



# The Proposed Malvern Cable Car

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*An abridged financial evaluation*

This report is an abridged version of a larger report commissioned by The Voice of the Malvern Hills and investigates the financial viability of the proposals made by Malvern for All Limited to build a cable car on the Malvern Hills, Worcestershire, UK



# **The proposed Malvern cable car**

**An abridged financial evaluation**

Prepared for The Voice of the Malvern Hills

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# 1 MALVERN FOR ALL LTD: CAPACITY & CAPABILITY

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## LACK OF CAPACITY

1. Malvern for All Limited began life on 28th January 2015 with four directors. Since then two have resigned. No explanation has been offered for these resignations.
2. It is a company limited by guarantee and with no share capital. Should it be declared insolvent at any time, the only obligation of the two remaining directors is to pay £1 each into the company.
3. It has no trading history or track record and none of the features normally associated with an established company. It appears to have no base other than a "brass plate" registered office, no significant assets, no telephone number and no employees (despite the company talking of the "team").
4. There appears to be no loan finance raised as no charges against it have been registered with Companies House.
5. With no capital or equity and no history of successful trading, any company would find it extremely difficult, if not impossible, to raise any sort of finance – and certainly not at the rate of 6% assumed by the company. Reputable lenders will insist on evidence of a successful track record and asset-backing within the company – or guarantees from directors – to provide security should a borrower default on the debt.

## LACK OF CAPABILITY

6. With no employees, there are no known engineering, construction, finance or other skills in the company; skills that are an essential prerequisite to the successful development of a complex project such as a cable car.
7. The company appears to be unaware of the many different types of cable car and how their complexities differ in terms of finance, engineering and cost. Certainly there is no evidence of this essential knowledge anywhere on the company's website or in any of its publications.
8. The company contains no processes or systems capable of delivering a cable car. Indeed, the sole human resource appears to be the two directors.
9. The company has failed to make contact with a third party whose permission is required if their plans are ever to be achieved. Another third party – the Conservators – have made it clear that the proposals for a cable car on the Malvern Hills are contrary to law.
10. With precious few resources and no obvious skills, Malvern for All Ltd is little more than an empty shell, incapable of delivering a substantial infrastructure project.

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## 2 CABLE CARS IN THE UK

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### THE MARKET FOR CABLE CARS IN THE UK

11. There are two markets for cable cars: entertainment and transport. (Transport means all journeys where the journey is not an end in itself but where there follows a subsequent activity such as work or mountain rambling and climbing). Despite passenger-carrying cable cars having been around for more than 100 years, there are only six in the UK and most of these are built for entertainment. Even the Emirates cable car across the Thames is primarily for tourist entertainment. Indeed, there are often less than ten people using it as a form of passenger transport per week.
12. An additional cable car has been proposed by the Marquis of Bath, to be built at Cheddar Gorge. Strong objections, however, from bodies such as the National Trust, have resulted in no further movement. The proposals were to be submitted to Sedgemoor District Council by August 2012 at the latest. At the time of writing this report, no such documents had been delivered to the district council.
13. Figure 1 shows the existing and proposed cable cars in the UK

Location	Function
Alton Towers Theme park, Staffordshire	Entertainment
Drayton Manor Theme Park Staffordshire	Entertainment
Emirates Air Line Greenwich, London	??
Great Orme, Llandudno, Wales	Entertainment
Heights of Abraham, Derbyshire	Entertainment
Nevis Range, Fort William, Scotland	Transport
Cheddar Gorge (Proposed)	Entertainment

### THE VIABILITY OF UK CABLE CARS

14. Most of the cable cars operating as entertainment are found in theme parks run by large conglomerates. All the others are operated by what is defined in the Companies Act 2006 as small companies.
15. This, in itself, is a significant finding. Not a single large company finds it sufficiently attractive or profitable to operate cable cars in the UK except within the confines of a theme park. Stand-alone cable cars are incapable of generating sufficiently large funds to be attractive to commercial operators. Their role in any regeneration project, therefore, is likely to be extremely limited.

