

## **Bournemouth – Swanage Ferry**

**Ferry Toll Application inquiry – January 5<sup>th</sup>, 2021**

### **Opening Statement on behalf of Studland objectors**

Madam Inspector,

I am Nick Boulter, Chairman of Studland Parish Council.

You will have noticed by the number of objections from Studland, that Studland residents and employers feel very strongly about the Toll Application.

I would like to very briefly summarise our objections, and to introduce you to the residents who are my expert witnesses. Indeed, the professional background of my experts will enable you to see that they are indeed experts.

### **Summary**

#### **So: in summary: why are we objecting?**

In his conclusions to his report on the 2018 Ferry Toll Application, which is in para 163 of his report, the then Inspector rejected the Application for 3 main reasons:

- There was no visibility or assurance as to when the ferry would be replaced: the date has kept moving
- There was no assurance that the Ferry Replacement Reserve (FRR) would be safeguarded or rise to the levels required, such that the Ferry Company would be in a position to procure a replacement vehicle
- He was not convinced that the proposed rate of return on investment was reasonable or appropriate given that it is secured above the Ferry Replacement Reserve, and is maintained at an artificial level not directly linked to performance of the company's profits

Since 2018, very little has changed:

- The date set for a replacement ferry could easily change – as it has in the past
- There is no sound mechanism for securing the Ferry Replacement Reserve and stopping the money being transferred to other parts of the Fairacres Group – as has happened for many years
- The rates of return forecast are excessive and beyond that needed for the operation of the ferry, or for its replacement

## **Dorset Council / BCP / Swanage Town Council or “Consortium” approach**

We are sympathetic to aspects of the Consortium “compromise” approach: such as the freeze on foot passenger and bike fares to encourage ecological travel; but we object to at least 5 aspects of the Consortium case:

- It provides no sound mechanism for the Ferry Replacement Reserve, or other financing options for a new ferry
- It allows fare increases of over 40% for cars - without any new dispensations for local residents / employees who are dependent on the ferry for travel. This will damage local businesses – as the objections from the Pig Hotel and Bankes Arms have shown - and push more traffic onto the roads around Wareham and Corfe Castle.
- Profitability will continue to exceed operational needs
- It makes no mention of a need for a more environmentally friendly replacement for the ferry – electric or hydrogen rather than diesel
- Inexplicably the proposal provides for revenues to the Ferry Company that exceed even the Ferry Company’s own requests, as the submission from Malcolm Tice shows.

## **Assurances from the Ferry Company**

In this Application, the Ferry Company has made two offers

- Firstly, that funds for the Ferry Replacement Reserve will take precedence over payments of dividends
- Secondly, that Directors of Fairacres will make a £5m loan available for the purchase of the new ferry

To be honest, we are sceptical about these offers:

- Firstly, the whole history of Ferry Toll Increase applications over the last 20 years has seen the Ferry Company seek toll increases in order to boost the Ferry Replacement Reserve – only for that funding never to materialise. Without a legally binding method – e.g. escrow account or Trust Fund – for the Ferry Replacement Reserve, there can be no confidence that, over the 12 year period sought by the Ferry Company for toll increases, that the Ferry Company will not revert to past form, and give dividends precedence over building the Ferry Replacement Reserve. Cash is king and it needs to be properly ring fenced.

- And secondly, the offer of the £5m loan is a new offer included in this application. Though this is welcome, the size is unlikely to be sufficient to fund a new ferry, unless the Ferry Replacement Reserve is properly ring fenced; and secondly, commitments made now for a decision to be made in 10 – 12 years time need to be treated with extreme caution – given the potential changes that could happen to the Company over the next 12 years. The last 2 years alone – with a major breakdown, and Covid - have shown the vagaries of what can happen. In reality, 12 year forecasts are no more than a spreadsheet exercise.

## **Our objection**

More specifically, our objection is based on 5 key issues which our experts will address:

1. Existing fares provide levels of profitability that exceed operational needs: there is no need for fare increases at all. My fellow resident Malcolm Tice will go into this matter in detail (see tabs 28 – 41, pages 100 – 119)
2. The inadequacy of Ferry Replacement Reserve mechanism, and of other financing arrangements for a ferry replacement:
  - a. there needs to be a legally binding mechanism put in place for the Ferry Replacement Reserve – such as a escrow account, or a Trust Fund. Again, Malcolm Tice will be going into this in detail
  - b. In addition, our preference is that future users pay for the replacement ferry, not existing ones. As in other regulated companies, it would be better for the new ferry to be largely funded by loans, against which the Ferry Company could claim tax relief. My fellow resident Eric Stobart will be discussing this (see tabs 18 – 19, pages 85 – 90)
3. The inappropriateness of Net Asset Value as the main measure of performance, and more appropriate measures:
  - a. Measures of performance for the Ferry Company should be brought in line with those of other regulated utilities. Again, Eric Stobart will be discussing this
  - b. The valuations used by the Ferry Company have been open to question: I note that there has been an eleventh hour and 59<sup>th</sup> minute submission from the Ferry Company's lawyers about the ownership of the road, which we consider to be very bad form as

it leaves no time for critique, or separate opinion: I know the Ferry Company will regard this as the final word, but if one lawyer's word was final, we would not have the fine legal system we have today. Inclusion of the road, and its valuation, inflates the value of assets of the Ferry Company – and so affects the return on assets shown. The value of the Company's assets need to be independently assessed. My fellow resident Andrew Parsons will be discussing this (tabs 2 – 8, pages 7 - 64)

4. Discounts for local residents / employees: whilst we welcome the slight improvement in the discount scheme provided by the Ferry Company, this falls way behind the discounts provided to local residents and users in other "crossings": my fellow resident John South will be discussing this (see tabs 20 -23, pages 91 – 95)
5. The replacement ferry, when it comes, must not be diesel / petrol but either electric or hydrogen: as the NT submission has shown, there are electric powered comparable ferries on the market now, and even better ones no doubt will be available in the near future.

## **Summary**

We are not against toll increases that are deemed essential for the operation of the Ferry Company as a business, but the proposals put forward either provide for further grossly inflated profits, or provide offers for Ferry Replacement Reserve or loans that are not legally binding or credible. So much can change over 12 years: the last 2 years have shown the upsets that can happen to businesses: a 12 year forecast is only a spreadsheet exercise.

We ask you, Madam Inspector, to reject this particular Toll Increase Application, and ask the Ferry Company to bring forward plans that address the issues in our objections, and are linked to projections of no more than 5 years.

## **Experts**

I would now like to call my first witness, Malcolm Tice.

***Nick Boulter (Chairman, Studland Parish Council)***