

IN THE MATTER OF:

**THE BOURNEMOUTH-SWANAGE MOTOR ROAD
AND FERRY COMPANY'S APPLICATION
TO ALTER TOLLS - JANUARY 2021**

THE FERRY COMPANY'S OPENING SUBMISSIONS

Introduction

1. The Ferry Company made its original application in February 2020, and a revised proposal more recently. The revised proposal retains elements of the original but has been updated in two ways.
2. First, it has been updated to take account of events that have impacted on the Company over the past year - notably Covid-19. This requires the Company's projections to be amended.
3. Second, the revised application takes account of the counter-proposal advanced by the Consortium. In the run up to this application process, the Company has engaged with the local communities through a series of meetings. The three councils of the Consortium represent a large number of constituents and the great majority of ferry users. The Ferry Company believes there is much of value in the Consortium's proposals and to a great extent has adopted them.
4. The key changes in the revised proposal are that pedestrian and bicycle users' fares will be fixed at their current levels. This is designed to promote green

travel. In addition, the books of tickets for frequent car users will be lower than the original proposal. The difference is then made up by charging slightly more for individual car journeys, in line with the Consortium's proposals. It is this revised application that the Company primarily advances and wishes the Inspector to consider.

Ambit of the Inquiry

5. The ambit of this Inquiry is relatively confined. The statutory test is known by all. In essence it requires the Minister to consider the financial position and future prospects of the ferry service. It gives the Minister the power to recommend a revision of tolls where he considers that the revision is appropriately judged. That is to say, neither substantially less nor substantially more than adequate to meet the day-to-day costs of the ferry (including maintenance), in addition to reasonable contributions into any reserve fund, and where appropriate, a reasonable return for the Company.
6. That is the ambit of this Inquiry. As such, it is respectfully submitted that this is not the forum for extended questioning about the specifications or environmental credentials of a replacement ferry in 2032. Nor is it the forum in which to determine legal rights over various parcels of land. Instead, there is much evidence to get through on matters that properly are within ambit.

Key Features of Application

7. There are four key features of the Company's proposals which I want to draw particular attention to.
8. The first is the prioritisation of payments. The Company has overhauled its approach to the Ferry Replacement Reserve. In the projections set out by the Company's accountants, instalments into the replacement fund are to be made in each year up to 2032. Since 2018, and on an ongoing basis, when any profit is generated, the first priority is setting it aside for the replacement fund. Only once the replacement fund has reached the level required in any given year is

there consideration of payment of dividends by the directors from any residual profit. This addresses a concern expressed by the previous Inspector and ensures priority of the ferry replacement fund.

9. The effect of this change is substantial. As you will hear, because of an unforeseeable mechanical failure, followed by Covid, income received by the company has been reduced since 2018. This has meant that in the last two financial years the entirety of the profit received by the Company have been set aside for the replacement fund. Because of the impact of Covid the same will be true for this financial year – the full profit will go to the replacement fund. This prioritisation has been written into the Parent Company’s accounting policies filed with Companies House, and is also the subject of an undertaking to the Secretary Of State For Transport. This is because it is in the interests of everyone, users of the Company and the Company itself, that there is adequate funding available for when the current vessel reaches the end of its serviceable life.
10. The second feature is the corollary of the first. No dividends will be paid by the directors unless and until the full planned instalment into the replacement fund has been made. This meets another concern of the previous Inspector – that the payment of dividends was not always connected to the Company’s performance. Now dividends will only be paid when the Company is performing well. This feature also, in effect, guarantees that no more than a reasonable return will be received.
11. The third feature relates to the proposed fare revisions. In order to meet the concerns of frequent users of the ferry, the multi-ticket passes will be frozen initially and then heavily discounted. They will increase at less than 3% each year; this being a long-term estimate of inflation over the 12 year period. In many instances any increases will be significantly less than this. By ensuring ticket prices remain lower than this estimate of inflation in real terms these tickets will not increase in price.

12. Even for those who use the ferry less frequently and buy single tickets – proposed rises are more gradual and in smaller increments than proposed by the Consortium.
13. The fourth feature is an increased focus on promoting environmentally friendly travel. This is a priority the ferry company shares with the three large councils forming the Consortium, and also the Secretary of State. By freezing pedestrian and cycle costs the ferry company hopes to increase the already significant numbers travelling by those means.

Conclusion

14. There is broad agreement that provision needs to be made for the Ferry's replacement. The only expert evidence the Inquiry will hear will be that a replacement ferry is likely to be needed to be ordered by 2032. In order to afford that reserves will need to be built up. Equally, Parliament chose for this ferry service to be provided by a private company – rather than other means. Inherent in this is that, provided the company is performing, there will be a reasonable return. The Company's revised application achieves these ends and does so in a way that is sensitive to the needs of passengers. In this manner it is designed to secure the future of the ferry service for everyone.