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## 3 MALVERN FOR ALL LIMITED: CORRECTING FUNDAMENTAL ERRORS

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### MALVERN FOR ALL LTD'S DATA

16. The current financial implications of Malvern for All Ltd's proposed cable car are to be found in their publication "Malvern for All" dated April 2015.
17. In that publication the company develop three possible income streams. These are:
  - 17.1. Option 1, what Malvern for All Limited called *Basic*
  - 17.2. Option 2, what Malvern for All Limited called *Increased sector cost*
  - 17.3. Option 3, what Malvern for All Limited called *Longer Opening Hours*.
18. All options assume the same number of passengers per day. Option 1 is the company's starting position with a return fare of £10 and 265 operating days for the cable car. Option 2 then considers an increased return fare of £12 while keeping the same 265 operating days as option 1. Option 3 keeps the return fare at £10 but then considers operating the cable car for 320 days.
19. In what follows in this section, no attempt is made to change the data or time horizon used by Malvern for All Ltd other than to correct basic, but fundamental, accounting errors.

### THREE BASIC BUT FUNDAMENTAL ACCOUNTING ERRORS

20. The first error to be found in Malvern for All Ltd's financial statements is to not recognise the difference between an expense and an appropriation. (An appropriation is a sharing out of profit.) As a result, their reported profits are overstated by up to £100,000 more than the correct figure.
21. The second error is a failure to understand the treatment of Value Added Tax when applied to cable cars. The latest proposal from Malvern for All Ltd is for an eight-seater cable car (Malvern Observer 29th September 2015). The VAT treatment for such a cable car is to be found under Statutory Instrument 2013/430.
22. The final, most basic but most significant error is a failure to depreciate assets.

## DETAILED CORRECTIONS AND RESULTING PERFORMANCE

23. Figure 2 uses all the assumptions and data provided by Malvern for All Ltd. It starts with that company's reported profits under all three options and then corrects the data for the fundamental accounting errors identified in paragraphs 20-22 above

<b>Figure 2: Correcting the fundamental errors</b>			
<i>Option</i>	<i>1 Basic</i>	<i>2 Increased fee</i>	<i>3 Increased operating days</i>
	£	£	£
<b>Malvern for All Ltd: stated profits pa</b>	85,000	403,000	415,000
<b>Wrongly classifying an expense as a distribution</b>	42,500	100,000	100,000
<b>Failure to correctly take account of VAT</b>	75,714	90,875	91,429
<b>Failure to provide for depreciation</b>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
<b>Total errors corrected</b>	<u>518,214</u>	<u>590,857</u>	<u>591,429</u>
<b>Revised annual loss</b>	433,214	187,857	176,429
<b>Revised losses over 20 years</b>	8,664,280	3,757,140	3,528,580

24. Whichever option is taken, the result is the same: huge losses which not only mean the company becoming quickly insolvent but also that not a single penny will ever be paid to the promised good causes.
25. The corrected losses are, in fact, an understatement. The interest figures assume year-end rests, ie that interest is calculated at the 6% figure assumed by Malvern for All Ltd at the end of each year for the twenty years of the company's planning horizon. The reality is that most finance intermediaries charge interest on a monthly or even daily basis. The effect of this is that interest is charged on interest and so the amount paid annually will be larger than that shown in figure 2.

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## 4 MALVERN FOR ALL LTD: VALIDITY OF THE DATA

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### CHANGING DATA WITHOUT EXPLANATION

