Parish Council of Langton Matravers

MINUTES OF THE EXTRAORDINARY PARISH COUNCIL MEETING OF LANGTON MATRAVERS PARISH COUNCIL HELD ON TUESDAY 20TH AUGUST 2024 IN THE VILLAGE HALL. THE MEETING COMMENCED AT 3.00PM

PRESENT:

Cllr **Golob,** Cllr **Knight,** Cllr **Pearson** (Meeting Chairman), & Cllr **Sutton**.

IN ATTENDANCE:

Michelle **Harrington** (Clerk); No Members of Pubic

ABSENT:

Cllr **Christie** & Cllr **Kwantes**

It was noted this meeting is being recorded. All recordings will be deleted once the draft minutes are typed.

0824-65. APOLOGIES FOR ABSENCE

Apologies were noted for Cllr Christie and Cllr Kwantes for personal reasons and accepted by all.

0824-66. DECLARATIONS OF INTEREST AND DISPENSATIONS RELATING TO ITEMS ON THE AGENDA

No declaration was made. NB this does not preclude any later declarations.

0824-67. PUBLIC PARTICIPATION

No member of public were present.

0824-68. BOURNEMOUTH-SWANAGE MOTOR ROAD AND FERRY COMPANY PRICE INCREASE CONSULTATION RESPONSE.

Cllr Golob submitted a report before the meeting, this was discussed. (Appendix A). Thanks were given to Cllr Golob for the effort in writing the report / letter.

Proposed Cllr Knight   Seconded Cllr Sutton

RESOLVED/ ACTION:

1. Clerk to send Appendix A to Cllr Wilson, Bournemouth Christchurch and Poole Council, Swanage Town Council, Studland Parish Council, Worth Matravers Parish Council, Corfe Castle Parish Council, Arne Parish Council, Church Knowle Parish Council and Wareham Town Council, National Trust and PTAG.
2. Cllr Knight and the Clerk to attend the stakeholders meeting on Friday 30th August to present Langton Matravers Parish Council views.
3. To send Appendix A to Sandra Zamenzadeh Casework Manager - National Transport Casework Team after discussion with other stakeholders on the 30th August.
4. Cllr Golob to liaise with Cllr Wilson (Dorset Council) in regard to sending Appendix A to Lloyd Hatten – Dorset MP.

Closed at 15.36

Appendix A

The Bournemouth-Swanage Motor Road and Ferry Company ("BSMRF") Application to Increase Certain Toll Charges.

Objection From Langton Matravers Parish Council

There are many elements in the above application which invite scrutiny, and we are confident that the majority of those affecting the daily lives of residents of Purbeck will be identified by various notified and affected parties.

In total, the issues raised by this application are of such moment and scale as to invite the reconsideration of the status of the BSMRF as a private company governed by an Act of Parliament. In particular, it is evident in the context of the measures taken by Dorset Council to ensure adequate Emergency Planning, that the reliance of Purbeck on the single means of road access via Wareham is insufficient and the Ferry is essential to ensure resilience. This fact alone offers proof that the Ferry provides and essential service to the communities of Purbeck and therefore the Ferry has no place in private hands.

In the below we focus on certain business and financial aspects of the application which certainly demand intense scrutiny. In brief, the business projections used to justify the proposed increase in fares:

- Do not include key operational data (passenger car numbers, pedestrian numbers, bicycle numbers etc. for revenues, numbers of employees) making it difficult to review the resulting financial forecasts o This means that it is impossible to adequately review distinctly suspect forecasting (e.g. the revenue figures and all the constituent elements of same are identical for the years 2032, 2035, 2036, 2038 and 2040, as they are for 2033 and 2037, although they decline sharply in 2039 – perhaps bad weather is forecast for August that year)[1]
- Do propose that charges be increased on the basis of the annual increase in CPI following a large increase from the date the Order is made to approve the proposed increases which is designed to recover lost CPI gains dating back to 2021 (effectively negating the agreed provisions of the 2021 Order which allowed for yearly incremental toll charge increases of up to 3%)
- Do not show any audited and evidence supported correlation between the operating costs of the ferry and the CPI index or any of its sub-components, or indeed any correlation between RPI (the basis on which the "up to 3%" annual increase in costs was allowed as a result of the 2020 application and 2021 Order) and the movements of direct and indirect costs in operation of the Ferry, which is adduced as the first reason for undoing the provisions of the 2021 Order.
    - When looking at the historical financial data presented in Appendix 2.1 of the application, one can note large fluctuations in several direct costs categories

      (e.g. regular repairs vary from £112k in 2018 to £544k in 2020, to £175k in 2023 to £236k in 2024; Ferry insurance rises from £28k in 2019 to £110k in 2021, but is projected to fall to £42k inn 2025; building repairs vary from a low of £7.5k in 2019 to £32.3k in 2023). While the CAGR of directs costs excluding major refit costs is ~6% (2018-24), hardly any cost categories exhibit a consistent annual growth, suggesting that a profitability control would be more appropriate
- Do not provide adequate additional justifications for the proposed price increases and subversion of the 2021 order, which Order was welcomed by the BSMRF as securing the future of the business and ensuring that a new craft would be affordable. Beyond the purported linkage to RPI or CPI, the additional reasons cited for the deterioration of the financial conditions of the company are:
    - Tax increases which came into effect in the most recent tax year and on a stated rather than effective tax rate basis imply incremental Corporation Tax of ~£55,000 (note: it seems extraordinary

