

Dr Martin Ayres
Town Clerk

Tel: 01929 423636
Fax: 01929 427888
E-Mail: admin@swanage.gov.uk



TOWN HALL
SWANAGE
DORSET
BH19 2NZ

Our ref: MKA/NLC

3rd April 2018

Dear Ms Zamenzadeh

Bournemouth-Swanage Motor Road and Ferry Company – application to the Secretary of State for Transport for an Order to revise the charges for the use of the ferry between Sandbanks and South Haven Point

Further to our holding objection dated 28th March 2018, on behalf of the residents of Swanage, the Town Council wishes to formally object to the application for an Order to increase the tolls for the use of the Sandbanks to Shell Bay ferry by the above company.

At its Planning and Consultation Committee Meeting held on 5th March 2018, and Monthly Council Meeting held on 26th March 2018, Swanage Town Council unanimously agreed to object to the proposed increase in ferry tolls in the strongest possible terms, which would see the doubling of fares for pedestrians and cycles, single crossing fares for a car increasing from £4.30 to £6.00, and a 63% increase in the discounted fares available for purchasing books of tickets.

Indeed, it has been drawn to our attention that the public notice of the application is misleading in that it shows the tolls once a further increase has been applied from 1st April 2018, not the tolls current at the time that public notice was given. The percentage increases are therefore even greater than is being suggested in the ferry company's submission.

It has also been noted by Town Councillors that the increase in tolls proposed in 2022 by the ferry company is phased unevenly across the three-year period. The Secretary of State might ask himself why the largest increase is held back to the last of the three years. There must surely be a suspicion that this has been proposed to take the immediate sting out of the proposed toll increases, but this cannot be allowed to obscure the cumulative effect of this egregious rise.

The ferry is used regularly by local residents, many of whom commute to work, college and university on a daily basis to the larger neighbouring towns of Poole and Bournemouth. When combined with the payment of parking fees, residents in this position are subject to considerable costs, and the proposed increase in ferry charges would seriously impact on the viability of their employment/studies. For a person who works in Bournemouth or Swanage who buys discounted tickets this will mean an extra £21 a week by 2022.

Another group affected will be local students who drive to college in Bournemouth and Poole, a position that they are increasingly likely to find themselves in following recent reductions in local bus services. The fare increase will also impact on the emergency services, which are also subject to the ferry tolls.

It should be noted that, whilst Swanage is widely seen as a well-heeled seaside town, it does have pockets of hardship. Herston is the second most deprived of 29 neighbourhoods within Purbeck District and 28% of households in Swanage South ward are defined as either hard pressed or on modest means. It is not hard to imagine the significant impact of an almost 40% increase in ferry tolls on the budgets of households in this category.

The chain ferry is a vital link to the conurbation, and the importance to tourism cannot be emphasised strongly enough. The increase in charges is likely to have a significant deterrent effect on potential day visitors to Purbeck from Bournemouth/Poole and also make it harder for local businesses in the traditionally lower-paid hospitality sector to attract staff. It is also noted that the charge for coaches will increase to £12.00 by 2022, potentially deterring tour operators from visiting the area. Taken together, these outcomes would have a significant detrimental impact on the local economy.

The deterrent effect of significant price rises also risks greater congestion and damage to the natural environment. If commuters increasingly utilise the road network via Wareham to access Poole and Bournemouth as an alternative to using the ferry then congestion along the A351 will intensify, as will air pollution, and emissions of damaging greenhouse gases will also increase. This is in direct contravention of government policy which seeks to reduce congestion and improve air quality.

At past public inquiries the Ferry Company have spoken of an awareness of reaching a ‘price point’ ceiling, at which the number of users will decrease. Figures supplied for the 2014 inquiry suggest that that ceiling was already being breached, given that the average number of annual users of the ferry by car in non-refit years had declined by 48,000 (comparing 2004-08 with 2010-14). Given that the price for cars has increased a further 30% since 2014, at a time when inflation has been at historically low levels, it would appear highly likely that the existing level of tolls has led to a continuation of that trend. This appears to be borne out in the table below which shows a consistent downward trend in the number of ticket sales for cars, coaches and trucks as prices have increased.

Non-refit Year	Car	Coach	Truck
2004/05	856,698	9,448	6,435
2006/07	800,776	9,312	13,311
2008/09	856,972	9,274	3,931
2010/11	793,532	11,078	2,350
2012/13	812,296	13,813	2,040
2014/15	765,437	12,080	1,741
2016/17	744,785	11,965	1,475

This data strongly suggests that the proposed increase in tolls will not achieve the income projections set out in the toll increase application as ever-increasing numbers of drivers are deterred from using the ferry. Indeed, this evidence suggests that a further toll increase would threaten the long-term sustainability of the ferry service.

The ferry is already a highly profitable business. In 2017 the company made £1,244,072 profit before tax on a turnover of £3,056,480, a rate of almost 41%. The Company's own submission states (Page 8, Paragraph 3.3.12) 'the data table at appendix 5.1 shows that the company's Profit before Tax as a percentage of sales is much more favourable than other companies in similar industries.' The main justification for the increase in tolls is that the company needs to raise funds to pay for a new ferry at a stated cost of £10.7m, if the Directors wish to build up reserves for replacing the ferry in 2026 they should urgently consider investing more of this profit into their reserves.

I would draw the Secretary of State's attention to the company's Annual Reports and Financial Statements which show that significant dividends have been paid to shareholders over the years, in fact in the last six years dividends of £4.2m have been paid out, with no prudential allocation to a ferry reserve despite the company being aware that the ferry will reach the end of its useful life in 2026. The financial projections predict that the company will continue to pay out a further £7.6m of dividends over the next eight years to 2026.

The company has justified previous applications for increases in tolls by reference to similar justifications, however the financial information that supports the application reveals that only £1.93m has been contributed to the Ferry Reserve in the last 23 years. Given that the company has been able to prioritise shareholders in the way that it has, it is the opinion of the Council that there is a very strong argument that the effect of the proposed increases in the tolls would be that the company received an income that exceeded by a wide margin what was adequate.

All the calculations in the submission are designed to maximise the projected costs for the company in order to justify the large increases. The submission bases cost increases on forecast Retail Price Index increases of 3.6% every year. The Retail Price Index is a discredited index, which is rarely used. The Bank of England is forecasting a return to long-term inflation of about 2%. It is therefore open to the company to make a revised submission in future years if inflation is higher than expected.

The Town Council shares the view of Purbeck District Council, as set out in a letter dated 23rd March 2018 from Councillor Gary Suttle, that were the Secretary of State to agree to the ferry company's latest proposals, he would be acting unreasonably and beyond the power given by section 6 of the Transport Charges etc. (Miscellaneous Provisions) Act 1954 which state: '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'.

In conclusion, the Town Council strongly objects to the proposed increase in ferry tolls, for the reasons set out above. The Council requests that the company re-submit their application with revised fare increases that are no higher than the prevailing rate of inflation, with some of the costs for the new ferry financed by a reduced dividend to the shareholders. Good discounts should be offered to encourage regular use of the ferry, and no increases should be introduced for environmentally-friendly forms of transport, such as foot passengers and cyclists.

Yours sincerely

Dr M K Ayres

Town Clerk

cc Rt Hon Chris Grayling MP, Secretary of State for Transport
Richard Drax MP for South Dorset

Ms S Zamenzadeh
Casework Manager
National Transport Casework Team
Department for Transport
Tyneside House
Skinnerburn Road
Newcastle Business Park
Newcastle upon Tyne
NE4 7AR