26. A regular feature of Malvern for All Ltd's attitude to financial data is to merely change the figures when the validity of its data is brought into question.
27. In the four months between the publishing of *The Malvern Hills Transport Project* (dated December 2014) and a document called *Malvern for All* (dated April 2015), extensive changes to the company's financial data took place. Those changes often took place without explanation or any other verifiable supporting evidence. Examples included:
  - 27.1. The capital cost of the project rising from £4 million to £8 million over four months due to previously failing to provide any buildings for the cable car
  - 27.2. Annual expenses rising by between £167,500 and £225,000 (depending on which option is considered) due to previously failing to include the cost of insurance, gas, electricity, water and recompense for use of Conservators' land
  - 27.3. A sudden new and unexplained form of income called *Franchise Income*
  - 27.4. The life of the loan suddenly and without explanation being extended from 10 years to 20 years, the effect of which was to magically reduce the cable car's operating expenses by £120,000 each year
  - 27.5. The borrowing cost of the loan increasing without explanation or justification.
28. No explanation for any of these changes has been offered. They did, however, coincide with the earlier publication *Malvern Hills Cable Car – a failed business plan* (3rd April 2015) published on the Voice of the Malvern Hills' website. That report identifies many of the numerous failings in the December 2014 report that were modified in the April 2015 report.

### CHANGING INFRASTRUCTURE BUT IGNORING FINANCIAL CONSEQUENCES

29. Another feature of Malvern for All Ltd's feasibility study is the regular changing of proposals without any explanation or evidence. All of these have financial implications and yet no changes have ever been made to the company's financial data.

30. **Changing the pylons** The original plan for five pylons has been changed to three pylons with a large 100 feet pylon in the middle. Despite this significant change, Malvern for All Ltd's financial data remains unchanged.
31. **Changing the size of the cabins** In December 2014, Malvern for All Ltd assumed a seven-seater cabin for its cable car.
- 31.1. A seven-seater cabin does not exist. It would be "L" shaped to account for the seventh seat, making stability a serious problem.
- 31.2. Adding to the confusion, Malvern for All Ltd has always demonstrated its proposed cabin by showing a six-seater version.
- 31.3. By April 2015, the cabin size had increased to ten passengers – an almost 70% increase on the six-seater cabin shown in all of the company's publications.
- 31.4. In May 2015, a director of the company claimed that cabins will only carry eight people, radically altering the operations and revenues. (As this is the latest change it has been used in the financial analysis throughout this report.)
32. The company's financial data, however, still claims that the cabins will carry ten passengers while still showing a much less intrusive and smaller six-seater cabin in all of its publicity.
33. **Changing the cable car stations** Major changes have been proposed to the top and bottom stations.
- 33.1. The top station is now supposed to be an observatory.
- 33.2. The bottom station has seen two changes. First it was going to be a reproduction of a Victorian building that was never built in the first place. Now, Malvern for All Ltd appear to be designating the bottom station as a centre of radar history and development.
34. No changes to the capital cost or revenue expenditure arising from these major structural changes have ever been reported by Malvern for All Ltd.

## "VISUALISATIONS"

35. That there have been no changes to the capital cost of the proposed cable car despite these major infrastructure changes is not surprising. At no time has Malvern for All Ltd shown any costings or other evidence. It may be that such basic information, essential before taking any major project forward, does not exist.
- 35.1. The company has admitted their "designs" for the stations are mere "visualisations"; what some would call figments of the imagination.

- 35.2. At no time have any structural engineering, architectural, accounting or other form of expert report ever been made available. That alone would explain the lack of testable costings required to have any faith in the figures provided by Malvern for All Ltd.
- 35.3. If the plans are mere visualisations, then it follows that the financial data arising from those visualisations also has to be mere visualisations. Certainly that would explain why capital costs never change despite major structural changes being proposed.

## **FAILURE TO GAIN APPROVAL OF OTHER STAKEHOLDERS**

- 36. There are at least two examples of the failure of Malvern for All Ltd to gain the support of essential stakeholders.
- 37. The Conservators have specifically stated that they are *not prepared to entertain the idea [of a cable car on the Hills] at all*. Apart from anything else, the proposals would breach Acts of Parliament.
- 38. A central plank of the project is to turn the Waitrose supermarket car park into a multi-storey carpark to avoid the traffic congestion the cable car will bring. Waitrose own the freehold to the car park but Malvern for All Limited has not even contacted Waitrose. Waitrose are adamant: there are no plans whatsoever to allow their car park to be turned into a multi-storey carpark for the cable car.

