

3 The cross-Solent ferry operators

3.1. At the time of our inquiry, four companies supplied cross-ferry services:

- (a) Wightlink, a wholly-owned subsidiary of Sea Containers;
- (b) The Southampton Isle of Wight and South of England Royal Mail Steam Packet Public Limited Company, called Red Funnel, a wholly-owned subsidiary of ABPH;
- (c) Hovertravel; and
- (d) Cowes Express.

This chapter describes the history and operations of these four companies; the profitability of Wightlink, Red Funnel and Hovertravel is discussed in Chapter 4.

Wightlink and Sea Containers

3.2. Wightlink operates cross-Solent ferry, harbour and holiday businesses. The ferry business was previously operated by Sealink UK Ltd (Sealink) and the harbour and holiday businesses by Sealink subsidiaries.

3.3. Sealink was incorporated as a wholly-owned subsidiary of the British Railways Board (BRB) in 1978. In January 1979 the assets and business of the Shipping and International Services Division of BRB were vested in Sealink pursuant to statute. By similar arrangements, certain harbours were transferred in 1982 from Sealink to its new subsidiary, Sealink Harbours Ltd (Sealink Harbours). In July 1984 BRB sold to Sealink British Ferries Ltd (a subsidiary of Sea Containers) all the shares in Sealink with the exception of one 'golden' preference share, which was retained by the Secretary of State in order to protect national defence interests in relation to the Sealink fleet.

3.4. Sea Containers (described in paragraph 3.6) acquired Sealink in July 1984. At that time Sealink operated ferry services on three routes between the mainland and the Isle of Wight. Two of the routes, Portsmouth-Fishbourne and Lymington-Yarmouth, were operated with multi-purpose freight, car and passenger vessels. The other route, Portsmouth-Ryde, was a passenger-only operation. In addition, Sealink Harbours operated the statutory harbours at Portsmouth Harbour Railway Jetty, Ryde Pier, Fishbourne and Lymington Pier.

3.5. In April 1990 Sealink was sold to Stena AB of Sweden. Shortly before the sale Passro (Shipping) Company Ltd (a then dormant subsidiary of Sea Containers which changed its name to Wightlink on 29 June 1990) acquired from Sealink its business of operating ferry services between the Isle of Wight and the mainland; from Sealink Harbours its business of operating statutory harbours at Portsmouth Harbour Railway Jetty, Fishbourne, Ryde Pier and Lymington Pier; and from Sealink Holidays Ltd (another Sea Containers subsidiary) its Isle of Wight package holiday business. The effect of these transactions was that Sea Containers retained the cross-Solent ferries and the associated harbour and holiday businesses while disposing of some of its other ferry interests.

3.6. Sea Containers was incorporated in Bermuda in 1974 and is the successor company to most of the businesses of Sea Containers Inc, which was incorporated in the State of New York in the United States in 1965.

The original Sea Containers Inc is now called Orient-Express Hotels Inc and is 42 per cent owned indirectly by Sea Containers. Sea Containers and its subsidiaries are engaged in three main activities:

- (a) leasing and selling marine cargo containers and containerships to liner ship operators and others throughout the world (Sea Containers also manufactures certain types of containers in seven factories in the United Kingdom, Singapore and Brazil);
- (b) operation of passenger, car and freight vehicle ferries (including high-speed craft); and
- (c) ownership and/or operation of various ports and harbours and ownership and development of real estate in the form of port land and city centre hotels.

The activities of Orient-Express Hotels Inc include the ownership and/or management of 12 de luxe hotels in Europe, North and South America, Africa and Australia; operation of Venice Simplon-Orient-Express tourist trains in Europe and merchandising of associated products; and a cruise ship operation on Lake Windermere. In addition the Sea Containers Group owns a banana plantation in West Africa and has a majority share in a small specialist publishing group.

