

Cross-Solent ferries

A report on 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



MONOPOLIES AND MERGERS COMMISSION

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**Presented to Parliament by the Secretary of State for Trade and Industry by Command of Her Majesty
February 1992**

Members of the Monopolies and Mergers Commission as at 13 December 1991

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¹These members formed the group which was responsible for this report under the chairmanship of Mr B C Owens.

Note by the Department of Trade and Industry

In accordance with section 83(3) and (3A) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or which he considers would not be in the public interest to disclose and which, in his opinion, would seriously and prejudicially affect certain interests. The omission is indicated by a note in the text.

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1 Summary

1.1. On 17 April 1991 the Director General of Fair Trading asked the Commission to investigate the supply of ferry services between the Isle of Wight and the mainland of England (see Appendix 1.1). In 1990 Wightlink Ltd (Wightlink), a subsidiary of Sea Containers Ltd (Sea Containers), carried 71 per cent of passengers, 85 per cent of cars, 94 per cent of coaches and 80 per cent of freight vehicles on the cross-Solent ferry services. A monopoly situation therefore exists in favour of Wightlink and Sea Containers.

1.2. The cross-Solent ferry services provide almost the sole means of transport for passengers, cars, coaches and commercial vehicles to or from the Isle of Wight, and are an essential part of the infrastructure of the Island. Car ferry services are currently provided by Wightlink between Fishbourne and Portsmouth, and between Yarmouth and Lymington, and by Red Funnel, a subsidiary of Associated British Ports Holdings PLC (ABPH), between East Cowes and Southampton. Passenger-only services are provided by four companies: by Wightlink between Ryde and Portsmouth, by Hovertravel Ltd (Hovertravel) between Ryde and Southsea, and by Red Funnel and Cowes Express Ltd (Cowes Express), a new entrant to the market, between West Cowes and Southampton, with Red Funnel also operating between West Cowes and Portsmouth. The routes operated are shown in Figure 2.1.

1.3. During the course of our inquiry, we received almost 600 letters of complaint, predominantly from Islanders, and mainly about the level of fares. There are no subsidies for the cross-Solent ferry services and in our view the level of fares must be considered in relation to the costs and profits of those services. Wightlink's profits are substantial at some 12 per cent of the replacement cost of its assets, but the other operators are currently making losses or moderate profits. In our view, neither the level of profitability of Wightlink nor its level of fares is sufficient in the current circumstances to be regarded as against the public interest.

1.4. Many aspects of the services have been to the benefit of their users, in particular an increase in capacity and usage of the ferry services over time, and the availability of cheap promotional fares. Island residents also benefit from some modest fare concessions. The operators will no doubt recognise it as in their own interests to continue to improve some aspects of their services to meet users' needs and alleviate some of the criticisms expressed to us.

1.5. Our inquiry coincided with an increase in competition, particularly on passenger-only services between Cowes and Southampton and with a new service between Cowes and Portsmouth, but with Red Funnel also competing somewhat more effectively with Wightlink in car ferry services. Such an increase in competition will be to the benefit of Islanders, but it is too early to say whether it will prove sustainable or develop further. It was argued to us that the ownership by ferry operators of port facilities and the difficulty of developing new port facilities would prevent new entry, but we find insufficient grounds at present to justify such a conclusion.

1.6. We have found no current aspects of Wightlink's performance to be against the public interest but the competition it faces cannot be regarded as strong. The company remains in a dominant position which could be open to abuse and there may be a need for further monitoring of its profitability and fares in the future.