## **UNSUPPORTED STATISTICS – DISABLED ACCESS**

- 39. As justification for the cable car, Malvern for All Ltd has shamelessly used disabled people. The company claims that only the cable car will provide access: *all other forms of access ... could not be used because of the condition of the access paths*. This is self-evidently untrue as regular photographs in the local press demonstrate.

## **UNSUPPORTED STATISTICS – POPULATION FITNESS**

- 40. Another untrue claim by Malvern for All Ltd is that 50% of the UK population are not able to reach the top of the Hills.
- 41. Malvern for All Ltd claims this figure has been arrived at after lengthy consultation ... throughout the medical profession, surveys ... [and] is in line with published statistics and with information acquire[d from] a previous employer.
  - 41.1. The company has neither commissioned a random nor a stratified survey of any form. Nor is there any evidence that it has consulted the UK medical profession.

- 41.1.1. The company does not have the resources to commission nationwide information.
    - 41.1.2. There are parts of the UK where inhabitants will be unaware of the Malvern Hills. If the Hills are unknown in parts of the UK, respondents to a survey would be unable to answer any form of question on the Hills, let alone whether or not they could reach the top, thus invalidating any survey.
  - 41.2. Chatting to a previous employer is not a credible source of information about whether the whole of the UK population can climb the Malvern Hills. And it is also a most idiosyncratic piece of information to collect from employees by any firm.
- 42. There is also no truth in the suggestion that published statistics support Malvern for All Ltd's claim. In the 2011 census, over 80% of the population of England self-reported that their day-to-day activities were not limited. And figures for both the West Midlands and Malvern also showed that over 80% had no such restrictions. (Source 2011 Census, ONS).
- 43. These objective and official figures totally contradict the statement made by Malvern for All Ltd.

## 5 MALVERN FOR ALL LTD: APPLYING REALISTIC DATA

### BENCHMARKING

44. A fundamental and simple technique when determining the viability of a proposal is to benchmark that proposal against what is happening elsewhere. This process introduces some realism and confidence into the data supporting a proposal.
45. Malvern for All Ltd fails to demonstrate any such benchmarking.
46. All that follows assumes the same data as given by Malvern for All Ltd in their April 2015 feasibility study but after (a) allowing for their revised size of cable car and (b) correcting the fundamental errors identified in section 3 of this report.

### THE CAPITAL COST OF THE CABLE CAR

47. Despite all the recent changes to the cable car's infrastructure introduced by Malvern for All Ltd, the cost of the cable car itself has remained at £4 million in all its feasibility studies. That alone suggests that the £4 million is not a realistic estimate.
48. This is reinforced by benchmarking cable car costs from elsewhere.
- 48.1. The proposed cable car at Cheddar Gorge is budgeted at £10 million, despite being built over an easier terrain, a shorter distance and using only six-seater cabins.
- 48.2. The cost of the Nevis cable car was £7.25 million in 2015 terms – and, again, with an easier terrain and only a six-seater system.
- 48.3. The Emirates cable car (excluding land) cost £45 million and this has the ten-seater cabins similar to those proposed by Malvern for All Ltd.
49. Assuming the cable car was to cost a more realistic figure of £8 million, the significantly increased losses under all three options proposed by Malvern for All Ltd are shown in figure 4.

Option	1 Basic	2 Increased fee	3 Increased operating days
	£	£	£
Loss per annum if cable cost = £4 m	433,214	187,857	176,429
Additional expenses	440,000	440,000	440,000
Revised annual losses if cable car = £8m	873,214	627,857	616,429
Revised loss over 20 years	17,464,280	12,557,140	12,328,580

## USING A MORE REALISTIC BORROWING RATE

50. MALVERN FOR ALL is highly unlikely to be able to raise a loan at 6% pa. The company even appears to accept this when they state: *the interest rate of 6% is an indication rather than based on any evidence of loans available.*
51. It is extremely questionable for a company with no equity, no track record and no relevant skills to obtain an unsecured loan under any circumstances. Nevertheless, it is useful to demonstrate the effect of a 2% increase in borrowing rates. This is shown in figure 5 where annual losses increase by £160,000 under all three options.

