



THE BOURNEMOUTH-SWANAGE MOTOR ROAD AND FERRY COMPANY

(INCORPORATED BY ACT OF PARLIAMENT, 31st JULY, 1923)

Dr Martin Ayres
TOWN HALL
SWANAGE
DORSET
BH19 2NZ

Monday 11th May 2020

Dear Dr Ayres,

Re: Bournemouth-Swanage Motor Road & Ferry Company Ltd – Toll Increase Application Feb 2020

I write in response to Swanage Town Council's letter of objection to the Ferry Company's toll increase application dated 23rd April 2020. A copy has been forwarded on to us by the Department for Transport as part of the consultation process.

I wanted to respond to your letter directly as it appears that you may have misunderstood some crucial details of the application, and I wanted to try address these as soon as possible.

Proposed toll increases

Your letter states that "The proposed increase in ferry tolls would see a 50% uplift in fares for pedestrians and cycles, from £1 to £1.50, and also in the single crossing toll for cars, from £4.50 to £6.75." This implies that you believe that any toll increase would immediately jump to the proposed Maximum Tolls Chargeable, which is not the case. If approved, initially increases in the actual tolls would be limited to less than half the rate of inflation since the last approved toll increase in February 2015. For example, assuming the application is approved, the first-year toll increases would only be to the following levels:

Class	Current toll	Proposed initial increase
Pedestrian	£1	£1.05
Cycle/motorcycle	£1	£1.05
Cars	£4.50	£4.75
Coaches	£9.00	£9.50
Good vehicle	£9.00	£9.50

Following this initial modest increase, any further annual toll increases would remain limited to inflation in any given year until such time as they reach the Maximum Tolls Chargeable level as per the aforementioned schedule. It would likely take a period of several years for tolls to ever reach the Maximum Tolls Chargeable amount. I hope you agree that such an increase is actually very modest in that context.

Economic impact

Your letter notes that many Swanage residents are regular ferry users, but again estimates any impact based on a 50% increase in tolls. The application proposes freezing the discount level of bulk purchase tickets at the current level until at least 2021. Bulk purchase tickets, which are available to buy in multiples between 10 and 50, are proposed to remain unchanged until they reach 26%-30% less than



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single trip tickets. Bulk purchases are primarily used by local residents and commuters and are currently discounted between only 10-24% of cash toll prices. The proposal to increase this discount significantly was as a direct result of the community engagement we have undertaken, and I hope you will agree represents a significant discount for the people who use bulk tickets, a great many of whom are Swanage residents.

Regarding the potential impact on tourism of increases to bus and coach tolls, up to 2009 they were charged tolls at nearly three times the price of cars, and prior to that, it was four times the car toll. The proposed new tolls would see buses and coaches charged at just double the car toll – a significant closing of this gap. Again, as outlined above, any further increases would be incremental and tied annually to inflation.

In respect of the suggested increase in tolls for pedestrians, cyclists, and local buses, these have been proposed after considering several different factors and views. Pedestrian and cyclist charges have not been increased since 2009. The proposed tolls show a maximum increase for pedestrians and cyclists of 5% compared to those for cars of 5.56% - an 11% greater increase. If approved, the first increase in tolls for pedestrians and cyclists would go from £1 to £1.05. An increase over 11 years of just 5p – significantly below the rate of inflation over that time. It would likely take several years for the pedestrian and cyclist tolls to ever reach the proposed Maximum Toll Chargeable of £1.50.

You also raise the issue of the potential that toll increases could have on road congestion. Maintaining the ferry service drastically reduces car usage. We estimate there is an annual saving of 9 million car road miles due to people using the ferry rather than the road route. We do not believe that the proposed toll increases would deter coaches, buses, or local residents from continuing to use the service to any significant degree.

Replacement ferry

The Ferry Company obtains updated cost and timing estimates from Naval Architects BCTQ on a regular basis. These estimates are not made by the Ferry Company itself and do not have any connection to whether the directors pay dividends or not. A new ferry will be ordered to coincide with the economic end of the existing ferry's life as determined by BCTQ. This makes both economic and environmental sense. To replace a ferry before it needs replacement would add extra unnecessary cost to the business and toll payers. It would have a significant environmental impact, with a large volume of materials, manufacturing and fabrication required to replace a vessel that was not at the end of its economic life.

The safe and reliable extension of the life of the Bramble Bush Bay, as determined by BCTQ, is as a result of diligent and rigorous maintenance and refits over a significant number of years. This is the most economically and environmentally friendly approach that can be taken.

The cost of a replacement ferry will be met in three ways. First, to ensure that the Ferry Company has enough cash reserves to order a replacement ferry when needed, the directors have undertaken that no dividends will be paid until the required level of the Ferry Replacement Reserve (FRR; less borrowings) in any given year is attained. It is also now the Company's policy that the FRR is ring-fenced and will not be used for any other purpose. These undertakings have been committed to



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publicly (as well as in the current application to increase tolls) and the Company can be held to account publicly on this.

Secondly, the Ferry Company's ability to borrow funds for the purchase of the replacement ferry have also been investigated. Our bank have confirmed (as previous banks have done over the decades) that they are currently unwilling to lend to nor against the Ferry Company for the purchase of a replacement vessel, even with a Parent Company Guarantee, due to the nature of the Company's incorporation in that it is a 'Statutory Undertaking' and that recourse in the event of company default would be too complex.

However, the Ferry Company is permitted under statute to borrow a maximum of £5 million towards a replacement ferry. To make up the shortfall of the Ferry Replacement Reserve (FRR), the Ferry Company owners have committed voluntarily to ensuring the Ferry Company is loaned the required funds when needed and undertake that the Company will acquire and bring into operation a suitable, newly built replacement vessel for the current ferry, Bramble Bush Bay, by the time it reaches the end of its useful life unless prevented by force majeure or any other cause beyond their control.

As such, the cost of the replacement ferry is expected to be met in large part by loans, de facto investment from the owners if or when dividends are not taken, and finally by contributions to the FRR through profitability arising from tolls.

Summary

The proposed increases are the minimum required to enable us to comply with our Statutory Obligations and thus facilitate the continuance of the service with a new vessel in little over a decade's time. I am sure you will agree that the continuance of the service long into the future will have a significant benefit for the local communities you are aiming to protect.

We would also ask you to view the toll increase application now within the context of the current and likely expected financial impact of the COVID-19 crisis both in the immediate and longer-term, and the difficult decisions that may have to be made to continue running the service if the toll increase is not approved. A fare increase (at below the rate of inflation) is now more essential than ever to help us maintain this service for the good of all its users, including the emergency services, and we would urge you to please reconsider your objection but at least withdraw your call for a Public Inquiry.

We have engaged with your Council through Cllr Caroline Finch throughout the formation of this application and we remain open to continued dialogue if you would like to discuss any of these issues in more detail.

Yours sincerely,

not signed as sent electronically

Michael PR Kean
Managing Director