3.7. Sea Containers' ferry and port businesses are operated through its wholly-owned subsidiary, Ferry and Port Holdings Ltd. An organisation chart detailing the structure of the Ferry and Port Holdings group is set out in Appendix 3.1.

Wightlink's current activities

3.8. Wightlink's current Isle of Wight ferry routes are the same as those formerly operated by BRB through its subsidiary, Sealink. The vessels used on each of the three routes are listed in Table 3.1. In addition, Wightlink owns *Southsea*, an older passenger-only vessel built in 1948 which is currently laid up but after refurbishment may be used for cruising on the Solent and for special events.

TABLE 3.1 **Vessels operated by Wightlink**

Portsmouth-Fishbourne route

<i>Vessel</i>	<i>Built</i>	<i>Type</i>	<i>Max passengers</i>	<i>Maximum vehicles</i>
<i>St Helen</i>	1983	MPVF	1,000 summer 905 winter	142 cars or 216 linear metres
<i>St Catherine</i>	1983	MPVF	1,000 summer 905 winter	142 cars or 216 linear metres
<i>St Cecilia</i>	1987	MPVF	1,000 summer 912 winter	142 cars or 216 linear metres
<i>St Faith</i>	1990	MPVF	1,000 summer 904 winter	142 cars or 216 linear metres

These vessels are referred to as the Saint class vessels.

Portsmouth-Ryde route

<i>Vessel</i>	<i>Built</i>	<i>Type</i>	<i>Max passengers</i>	<i>Maximum vehicles</i>
<i>Our Lady Pamela</i>	1986	PF	401	Nil
<i>Our Lady Patricia</i>	1986	PF	401	Nil

These vessels are referred to as the catamarans.

Lymington-Yarmouth route

<i>Vessel</i>	<i>Built</i>	<i>Type</i>	<i>Max passengers</i>	<i>Maximum vehicles</i>
<i>Cenred</i>	1973	MPVF	756 summer 647 winter	52 cars or 142 linear metres
<i>Cenwulf</i>	1973	MPVF	756 summer 647 winter	52 cars or 142 linear metres
<i>Caedmon</i>	1973	MPVF	756 summer 647 winter	52 cars 142 linear metres

These vessels are referred to as the C class vessels.

Source: Wightlink.

Notes:

1. MPVF=multi-purpose, passenger, vehicle ferry.
2. PF=passenger-only ferry.
3. Two of the vessels, *St Cecilia* and *St Faith*, are leased. The others are owned by Wightlink.

3.9. As well as the four statutory harbours Wightlink owns, it has long-term operating agreements with Portsmouth City Council for the Portsmouth Gunwharf terminal and with the Yarmouth (Isle of Wight) Harbour Commissioners for the Yarmouth terminal. Wightlink also markets a range of inclusive holidays to the Isle of Wight. These are sold through its wholly-owned subsidiary, Wightlink Holidays Ltd.

Wightlink's organisation

3.10. One member of the Board of Wightlink is also on the Board of Sea Containers and the Boards of the intermediate holding companies, Ferry and Port Holdings Ltd and Sea Containers Ferries Ltd. All other members of Wightlink's Board are on the Board of one or both of the intermediate subsidiaries. The Managing Director of Wightlink reports direct to the Vice-President (Ferries) of Sea Containers, who is also the Chairman of Wightlink and a director of both of the intermediate subsidiaries.

3.11. The Board of Wightlink meets quarterly to review Wightlink's performance, give strategic guidance and approve items of capital expenditure in excess of a given limit. Day-to-day operational control of Wightlink is exercised by the Managing Director and his senior management team, which consists of nine people.

3.12. The senior management team produces an annual budget for approval by the Wightlink Board. Once approved, it is combined with the budgets produced by the other companies within the Ferry and Port Holdings Group and is presented to the Sea Containers Board for ratification. The budget consists of two parts, a capital and operating budget. Any planned expenditure for the forthcoming year is included in the capital budget. The Managing Director of Wightlink has authority to incur additional capital expenditure up to £20,000 per item.

