present Government's approach to increasing both the National Living Wage and working age benefits is to use gradual annual increases. The concept of the "poverty premium" is where the poor pay more for essential goods and services because they cannot afford the upfront cost of a bulk discount.

- 34- The Consortium's proposal, therefore, that individual ticket prices should be increased in three jumps runs the risk of disproportionately affecting those who use the Ferry to commute by car to lower income jobs in the Consortium's area who cannot always afford the books of tickets.
- 35- For example, in 2022 under the Consortium's proposal such a commuter would face an increase of £1 a trip (£4.50 - £5.50) or £10.00 a week whilst, under the Ferry Company's original proposal, the incremental approach the increase would be 0.15p (£4.85 - £5.00) or £1.50 a week. The Ferry Company's revised proposal would mean that, instead, this increase would be implemented gradually over the next 4 years until the fares reach parity at £5.50 in financial year ending 2026.
- 36- In the following financial year ending 2027 the same would happen, under the Consortium's proposal the increase would be £10 a week while the Ferry Company's increase would be £1.50 a week.
- 37- The ferry company has therefore rejected this element of the Consortium's proposal, replacing it with small annual rises.

National Trust (NT)

- 38- It appears that the NT proposal is for a single year and it therefore envisages that this public inquiry will have to be held every year, alternatively that the Ferry running costs including wages and fuel will be kept at the same level going forward.
- 39- There are three fundamental issues with the NT proposal:
- i. The Company, because it has been established by statute, and has statutory restrictions on its pricing, cannot engage in "trial period" on fares or flexible modals or variable pricing.
 - ii. It proposes that the cheapest fares be in place at the "prime commuter times". The entire concept of "off peak" travel is to persuade customers to use the vehicle at less busy times.
 - iii. It lacks any evidence at all as to where the proposed additional 106,926 vehicle journeys per year that are necessary to achieve the same return (on the NT figures) are going to come from. As such it appears to be highly speculative. Optimistic speculation cannot be a proper basis for the responsible running of a company which is so important to the community, and whose future must be secured by realistic analysis of the current financial position and actual customer base.
- 40- The company is governed by a legal mechanism setting its prices. If it wishes to vary them it has to make a formal proposal, submit expert evidence and then pay for representation at an inquiry. In practice it also engages in a lengthy public consultation. That takes time, this application was submitted in February 2020, and has incurred significant costs. The process rules out flexible fare models and trial periods. Repeated

applications for fares are also therefore undesirable which is why the ferry company is proposing a 12 year arrangement.

41- The NT proposal states that “most regular users are still likely to avoid the ferry at busy times”. The regular users are the commuters, such as the NT author who uses the “ferry at prime commuting times throughout the year”. They will not use the cheaper tickets in the “middle of the day during low season”. They will use them to commute. The NT is therefore proposing that commuters, at peak times will pay not the current £140/£136 a month but £80 a month (40 trips). This actually set out as the first objective in the NT’s conclusion, reducing the commuter price from £136 to £80. This loss of £60/54 a month per commuter will not be made up by a 7% increase in passenger numbers even if that increase was possible (which is very doubtful).

42- The Ferry Company has provided traffic volume figures as part of its submission from April 2009 to March 2020. The average vehicle crossings in a non-refit year in the last 6 years was 758,506 and in a refit year 708,764. As set out in the proposal the historical traffic volume data (see Appendix 7.3 that shows the trend to be fairly constant) have proven to be very accurate in preparing previous forecasts.

Green options

43- It is not correct to say that no exploration has been made of the green alternatives. The Company has engaged Naval Architects who have advised both on the current technologies and the technologies that may be developed in the future. This needs to be assessed in light of the fact that the chain technology already makes the Bramble Bush Bay a particularly low fuel and so environmental option. The reality is that until more is known about the likely available options closer to the replacement date any research at this point will be incomplete and any firm commitment about a possible replacement pre-mature.

44- The references to the comparable green ferries in the NT statement do not set out the full picture.

45- In respect of the Pentland Ferry, there is nothing particularly remarkable about this design. It may be low fuel consumption but offers no green technology as it uses 4 oil engines giving 2996 kW of power. The LED lights are now used on most news vessels.

46- The Ellen may be powered by batteries, but still has a diesel drive system. The development has been problematic and the batteries have had to be replaced. It cost €21.3m, 40% more expensive than a conventional diesel vessel, and received €15m EU funding. There were also significant costs installing the shore side electrical infrastructure.

47- Fjord1 is a fleet of 75 vessels being retro fitted with electric propulsion. They enjoy economies of scale (the hulls were built in Turkey and outfitted in Norway), but were still paid for in part using Norwegian Government incentives for low carbon and low nitrogen oxide (NOX) emissions. There are no comparable UK grant schemes.

Land

48- The value placed on the road by the company's expert in the application is £3.42m. That valuation is supported by the evidence at the previous inquiry that a replacement cost was "no more than £3 million" (Studland PC submission). It is the opinion of the Company's valuer that a perpetual interest vested by statute is akin to a freehold. This must be right. The Ferry Company (which built the road) can use and has to maintain the road exactly in the same way as a freeholder owner. There is no practical distinction. If the Company's shares were to be sold this perpetual right to use the road would be one of the assets of the Company which would be used to value the shares and it along with the other company assets would pass to the new shareholders.

49- The Directors do not accept the NT view that they have submitted evidence of a "gross over-valuation of the land assets" to the inquiry.

50- The Ferry Company does not need to establish an "easement" over the road as part of its evidence. It has perpetual interest vested by statute.

51- The remaining assets are the other site works, the causeway, the buildings, miscellaneous land and Bramble Bush Bay.

Studland

52- The remaining assets are the other site works, the causeway, the buildings, miscellaneous land and Bramble Bush Bay. The directors do not consider that the Studland PC proposal that local residents should have unlimited travel for £20 a year is feasible. The scheme would place a very considerable administrative burden on the company both in issuing the permits and checking them. Further it would inevitably mean very substantial increases in fares for residents just outside the area or those who could not produce documents (such as renters) who use the ferry regularly. Those same significant fare increases would discourage the discretionary tourists/day trippers from travelling. That would inevitably damage the interests of local tourist businesses and cause greater road congestion.

Conclusion

53- Whenever the Company proposed stepped toll increases in the past it has always bettered on the undertaking it has given in that regard and would hope to do the same going forward. The preservation of the service for passengers and staff is our priority.