<b>Figure 5 Annual losses if borrowing rates increase from 6% to 8%</b>			
<b>Option</b>	<b>1 Basic</b>	<b>2 Increased fee</b>	<b>3 Increased operating days</b>
	£	£	£
<b>Loss pa if borrowing rate = 6%</b>	433,214	187,857	176,429
<b>Additional interest per annum</b>	160,000	160,000	160,000
<b>Loss pa if borrowing rates = 8%</b>	593,214	347,857	336,429
<b>Revised loss over 20 years</b>	11,864,280	6,957,140	6,728,580

## ALLOWING TIME FOR THE CABLE CAR TO BE BUILT

52. Malvern for All Ltd has ignored the time it takes to build a cable car. A cable car built using borrowed funds will start accruing interest from day one of the building project. Allowing just a one year's delay and assuming only a 6% borrowing rate, losses will increase under all options and all years. This is demonstrated in figure 6 below.
53. Although, the annual increase in losses is not particularly high, they are significant over the planning horizon of the project and would be even more significant if (a) the project takes longer than one year to build; (b) interest rates are greater than 6% and (c) interest accrues monthly or daily.

<b>Figure 6 Annual losses if the project takes one year to build</b>			
<b>Option</b>	<b>1 Basic</b>	<b>2 Increased fee</b>	<b>3 Increased operating days</b>
	£	£	£
<b>Loss pa if built instantly</b>	433,214	187,857	176,429
<b>Additional interest</b>	24,000	24,000	24,000
<b>Loss pa if building takes one year</b>	457,214	211,857	200,429
<b>Revised loss over 20 years</b>	9,144,280	4,237,140	4,008,580

## MORE REALISTIC DAYS OF OPERATIONS

54. Malvern for All Ltd plans to operate for 265 days under its first two options and 320 days under option 3. But the Heights of Abraham cable car – the one used to illustrate Malvern for All Ltd’s literature – only operates for 248 days. This is despite the Heights of Abraham being based in a more popular and successful visitor area and with a longer operating season.
55. It is highly unlikely that a cable car in Malvern would be able to operate for more days per year than the Heights of Abraham cable car. If the proposed Malvern cable car could only operate for 248 days (the same as the Heights of Abraham) then its losses will increase further by between an extra £97,000 and £411,000 annually, depending on the option being considered. The revised losses are shown in figure 7.

<i>Option</i>	<i>1 Basic</i>	<i>2 Increased fee</i>	<i>3 Increased operating days</i>
	£	£	£
<b>Original loss</b>	433,214	187,857	176,429
<b>Further loss of revenue</b>	97,143	116,571	411,428
<b>Loss if 248 operating days</b>	530,357	304,428	587,857
<b>Revised loss over 20 year</b>	10,607,140	6,088,560	11,757,140

## FARES

56. There are a number of question marks over the validity of the proposed fares planned for a Malvern cable car.
57. In their financial data, Malvern for All Ltd assume all passengers will be paying full fares. Despite the company’s rationale for the cable car, namely to help the disabled, there are no concessions of any form provided in any of its financial statements. Ignoring the ethics of that position, it further brings into question the viability of the cable car as any concessions will reduce turnover and so increases losses further.
58. Significantly, the fares proposed for the Malvern cable car will be more expensive than for London’s Emirates cable car, despite the Emirates cable car being a longer distance.
59. Figure 8 shows the return fare charged by Malvern for All Ltd will be one of the highest in the country after taking into consideration the length travelled.