Investment

3.13. The Sea Containers Group has invested in excess of £20.4 million in the cross-Solent services since their acquisition in July 1984. In November 1991 £1.6 million had been committed on capital projects, and there was an unforeseen additional commitment of about £800,000.

3.14. The main investments made on the Portsmouth-Fishbourne route have been the introduction of two new vessels in 1987 and 1990, acquisition of land at Fishbourne and the car park at Gunwharf Road, and improvements to access and marshalling at Fishbourne. Total investment during the period 1985 to 1990 amounts to £14.7 million. Capital expenditure to date for 1991 on this route amounts to £234,000, which relates to modifications to *St Helen* and *St Catherine* (both built in 1983) and improvements to and renovation of the facilities at Fishbourne.

3.15. Over £4.1 million has been invested in the Portsmouth-Ryde service since 1984. This investment in the main relates to vessel replacement with two new catamarans in 1986. During 1991 Wightlink repaired the steelworks under the 1 kilometre roadway along Ryde Pier, a Victorian listed building, at a cost of £238,000.

3.16. Wightlink intends to replace two of the vessels on the Lymington-Yarmouth route at a total cost of about £16 million. The existing vessels were built in 1973 and larger vessels of greater capacity are needed. Because of local opposition on environmental grounds Wightlink has so far been unable to carry out its plans. It has therefore not invested significantly on this route. Investment since 1984 of approximately £309,400 largely relates to modifications and refurbishment of the three existing vessels. Wightlink plans to construct a new terminal building at Lymington and has started consultations with the planning authorities. The cost of £1.7 million appears in this year's budget, although no more than preliminary architects' fees are now likely to be incurred during the year.

3.17. Plans are being made for the complete refurbishment of Portsmouth Harbour Station Pier (to include repiling) at a cost of approximately £2 million and Ryde Pier No 1 Berth at a cost of approximately £500,000. The first project will greatly improve passenger facilities. The second will also improve passenger facilities and will reduce the frequency of service disruption owing to weather. It is planned to refurbish the passenger vessel *Southsea* at a cost of approximately £1.5 million.

Efficiency

3.18. Wightlink told us that substantial measures have been taken since privatisation to improve efficiency. These include staff reorganisations and agreements negotiated with the recognised trade unions to introduce changes to working practices.

3.19. In 1988 there was a change from an over-complicated grading system aboard the vessels inherited from BRB. This assigned duties to each rank, and was replaced with a two-tier structure. For instance, in the Deck Department the Chargeman, Senior Rating, Leading Rating, Rating/Junior Ratings and Ladies Saloon Attendant were replaced by Bosun and a general grade of Crewperson. Every Crewperson is now required to undertake a range of duties aboard ship and to be trained and obtain competency in certain specified skills, including first aid and fire-fighting. Within the restructuring, there was an overall reduction in the number of staff who formed the basic crewing levels on the Saint class vessels operating on the Portsmouth-Fishbourne route.

3.20. The wage structure was also inherited from BRB and covered all grades, including Ships Officers and Ratings. When the Isle of Wight ferry routes were owned by BRB, Wightlink's predecessor Sealink was subjected to claims seeking pay relativity between Ships Officers employed on these services and others employed elsewhere. Although the business operates seven days a week, the staff rosters formerly provided for staff to work any five days out of six from Monday to Saturday with the Sunday turns covered on an overtime basis. A principle achieved with the consolidation of pay negotiations for Ships Officers was to establish rostering throughout the seven-day week to eliminate costly overtime. A commitment was also made that services would be maintained should relief staff be delayed, for example at shift change-overs. This rostering system was introduced in May 1989. The same process is now being adopted with other grades and the introduction of changes to working practices are being linked to the simplification of payment systems.