[1] Revised Explanatory Memorandum Appendix 2.1 has been based on average traffic volumes for 2018 and 2024 – see p.19 of same document. It would be helpful if the appendices where made available in their original format rather than PDFs so the calculations contained therein could be audited.

that a ferry company should be asking its customers to compensate it for any decline in profitability resulting from changes in tax policy which many of those customers also suffer)

- Poor forecasting by the BSMRF of traffic volumes for July and August in 2022 and 2023 due to bad weather (note: the citizens of Dorset also suffered from bad weather but are not petitioning the Ferry company to compensate them)
- Loss of 15 months income due to the elapse of time between the previous application in 2020 and the date when the Order came into force, which if such claim was considered to have had merit by the applicant should have been incorporated in the previous application and if such claim was considered to have merit by the Secretary of State, might have been anticipated in the Order of 2021.
  - It is worth noting that on 1st March. 2022 Mr. Jason du Toit, the MD of Sandbanks Ferry / BSMRF on announcing the first set of new prices under the 2021 Order, stated "We are pleased to limit many of the increases to a level lower than the MTC approved increase " [2] indicating that the loss of 15 months was not considered of any import to BSMRF at this juncture.
- Prior to submission of this application, the BSMRF indicated full support for the maximum price increases set out in the 2021 Order – viz: on 12th May, 2022, Mr. Jason du Toit, MD of the Sandbanks Ferry, stated that "We are pleased that after much consultation and a Public Inquiry, our application has been approved. These small incremental increases will allow us to continue to maintain our current vessel … to a high standard, whilst allowing the company to set funds aside in the Ferry Replacement Reserve for a new craft in 2032"
- Do demonstrate that the BSMRF is a very profitable enterprise except in years when the repairs of the ferry are mismanaged (e.g. costs of £2.3m incurred in 2023 – due to "extended ferry outage due to hull damage sustained during towing operation to annual refit", for which the company received £1,132, 766 under insurance claims "including repair costs, for loss of income whilst the Motor Ferry was not in service[3]".
  The fact that accounting loss exceeded the insurance cover does not mean that the balance should be recovered from customers instead.
  - Annual operating margins excluding refit costs vary hugely from 17%-63% from 2018-2024, but the excluding refit costs the BSMRF always earns a respectable margin
  - Adjusting for the irregular refit costs and even allowing for losses incurred through mismanagement of the towing exercise, average operating margins in the audited period 2018-2024 are 18%.
- Do demonstrate that the existing structure of a private company managing the Ferry offers very poor value for customers, particularly as it relies on BSMRF to generate sufficient returns to maintain the current ferry and fund a replacement reserve to acquire a new ferry through a very opaque corporate holding company structure.
  - A better model would involve Dorset Council / BCP agreeing to purchase a new ferry and leasing same to a Ferry company based on competitive tender such that the Ferry company earns a reasonable margin on provision of the service.
  - There are many potential financial structures which could make this possible, with DC/BCP taking advantage of their more sizeable balance sheets, higher credit rating and more thorough disclosure of financing arrangements to allow for a more efficient means of funding the purchase of a new ferry with adequate scrutiny of same.
  - The Holding Company structure of Fairacres Group owning and controlling BSMRF is opaque and open to questionable practices. While Fairacres Group 2024 accounts are not currently publicly available, in 2023, Fairacres' bank loans and overdrafts increased from

[2] Sandbanks Ferry Press Release 2022.03.01 New Toll Charges 2021.04.01 [3] 2024 Annual Accounts p.12

under £3m to over £21m, of which £8m was secured by a "first priority legal charge over all freehold property together
with an unlimited cross-company guarantee across the group." This implies that the BSMRF's does not now have the financial flexibility to raise additional funds since it depends on the performance of Fairacres under its own banking arrangements with respect to entirely unrelated businesses. It also appears that any failure by Fairacres to perform under undisclosed arrangements might cause BSMRF to have difficulty securing funding in the future since the 1986 Act effectively limits any increase in borrowings to £5m and specifies that any funds raised by the company shall have priority "over all other claims on account of any debts incurred… after the passing of this Act".[4] Any inability to secure funding would necessarily compromise BSMRF's ability to afford a new ferry.

On the basis of an inadequate set of justifications for the proposed increases, dubious forecasting, the demonstrable poor value for money that the proposed increases offer, as well as the lack of long term commitment[5] we object to the application, and request the Secretary of State to (a) maintain rather than subvert the commitments of the 2021 Order and (b) initiate a review of the 1923 Act which enables a private company to provide services which are now regarded as essential to Bournemouth, Christchurch, Poole and Purbeck.

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4 1986 Act S.12 This perhaps explains the wording of PP 15.3 of the revised explanatory memorandum: "In 2032 the investors will, in addition, have to provide the necessary security or guarantee if the Ferry Company is to use its powers to borrow the maximum allowed £4,965,022 to part-fund the purchase of a new ferry". The document does not discuss
whether or to what extent the financing arrangements of Fairacres might have to be restructured to allow this.

5 It will not escape attention that BSMRF applied for new tolls in 2018, was refused, applied for new tolls in 2020, agreed to a 10 year schedule of tolls in 2021, and is now applying in 2024 for new toll increases, so we should expect further applications in 2026/7 and 2030/31.