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Cable car will never make a profit

A specially prepared report commissioned by *Voice of the Malvern Hills* shows that the cable car proposed by *Malvern for All Ltd* will make huge losses over its first twenty years and will never be able to help community organisations. The report identifies errors running into the tens of millions of pounds over those twenty years. The full consequences are shown in figure 1.

Malvern for All Ltd: corrected 20 year operating performance			
Scenario	Basic	Higher fare	Increased operating days
MFA Ltd figures (profits)	£1,700,000	£8,060,000	£8,300,000
Accounting errors	£10,499,540	£12,709,540	£12,749,540
Corrected data (losses)	£8,799,540	£4,649,540	£4,449,540

Figure 1

Malvern for All Ltd identifies three scenarios in its April 2015 prospectus for the cable car, what it calls *Basic*, *Increased Sector Cost* and *Longer Opening Hours*. The *Basic* scenario is the main forecast, what it calls *Increased Sector Cost* represents a higher fare than assumed in the *Basic* forecast and what it calls *Longer Opening Hours* represents operating the cable car for more days than in the *Basic* option.

The report commissioned by *Voice of the Malvern Hills* uses, without any adjustment, the data given in the 2015 feasibility study of *Malvern for All Ltd*. It then corrects the data for basic, but fundamental, errors and uses generally accepted accounting principles to remedy those errors.

The huge discrepancy between *Malvern for All Ltd's* performance figures and the corrected figures arise from *Malvern for All Ltd's* failure:

- to correctly calculate interest;
- to differentiate between an expense and an appropriation
- to recognise Value Added Tax legislation
- to recognise the correct treatment of tangible fixed assets

None of the revisions to Malvern for All Ltd's data involved changing their original data, merely applying the correct accounting treatment.

The report goes on to criticise the validity of the basic data used by *Malvern for All Ltd* in its forecast financial statements. These criticisms include the following assumptions made by Malvern for All Ltd in their calculations:

1. the whole of the cable car being built overnight with no delay between construction and operation;
2. *Malvern for All Ltd's* alleged ability to borrow at a lower rate of interest than blue chip companies such as John Lewis
3. the cable car cost being £6 million less than a simpler, smaller and shorter system planned for the Cheddar Gorge
4. The cable car's operating days being more than those for the Heights of Abraham cable car – the model used by *Malvern for All Ltd* to justify their proposals

Richard Edwards, Chair of 'Voice of the Malvern Hills' comments: "This report totally undermines the credibility of the cable car project. The report has been prepared by a highly experienced accountant and is based entirely on Malvern For All Ltd's own figures. It clearly shows that the cable car would run at a substantial loss.

Had our report used more realistic data (such as the sort of borrowing rates that an unknown company would have to pay) the figures would be even more horrendous.

My fear is that if the project were allowed to go ahead we would be left with an eyesore which would deteriorate and for which Malvern For All Ltd would have no responsibility."

Ends

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Notes for Editors

Voice of the Malvern Hills was formed in March 2015 and already has a membership stretching into the hundreds. It is a grassroots, community based organisation, committed to defending the Malvern Hills against commercial exploitation and to encouraging a wider awareness of their natural beauty.

Photographs of the Chair and other committee members are available.

20 year data has been used because the actual losses in individual years will vary depending on the loan interest charged.

Additional information Malvern for All Ltd will be entering into public consultations with regard to their proposals at the Three Counties Show Ground, Malvern on Thursday 8th October 2015 and at the Festival of Innovation at the Malvern Theatre on Saturday 10th October. This makes the findings of our commissioned report particularly relevant.