3.21. The introduction in 1986 of the two passenger catamarans on the Portsmouth-Ryde route enabled the crew to be reduced from 16 to five. The number of crews required to maintain an hourly service was decreased from eight to five. The new vessels gave sufficient capacity for current needs, and a substantially faster journey time.

3.22. In order to improve efficiency and maintain standards, there have been other staffing changes. Specific responsibilities are devolved to senior staff on each shift. These are no longer appointed on the length of service alone, but selected on overall suitability.

3.23. All staff functions are kept under review. In certain cases this has resulted in functions being put out to contract when doing so is found to be more cost-effective; the heavy-duty cleaning on the Lymington-Yarmouth route is an example.

3.24. One measure of efficiency used by Wightlink is output per staff member. Since the cross-Solent ferry business has been run by a private sector company, vehicle traffic has become the segment of the market with most growth. Wightlink has added capacity to match this growth, both by extra sailings and additional tonnage. Car space output per staff member (based on average winter/summer staffing levels) achieved in 1985 and forecast for 1991 is shown in Table 3.2.

TABLE 3.2 **Change in staff numbers and capacity, 1985 to 1991**

	<i>Average staff numbers</i>	<i>Car space equivalents produced per staff member</i>
1985	590	4,440
1991	610	5,621
Change	+3.4%	+26.6%

Source: Wightlink.

Safety

3.25. Wightlink told us that all regulatory standards for its services were strictly complied with; indeed in some instances Wightlink's standards were higher than required, and more akin to those required for Class II (Cross-Channel) vessels. The company's Masters all have DTp certificates, which are of a higher standard than legally required. Accidents to customers and employees are shown in Table 3.3.

TABLE 3.3 Accidents to customers and employees

	1988		1989		1990		1991 to 31 October	
	Customers	Employees	Customers	Employees	Customers	Employees	Customers	Employees
Total	13	26	19	28	35	48	48	38
Per million passengers carried	2.8		3.8		6.6		10.2	

Source: Wightlink.

The accidents are analysed by categories. Wightlink told us that with one exception all were minor. The reason for the apparent increase in accidents in 1990 and 1991 was the appointment of a Ship Superintendent with specific responsibility for safety, and greater awareness by staff of the need to report accidents.

3.26. Complaints by customers are shown in Table 3.4.

TABLE 3.4 Complaints by customers

	1988	1989	1990	1991 to 31 October
	Total	163	260	433
Per million passengers	33	48	81	61

Source: MMC from Wightlink data.

These complaints are analysed into a number of categories. Wightlink told us that an improved system for recording complaints was the reason for the apparent increase in complaints in 1990.

Red Funnel

3.27. Red Funnel was an independent public limited company until 1989. It was then the subject of a take-over bid by Sally. The Directors of Red Funnel recommended an alternative offer from ABPH. This offer was accepted on 20 October 1989 and Red Funnel became part of the ABPH Group. ABPH itself was designated by the Secretary of State under the 1981 Transport Act as the holding company of ABP, a statutory corporation previously called British Transport Docks Board. In 1983 the Secretary of State offered shares in ABPH to the public, thereby indirectly achieving the privatisation of ABP. ABPH's business includes ownership of 22 ports in the United Kingdom, of which Southampton is one, and transport and property activities.

3.28. Since 1861 Red Funnel has operated an all-the-year-round ferry service between Southampton and Cowes on the Isle of Wight. Excursion trips were once run in the summer to other parts of the Island, the south coast of the mainland and to France, but with the advent of multi-purpose ferries and changes in holidaymakers' habits, this traffic declined and it ceased in 1968. In 1969 Red Funnel introduced its first high-speed hydrofoil passenger-only service between Southampton and West Cowes.

3.29. In 1981 Red Funnel acquired two hovercraft from Hovertravel to operate the shipyard commuter service between Cowes and Vosper Thorneycroft's shipyard at Woolston, Southampton. This service ceased in May 1982 owing to declining traffic. In August 1991 Red Funnel introduced a new passenger-only service between Cowes and Portsmouth.

