



## Department for Transport

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23<sup>RD</sup> February 2015

Dear Mr Kean

### **BOURNEMOUTH-SWANAGE MOTOR ROAD FERRY-TOLL REVIEW APPLICATION**

1. I am directed by the Secretary of State to refer to the report of the Inspector, Mr John Wilde, who held a public inquiry on 11<sup>th</sup> November 2014, into an application by the Bournemouth-Swanage Motor Road Ferry under the provisions of Section 6 of the Transport Charges &c. (Miscellaneous Provisions) Act 1954, 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 and 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, as defined in Section 2 of the Bournemouth-Swanage Motor Road and Ferry Act 1986"

4. The Secretary of State has also considered the various representations against the application. The material points of these objections are set out in paragraphs 37 to 58 of the Inspector's report. In summary, the objections are that;

- The charges are too high for the distance and expensive compared to other ferries. The proposed charges represent an increase of 28.5% for motor vehicles and passenger vehicles.
- There are not enough discounts for locals.
- There are no facilities for paying with debit or credit cards.
- The proposed increases would damage the local economy in terms of tourism, local jobs and the delivery of goods.
- The proposed increases will lead to people switching to the alternative road route which will increase pollution.
- The funding required for the new ferry should come from efficiency improvements and the owners.
- The valuation of the company's assets is spurious.

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 noted that the proposed tolls increase would be phased in over three years, and that the cost of similar ferries; the Dartmouth Ferry in Devon at £4.70 and the King Harry Ferry in Cornwall at £5.00, as both being more expensive. He concluded that while the levels of proposed tolls were seen by some objectors as inappropriate in the current economic conditions, he concluded that taken as a whole they cannot be considered to be unreasonable.
- (b) The Inspector noted that for the purchase of bulk tickets for cars and goods vehicles the rate of discount will increase by up to 28.89% until 2017. And for books of ten tickets for cars, the present discount is 10%, but that this will peak in 2017 at 24.44%, before settling at 20% in 2019. He concluded that these discounts would go some way to offset the proposed increase, and local residents, using the ferry regularly, will be best placed to take advantage of these discounts.
- (c) The Inspector concluded in response to an objection that there are no available facilities for paying with debit or credit cards, this was not directly related to the proposed increase in tolls.
- (d) The Inspector noted that following implementation of the increase, there would be some impact on the wider economy, but concluded that this could be said for any price rise in any industry. But had been supplied with no evidence to show that the impact of the proposed increase should be disallowed. And furthermore that a

£1.00 price (for cars) should not have a major impact on the choice of holiday destination.

- (e) The Inspector noted that the cost of using the alternative route was a factor that local businesses would take into account, and that the Company are aware that they have a price point ceiling, and it's not in their interest to price themselves out of the market. Nor is it their responsibility to set its toll charges purely with the aim of protecting the environment. He concluded that the usage of the Ferry will be down to market forces, which will in turn dictate the level of car usage along the alternative route.
- (f) The Inspector noted that that regarding a suggestion that funds to increase the Ferry Replacement Reserve should come via efficiency savings, the Company had made clear that they are constantly looking for ways to do this, but this was not easy; for example the ferry's engines have to run all the time, which means that efficiency savings cannot be made by reducing the number of crossings. He concluded with the information he had been given, that the necessary funding for the Ferry Replacement Reserve could not be obtained by efficiency savings. He also concluded in response to a suggestion that funding could be obtained by other sources, the Company had stated that they had no other means of funding apart from toll revenues, and also that the parent Company had invested £7.5m into the Ferry since 1983.
- (g) The Inspector noted that it had been suggested that the proposed toll increases have been justified on a spurious method of calculation, in that the return on investment has been set against the investment in fixed assets, including the value of the land. The Inspector however noted that the Company's accounts are subject to an independent audit each year, which checks "whether the accounting policies are appropriate to the Company's circumstances". He therefore concluded that he was satisfied that the valuation method employed by the Company is correct for the circumstances.

6. 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, and are consistent with the legal framework of the 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.

7. 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.

8. A copy of the Order and the Inspector's report are attached for information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cathy Miller', written in a cursive style.

Cathy Miller  
Head of Cities, Policy & Delivery

## Annex

	Vehicle Class	Current	Proposed
1.	Pedestrian (One way toll from Sandbanks)	£1	£1
	Pedestrian (One way toll from Shell Bay)	0p	0p
2.	Pedal or Motor Cycle with no more than 3 wheels	£1	£1
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	£4.50
	(b) Goods vehicle with an operating weight not exceeding 3,500 kilograms	£3.50	£4.50
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	£9.00
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	£9.00

1. Vehicles not specified above with an operating weight not exceeding 3,500 kilograms will be charged at the rate applicable for that of the nearest similar vehicle.

2. Where a vehicle is drawing one or more trailers, in addition to the toll chargeable for the use by that vehicle of the ferry, there shall be payable for each trailer an additional toll equal to the toll for the drawing vehicle.

