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16 November 2009

Dear Mr Kean

BOURNEMOUTH SWANAGE MOTOR ROAD & FERRY COMPANY – TOLL REVIEW APPLICATION

1. I am directed by the Secretary of State to refer to the report of the Inspector, Mr A L Roberts, who held a public inquiry on 21 April 2009 into an application by the Bournemouth-Swanage Motor Road and Ferry Company (the Company) under the provisions of section 6 of the Transport Charges &c. (Miscellaneous Provisions) Act 1954 (1954 Act) as applied by the Bournemouth-Swanage Motor Road and Ferry Act 1986 to revise the tolls for the use of the motor road ferry service operated by the Company between Sandbanks and South Haven Point.

2. The existing tolls charged and the proposed tolls charged are shown on the attached annex to this letter.

3. The Secretary of State has considered the Inspector's report and his obligations under section 6(3) of the 1954 Act (as amended) that he must;

"...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 investment of the Company in the motor road and the ferry..."

4. The Secretary of State has also considered the various representations against the application. The material points of these objections are set out in paragraph 1.3 of the Inspector's report. In summary, the objections are that:

(a) The overall increase in tolls over the six-year period from April 2004 would be excessive.

- (b) Because many living to the west of the ferry have to commute daily to Poole and Bournemouth for work, the social impact would be unfair.
- (c) The discounts currently available for pre-paid books of tickets should not be discontinued but increased.
- (d) Given the importance of tourism to the Swanage area, the increased charges for most vehicles would deter visitors, so that the general economy in the area would be seriously affected.
- (e) By comparison with water crossings elsewhere, the toll charges would be excessive.
- (f) The increased charges for pedestrian and cyclists would work counter to Government policy on public fitness; such users should travel free.
- (g) The valuation of the Company should not be based on net asset value. The road should not be included in its assets for valuation purposes.

5. The Secretary of State accepts the opinion of the Inspector on the representations made. Full details of the Inspector's conclusions are set out in his report. In summary these are:

- (a) The Inspector concluded that the evidence submitted by the Company suggests that the increase in the maximum tolls to be charged for use of the Ferry in its proposals, whilst high is not unreasonable and consistent with statutory framework governing the operation of the Ferry. The Inspector also concluded that the full cost of driving the average car the additional 17 km involved in the alternative route via Wareham is significantly higher than using the ferry.
- (b), (c) & (d) The Inspector considered the evidence from objectors highlighting the social importance of the ferry to local Swanage residents; that have to use it for essential journeys to get to Poole & Bournemouth. In response to this he noted that there had been no increase for coaches; this should help the local tourist industry in Purbeck. Also that the proposed increase for pedal & motorcycles was the first in 12 years. He added that there was also a strong case for the Company to continue to issue books of 50 discounted tickets for regular users (cars only) at 20% of the single ticket price.
- (e) The Inspector's report made reference to the King Harry Ferry (in Cornwall) where the price for cars is £4.50 and the Dartmouth-Kingswear Ferry (Devon) where charges for cars are £3.70. This compares with Company's proposed rate of £3.50 for cars. In the case of the Torpoint Ferry the local council are able to subsidise the ferry, from income generated by the Tamar Bridge, therefore enabling the current charge of £1 for cars, the Bournemouth and Swanage Ferry Company are unable to subsidise fares in this way.
- (f) The Inspector concluded that although he acknowledged the Government's desire to encourage public fitness – he could not see a strong case for the Company to meet the costs of toll charges for cyclists and foot passengers using the Ferry, as they were a private company and were not subsidised.

(g) The Inspector concluded that the only reasonable basis on which to base the calculation of the value of the Company is if it was to be sold. He decided that it would therefore be wrong not to include the value of the road owned by the Company. He also concluded that the Company is justified in basing its assessment of a reasonable return on its net asset value.