3.30. The vessels currently operated are shown in Table 3.5.

TABLE 3.5 Vessels operated by Red Funnel

Name	Type	Date built	No of passengers	No of PCUs	Gross registered tons
Cowes Castle	Car ferry	1965	850 (summer) 583 (winter)	65*	912
Norris Castle	"	1968	850 (summer) 612 (winter)	65*	922
Netley Castle	"	1974	821 (summer) 699 (winter)	85*	1,183
Shearwater 3	Hydrofoil	1972	67	None	62
Shearwater 4	"	1973	67	"	62
Shearwater 5	"	1980	67	"	62
Shearwater 6	"	1982	67	"	62
Red Jet 1	Catamaran	1991	120	"	168
Red Jet 2	"	1991	120	"	168

Source: Red Funnel.

*If freight vehicles are carried on these vessels the total capacity is reduced to the equivalent of 50 PCUs as the mezzanine decks cannot be used because of the height of these vehicles. Red Funnel's hydrofoils and catamarans do not carry vehicles.

All these vessels are owned by Red Funnel. The three car ferries operate between Southampton and East Cowes. The catamarans operate the high-speed service between Southampton and West Cowes, and a hydrofoil operates both between Southampton and West Cowes and Portsmouth and West Cowes. The hydrofoils not in use operate as back-up vessels.

3.31. In addition to cross-Solent ferry services and tug services, Red Funnel also operates road transport and warehousing businesses through two subsidiary companies, Vectis and Andover Transport Ltd (Andover), which were acquired in 1968 and 1989 respectively. Vectis is based at Newport and provides road haulage services in, to and from the Isle of Wight. Andover operates only on the mainland.

Structure and management

3.32. A chart showing the structure and management of the Red Funnel Group is at Appendix 3.2. The Red Funnel Board has delegated responsibility to the Managing Director, thence to five department heads. The Finance Director of Red Funnel is also the Southampton Port Accountant. Mr C S Bradley, the Chairman of Red Funnel, is also Managing Director of ABP. Mr C D J Bland, a Director of Red Funnel, is also Chairman of Hovertravel.

Investment

3.33. Capital expenditure in ferry services over the six years 1985 to 1990 is shown in Table 3.6.

TABLE 3.6 Capital expenditure on ferry services, 1985 to 1991

	1985	1986	1987	1988	1989	1990	1991 to 31 October
Fast craft	2	-	-	28	890	2,575	1,067
Ferries	76	262	74	7	78	118	1
General	<u>119</u>	<u>32</u>	<u>53</u>	<u>43</u>	<u>356</u>	<u>237</u>	<u>38</u>
	197	294	127	78	1,324	2,930	1,106

Source: Red Funnel.

The main items of expenditure in the last two years have been the acquisition of new catamarans at a cost of £3,171,000. Capital expenditure on port facilities used by the ferry services averaged about £125,000 per annum to 1988, and included the ticket office at West Cowes. Since 1989 (when ABPH acquired Red Funnel) capital expenditure on port facilities has averaged over £200,000 per annum.

3.34. Red Funnel told us that current investment on fast craft was now complete, with one new catamaran delivered in March 1991 and the second in July 1991. If the initial expenditure proves to be justified, there may be further investment in a third craft in two or three years.

3.35. Red Funnel said that the existing car ferry fleet was in urgent need of replacement, with all three vessels nearing the end of their economic lives. Consultants had been employed to investigate the most suitable type of replacement vessel. A new ferry of approximately the same capacity would cost between £8 to £10 million. Potential for increased traffic and reduced operating costs would have to be demonstrated before an investment of this scale could be justified.

