

APPENDIX 1.1  
(referred to in paragraphs 1.1 and 7.1)

**Background information**

1. On 17 April the Director General of Fair Trading sent to the Commission the following reference:

The Director General of Fair Trading, in exercise of his powers under section 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 ('the Act') hereby refers to the Monopolies and Mergers Commission ('the Commission') the matter of the existence or possible existence of a monopoly situation in relation to the supply of ferry services between the Isle of Wight and the mainland of England.

The Commission shall investigate and report on the questions whether a monopoly situation exists and, if so:

- (a) by virtue of which provision of sections 6 and 8 of the Act that monopoly situation is to be taken to exist;
- (b) in favour of what person or persons that monopoly situation exists;
- (c) whether any steps (by way of uncompetitive practices or otherwise) are being taken by that person or those persons for the purpose of exploiting or maintaining the monopoly situation and, if so, by what uncompetitive practices or in what other way;
- (d) whether any action or omission on the part of that person or those persons is attributable to the existence of that monopoly situation and, if so, what action or omission and in what way it is so attributable; and
- (e) whether any facts found by the Commission in pursuance of their investigation under the preceding provisions of this paragraph operate or may be expected to operate against the public interest.

For the purposes of this reference 'ferry services' means the service of conveying persons, vehicles or freight by ship or other sea-going vessel.

The Commission shall report on this reference within a period of eight months from the date hereof.

17 April 1991 *(signed)* GORDON BORRIE  
Director General of Fair Trading

2. On 23 October 1991 the Director General of Fair Trading sent to the Commission the following variation to the reference:

By a reference dated 17 April 1991 the Director General of Fair Trading in exercise of his powers under sections 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 referred to the Monopolies and Mergers Commission the matter of the existence or possible existence of a monopoly situation in relation to the supply of ferry services between the Isle of Wight and the mainland of England.

The Director General of Fair Trading in exercise of his powers under section 52(1) of the said Act hereby varies the said reference by substituting for the words 'sections 6 and 8' in sub-paragraph (a) the words 'sections 6 to 8'.

23 October 1991 *(signed)* GORDON BORRIE  
Director General of Fair Trading

3. The questions in the reference are answered in the following paragraphs of the report:

whether a monopoly situation exists: paragraph 7.5;

(a) paragraph 7.5;

(b) paragraph 7.5;

(c) paragraph 7.74;

(d) paragraph 7.74; and

(e) paragraph 7.74.

4. The composition of the group of members which was responsible for the present investigation and report is indicated in the list of members in the preface.

5. A notice inviting evidence was placed in:

*Financial Times*  
*Isle of Wight County Press*  
*Hampshire Chronicle*  
*Portsmouth News*  
*Travel News*  
*Travel Trade Gazette*  
*New Forest Post*

6. We received written submissions from the operators of regular cross-Solent ferry services. These are Wightlink Ltd (Wightlink) and its parent company Sea Containers Ltd (Sea Containers), the Southampton, Isle of Wight and South of England Royal Mail Steam Packet Public Limited Company, known as Red Funnel, its associate Associated British Ports, Hovertravel Ltd (Hovertravel) and Cowes Express Ltd (Cowes Express). We held two hearings with Wightlink and Sea Containers jointly and with Red Funnel and Associated British Ports jointly and one each with Hovertravel and Cowes Express.

7. In addition we sought general evidence and views from the Department of Transport, the Isle of Wight County Council and other local authorities, a cross-Channel ferry operator, harbour authorities, firms with an interest in cross-Solent ferry services, chambers of commerce, trade and consumer associations and trade unions. The views of those who responded are summarised in Chapter 5. We undertook a comparative survey of ferry fares on various routes and the information obtained is contained in Chapter 2.

8. We thank all those who helped with our inquiry.