6. Additional issues raised by the Inspector

Rates of Return

(a) The Inspector raised a concern that in light of the recent downturn in financial markets (& level of RPI), whether the Company's estimated rate of return at 7% was appropriate. The Inspector advised the Secretary of State that before he reached a final decision on the application he should be content that the Company's proposed returns on investment are consistent with market conditions. In his follow-up Addendum report, the Inspector includes a clear recommendation that the rate of return provided by the Company to its shareholders is an appropriate rate in the current economic climate.

Discounted Books of Tickets

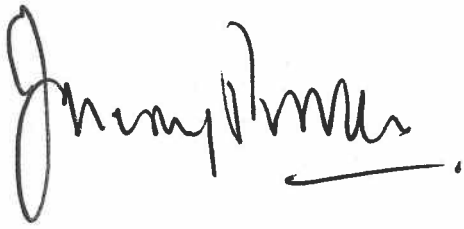
(b) In his Report 6.2, the Inspector recommended that the existing books of 50 discounted tickets (for cars), should remain at a minimum of 20% of the single price ticket. The reasons are set out by the Inspector – (see above, para 5, in response to objector's questions - b, c & d). We note that subject to the application being approved by the Secretary of State, you have agreed that you will continue to provide the 20% discount (for cars), for the next 24 months, commencing from the date the increase comes into force.

7. In conclusion, the Inspector states that he is satisfied that the proposals by the Company, for an increase in the maximum tolls to be charged for users of the Ferry, are consistent with the legal framework governing the operation of the Ferry. On this basis he recommends that the Secretary of State makes a tolls order in accordance with the terms proposed by the Company. The Inspector confirms that he has had regard to all matters raised, whether at the inquiry or in written representations, but they do not alter the conclusions he has reached.

8. On the basis of the evidence before him and having regard to his obligations under section 6 of the 1954 Act (as amended), the Secretary of State is satisfied that the proposed toll revisions are justified. The Secretary of State has, therefore, decided to make the Order. The Secretary of State makes it a requirement of his decision to accept the increase in toll charges, that the books of 50 discounted tickets (for cars) should remain at a minimum of 20% of the single ticket price for at least 24 months from the coming into force of the revised tolls.

9. A copy of the Order, the Inspector's report and Addendum report are attached for information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Rolstone'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Jeremy Rolstone
Head of Road Demand Management Strategy Division

<u>CURRENT SCHEDULE</u>		CURRENT TOLL
1.	(a) Pedestrian (One-way toll from Sandbanks)	90p
	(b) Pedestrian (One-way toll from Shell Bay)	0p
2.	Pedal or Motor Cycle with no more than three wheels.	80p
3.	(a) Passenger vehicle constructed or adapted to carry not more than 16 persons exclusive of driver with an operating weight not exceeding 3,500 kilograms.	£3.00
	(b) Goods vehicle with an operating weight not exceeding 3,500 kilograms.	£3.00
4.	Passenger vehicle constructed or adapted to carry more than 16 persons exclusive of driver with an operating weight not exceeding 20,000 kilograms.	£8.00
5.	Goods vehicle, or any other vehicle not specified above, with an operating weight exceeding 3,500 kilograms but not exceeding 20,000 kilograms.	£6.00

<u>PROPOSED SCHEDULE</u>		PROPOSED TOLL
1.	(a) Pedestrian (One-way toll from Sandbanks)	£1.00
	(b) Pedestrian (One-way toll from Shell Bay)	0p
2.	Pedal or Motor Cycle with no more than three wheels.	£1.00
3.	(a) Passenger vehicle constructed or adapted to carry not more than 16 persons exclusive of driver with an operating weight not exceeding 3,500 kilograms.	£3.50
	(b) Goods vehicle with an operating weight not exceeding 3,500 kilograms.	£3.50
4.	Passenger vehicle constructed or adapted to carry more than 16 persons exclusive of driver with an operating weight not exceeding 20,000 kilograms.	£8.00
5.	Goods vehicle, or any other vehicle not specified above, with an operating weight exceeding 3,500 kilograms but not exceeding 20,000 kilograms.	£7.00