Efficiency

3.36. Red Funnel told us that manning levels have been reduced to the minimum consistent with both safety and efficiency. In 1985, and in accordance with revised DTp safety standards, there was a reduction in hydrofoil crews from four to three. In 1991 the posts of Terminal Attendant and Checker were amalgamated to form the new post of Terminal Assistant. Overlapping job functions enable hours of operation to be extended without taking on additional staff.

3.37. Other efficiency improvements result from a recent change in car ferry routes. The car ferry service no longer calls at West Cowes, so simplifying berthing arrangements and saving fuel.

3.38. Hours of operation have been extended and the timetable restructured so that regular sailings depart on the hour or half hour for ferries and every half hour for catamarans.

Safety

3.39. Red Funnel described its safety drills and tests which normally take place weekly but never less frequently than every two weeks. Red Funnel said that the drills were not required by law for any of its vessels but that the tests were nevertheless carried out on both its car ferries and fast craft.

3.40. Red Funnel told us that the available figures for claims for injuries by customers showed that there were nine in 1989, three in 1990 and six in the first ten months of 1991; 18 minor injuries were reported in 1990 and 15 in the first ten months of 1991. Staff injuries which were serious, or resulted in the employee reporting sick for at least three days, averaged two or three per year during the six years 1985 to 1991; minor accidents averaged under 20. Accidents to vehicles of all types averaged about 30 per year and to vessels about eight per year during the five years 1986 to 1991. In a collision between a hydrofoil and a fishing vessel in 1987 the fishing vessel was sunk, with one fatality and two injuries.

Complaints

3.41. Complaints by customers are shown in Table 3.7.

TABLE 3.7 **Complaints by customers**

	1986	1987	1988	1989	1990	1991 to 31 October
Total	32	46	54	92	153	248
Per million passengers	21	30	35	57	100	186

Source: MMC from Red Funnel data.

These complaints are analysed into a number of categories, including complaints about fares. Complaints about fares amounted to a minor proportion during the period as a whole.

Hovertravel

3.42. Hovertravel was founded in 1965. Bases were established at Ryde and Southsea and two 38-seat SRN6 hovercraft were chartered from Westland Charters Ltd. In 1966 Hoverwork Ltd was registered as a wholly-owned subsidiary of Hovertravel to provide a world-wide hovercraft charter service and crew training facility, drawing vessels and personnel from Hovertravel mainly in the low season on the Solent. During the 1970s workshops were established on the Island to overhaul and repair hovercraft. These were later developed to manufacture hovercraft under licence from British Hovercraft Corporation (a Westland subsidiary). Hovertravel told us that the Solent hovercraft passenger service has never been viable in isolation (see also paragraphs 4.25 to 4.29), but had existed as a core for the company's other activities. On occasions the company buys and sells hovercraft to augment income.

3.43. The only service currently operated by Hovertravel is Southsea-Ryde. In the past the company operated on the Southsea-Sandown, Gosport-Ryde and Southampton-Cowes routes (and also Southport-Blackpool), but all were uneconomical and were therefore terminated.

3.44. There are currently two vessels in operation, both owned and built by Hovertravel and each with a capacity of 96 passengers. One came into service in 1989 and the other in 1990.

3.45. Investment (net of disposals of hovercraft) averaged over £600,000 from 1985/86 to 1990/91, primarily on new hovercraft but also on terminal facilities, particularly at Ryde.

Cowes Express

3.46. Cowes Express was formed in 1989. It first operated services between West Cowes and Southampton in May 1990, using a chartered SES, the *Sant Agata*, with a passenger capacity of 280. After this vessel broke down, the service was discontinued at the end of June 1990.

3.47. Services were resumed in July 1991, using the *Sant Agata*, renamed the *Wight King*, and a similar vessel, the *Virgin Butterfly*, renamed *Wight Queen*. Another smaller vessel, the *Wight Prince*, has been chartered in addition for this service. Cowes Express also plans to introduce a new passenger-only service between Cowes and Portsmouth, and is investigating the possibility of introducing a new passenger and vehicle ferry service between Cowes and Southampton.