<b>Cable Car</b>	<b>Adult</b>	<b>Child</b>	<b>Length (km)</b>	<b>Adult fare per km</b>
<b>Malvern Hills (Proposed)</b>	£10.00	£10.00	0.638	£15.67
<b>Great Orme</b>	£9.00	£7.00	3.200	£2.81
<b>Emirates</b>	£9.00	£4.60	1.000	£9.00
<b>Heights of Abraham</b>	£14.50	£10.00	0.568	£25.53
<b>Nevis Range</b>	£12.00	£7.00	2.300	£5.22

60. The highest fare, that for the Heights of Abraham cable car, is wholly exceptional and one that a Malvern Hills cable car would not be able to emulate. If someone wants to visit the Heights of Abraham, they have little option but to use the cable car.
- 60.1. The Heights of Abraham are privately owned and access is restricted.
- 60.2. The cable car operates across a steep valley straddling the River Derwent and the A6 trunk road and against the backdrop of a steep precipice. There are no footpaths via the precipice to the top of the Abraham Heights from the valley below.
- 60.3. Anyone wanting to walk from the valley to the top of the Heights of Abraham would have to take a detour of several miles along roads – and even then would have to pay an entrance fee.
- 60.4. There are no convenient car parks for walkers. The nearest, at Matlock Bath railway station, is some 400 metres away. It has 241 spaces but these are often fully used by rail commuters.
61. All the factors that allow Abraham Heights to charge such a high fare are missing in Malvern. The Malvern Hills are a public asset with free access, multiple access points, many convenient car parks and well-defined paths. This suggests that the proposed Malvern fare of £10, without any concessions or family deals, is, if not pitched too high, then close to its maximum viable price point.

## **FRANCHISE INCOME**

62. Franchise income is income generated by allowing others the use of a brand, image, logo or name. The organisation providing the franchise may provide other services, such as national advertising, but these extra services are separate from and charged in addition to the franchise fee.
- 62.1. For McDonalds' burger restaurants, the service fee alone – the franchise fee – is 5% of sales. To that has to be added other fees such as contribution to the marketing spend.

- 62.2. To have the use of a widely recognised brand behind your business, it may be worth paying a franchise fee as the name recognition will bring in extra business to the franchisee. Malvern for All Ltd is no such brand and carries no such recognition.
63. It is, therefore, hard to resist the belief that the £100,000 of franchise income shown in the financial statements supporting the cable car is a wholly artificial figure with no basis in reality. Certainly Malvern for All Ltd offers no explanation, rationale or evidence to support such a figure.
64. Even without any rationale, however, it is possible to show that achieving a franchise fee of £100,000 is internally inconsistent with Malvern for All Ltd's other data. To demonstrate this, the only assumption is that Malvern for All Ltd will charge a 5% franchise fee similar to that of McDonalds.
65. Using Malvern for All Ltd's passenger and operating data for options 1 and 2, figure 9 shows that the franchisee has to generate a turnover of £2.4 million in order to pay Malvern for All Ltd's franchise income of £100,000. This is likely to come from a restaurant. Given its location, it is unlikely to be a shoe or bed shop.

<b>Figure 9 Franchise data assuming a 5% fee and 265 operating days</b>	
<b>Franchise income</b>	£100,000
<b>Turnover required to generate £100,000 franchise fee</b>	£2,400,000
<b>Spend per passenger</b>	£15.09
<b>Average number of customers per hour</b>	75

66. Using Malvern for All Ltd's own figures for passenger numbers, each and every passenger on the cable car will have to spend £15.09 to achieve the £100,000 franchise income.
- 66.1. If even one passenger – child or adult – fails to spend that amount, the fee income of £100,000 will not be reached.
- 66.2. It is difficult to reconcile the £15.09 per passenger figure – over £60 per family of four – with spending patterns at other attractions. It implies every single passenger – no matter what the time or the season – will want the equivalent of a three-course meal.
- 66.3. To show the lack of reasonableness in the £15.09 figure, the Great Malvern Hotel offers a Sunday roast for £7.95. If the franchisee for the Malvern cable car could only charge this amount, franchise income would fall to £52,669 – and that still assumes every single passenger uses the retail outlet and spends the £7.95.
67. Separate from whether every single passenger will want to spend over £15 each is whether the proposed facilities will be able to cope with such theoretical numbers. Using Malvern for All Ltd's own data, the average number of dinners per hour will be 75.

- 67.1. But that is an hourly average and hides the peaks and troughs throughout the day and throughout the seasons.
- 67.2. With an average spend of £15.09, this will be no quick takeaway restaurant. It will involve each and every diner eating close to a three-course meal taking close to an hour to eat.
- 67.3. To cater for such numbers and to take account of daily and seasonal peaks and troughs will require a restaurant seating significantly more than 75 covers. Either that, or customers necessary to achieve the £100,000 of so-called franchise income will be being turned away.
- 67.4. Allowing for demand to be much higher around lunch time than 9.00am or 5.00pm, lunchtime covers per hour are likely to be in excess of 100 diners, perhaps 250 per lunchtime. This is difficult to reconcile with current activity in Malvern and the surrounding area.
- 67.5. The Malvern Spa, for example only has 34 covers while the Feathers in Ledbury only has 55 covers – and remember that covers are not actual diners but the theoretically maximum possible number of diners. Actual diner numbers are likely to be lower than these maximum figures.
68. All of this reinforces the strong belief that there is no logic to support the £100,000 figure of franchise income.
69. Malvern for All Ltd's figure for franchise income is not sustainable. It is stretching credibility to assume that every single passenger on the cable car will want to spend over £15 on food and drink and it is stretching credibility that there will be the facilities to cater for such numbers.
70. Further analysis, however, is not possible as no data of any sort is provided by Malvern for All Limited. But what is clear is that the company cannot justify the figures. The company has no idea how many covers will be provided because, to use their expression, all images are merely visualisations.
71. Given this, it is difficult not to believe that the figure of £100,000 of franchise income is simply a technique without any rational basis that was developed to hide the lack of basic profitability in the cable car.

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## 6 SUMMARY AND CONCLUSIONS

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72. This abridged report has outlined the findings of a report prepared for The Voice of the Malvern Hills entitled *The Proposed Malvern Cable Car: a financial evaluation*.
73. This report first looked at the lack of capacity and capability of Malvern for All Ltd to undertake such a major project. With no equity, no serious asset backing and no experience, both the operating and financial risks were shown to be extremely high.
74. One notable feature of the report is the limited number and the limited success of cable cars in the UK. Most are merely a form of entertainment with only one cable car possibly being used as a form of transport – ie to get the passenger to a point where they can begin a new and separate experience such as work or hiking.
75. When not part of a theme park owned by large conglomerates, cable cars are owned by small companies, small companies that appear not to be growing. This suggests the financial attractiveness of cable cars is extremely limited.
76. On examining the case put forward for the Malvern Hills cable car, it was shown that there were serious, fundamental accounting errors in the data. Once these errors were corrected, but without changing any of Malvern for All Ltd's assumptions or data, its projected profit figures turned into substantial losses.
77. This abridged report went on to then test the assumptions made by Malvern for All Ltd in preparing its financial data. It also tested the reasonableness of those assumptions. It was discovered that there was no supporting evidence or disclosed expert opinions to justify the data.
78. Some assertions were self-evidently incorrect such as the alleged inability of disabled people to access the Hills. The suggestion that 50% of the UK population would not be able to access the heights of the Malvern Hills has also been firmly discredited.
79. It was in testing the reasonableness of Malvern for All Ltd's data that significant other concerns were identified. Malvern for All Ltd had failed to undertake even the simplest of benchmarking. Had the company done this, it would have been obvious that the assumptions made were far too optimistic. Using verifiable performance data from other sources – such as the operating days possible at another cable car operator – it became clear that losses would be even greater than those discovered by correcting the basic accounting failings.
80. The ultimate conclusions are (a) that Malvern for All Limited has neither the financial strength nor technical skills to carry off as large a project as building a cable car and (b) that contrary to its proposals the company will never be able to give a single penny to good causes as it can never make a profit nor produce positive cash flows.