6 Views of cross-Solent ferry operators

6.1. This chapter gives the views of the four cross-Solent ferry operators, Wightlink (and/or Sea Containers where appropriate), Red Funnel (or ABP where appropriate), Hovertravel and Cowes Express.

Wightlink

The monopoly situation

6.2. Wightlink agreed that it held a scale monopoly in the supply of cross-Solent ferry services.

6.3. Sea Containers is Wightlink's ultimate parent company. Sea Containers did not accept that the extent of Wightlink's financing by the Sea Containers Group and Wightlink's relationship with the Group led to the conclusion that Sea Containers (or its intermediate holding companies) supplied cross-Solent ferry services or that a monopoly situation existed in favour of Sea Containers. Among Sea Containers' reasons were that:

(a) Wightlink's source of finance was immaterial.

(b) The intermediate subsidiary companies, Ferry and Port Holdings Ltd and Sea Containers Ferries Ltd, were holding companies established for organisational reasons. Neither holding company was involved in Wightlink's management and administration except for some common Board membership and that Wightlink's budget was combined with those of other companies within the Ferry and Port Holdings Group before presentation to the Board of Sea Containers for ratification.

(c) Day-to-day operational control over Wightlink was through the Wightlink Managing Director and his Senior Management Team. The authority given to the Managing Director of Wightlink to incur unbudgeted capital expenditure was not, in Sea Containers' view, `limited'. Unbudgeted capital expenditure of up to £20,000 per item was not insignificant in the context of Wightlink's operations.

(d) The present Finance Director of both companies was the only director of Sea Containers who was also a director of Wightlink.

Strength of competition

6.4. Wightlink said that effective competition both in price and in other respects existed between the cross-Solent ferry operators. Wightlink's consistently high share of all segments of the market during a period of substantial growth was compatible with conditions of effective competition in the market. The company had won its market share over the period 1984 to 1991 by superior efficiency and by large-scale investment wherever feasible.

6.5. The different cross-Solent routes were sufficiently in competition with each other to be regarded as a single market. In this market improved price and non-price competition drew demand to the routes where the improvements took place. Trends in market shares for coach traffic and freight provided the most obvious examples of such switching between routes. The trends for foot passengers and cars accompanied by passengers provided further evidence of this nature.

6.6. Competition from other ferry operators had recently strengthened. Under new ownership and management Red Funnel was providing more effective competition through new investment and new routes and in charges and promotional price reductions. Hovertravel had increased its capacity and gained market share. Although Cowes Express had not yet proved its viability as a competitor, the company had plainly not been deterred from entering the market (indeed it was planning to extend its services) either by market conditions or by Wightlink's established position.

6.7. The cross-Solent ferry market provided opportunities and rewards to all who invested in safety, training, reliability and frequency of services, comfort, facilities on board and ashore and efficiency and courtesy of service. However efficient a ferry service might be as a means of transport, it would not remain competitive unless it provided good value for money.

Profits

6.8. The arguments put forward jointly by Sea Containers and Wightlink on the appropriate way to measure Wightlink's profits have been given in Chapter 4. Wightlink believed that its ROCEs were not out of line with those of other ferry operators in the United Kingdom. The company did not accept that its profits should be assessed as though it were a public utility, with a low degree of risk conferred by a large market share and the necessity of using its services to cross the Solent. In fact over 60 per cent of the company's business consisted of discretionary travel originating on the mainland; Wightlink was in competition for this part of the business with transport to other leisure destinations, and for all of its business it was in competition with the other cross-Solent ferry operators. Wightlink's profits were earned in conditions of effective competition, and the cause of its continued success was its superior efficiency. The company's profits reflected this, and Wightlink pointed out how they had risen since the services were run by BR.

6.9. Fare increases were lower than the increases shown in the Transport Fare Index. Increases in profitability were attributable to increased volume of business and operating efficiency, both flowing from investment. The investment flowed in its turn from the need which Wightlink saw to improve the value for money of its services and to sustain its competitive position.

Fare levels

6.10. In setting fares Wightlink took into account its costs, market conditions (including the improvements in service on Wightlink's own routes) and the competition. Wightlink's fares compared well with those on other unsubsidised routes to island communities. They were not unreasonable, nor did they contribute to unreasonable profits either overall or on any particular route. Demand for Wightlink's ferry services had increased steadily since privatisation; indeed the increase compared favourably with the increases in demand elsewhere in the transport industry. In spite of the current recession Wightlink achieved record carryings of cars accompanied by passengers in August 1991. In the company's view the increase in demand for its services would not have occurred had it not been seen as competitive in price and in other respects.

Fare structure

6.11. Wightlink's fare structure did not distort the pattern of demand. Peak and off-peak fares were differentiated. \`Winter' fares were lower than the standard \`summer' tariff. Other measures to spread demand also existed in the form of Wight Night tickets and tactical promotions, such as the recent joint promotions with BR.

6.12. Wightlink referred to the problem of intense demand on certain summer Saturdays because of holiday change-overs on the Isle of Wight. Attempts to shift demand away from Saturdays had been unsuccessful because holidaymakers and those providing the holidays were reluctant to change over to other days from the traditional Saturday. Demand could be spread to some extent over Saturdays by requiring payment in advance except for very short-term bookings and by diverting people arriving early to sailings earlier than the sailings booked.

6.13. Wightlink said that restructuring of summer peak fares would not afford significant cost savings as most of its costs arose from the vessels and their crews. In order to lessen congestion and retain goodwill, the company was now considering whether to increase prices for days of exceptionally high demand, and thereby increase the difference between peak and off-peak fares.

6.14. The greater fare differentiation on the cross-Channel routes throughout the summer and by day of the week and time of day would not be suitable for the Solent as the ferry services were not comparable. The frequency of the cross-Solent ferry sailings was greater. Unlike travel across the Channel, travel across the Solent was usually decided upon only a few days in advance and sometimes without a clear idea of the length of stay on the Island and the time of the return journey. For these reasons greater differentiation would be inconvenient and confusing for the vast majority of customers.

Quality of service

6.15. Wightlink told us that it was proud of the quality of service it provided. Since privatisation it had achieved very significant improvements, and it would continue to improve its services in response to customer demand. The company regularly received complimentary letters from satisfied customers, and it referred to the very small proportion of complaints received in relation to the numbers carried.

Barriers to entry

6.16. There were no serious barriers to deter entry to any sector of the cross-Solent ferry services market. As recent events had shown, on-shore facilities were available and new routes could be developed. A potential car ferry operator would of course need sufficient finance to provide the linkspans and other facilities needed for a port terminal; it would be inequitable for an entrant of this kind to expect to share at minimal cost the facilities provided by an existing car ferry operator, such as Wightlink itself.

6.17. Wightlink remarked that the connection between port ownership or berth occupation and ferry operation was not peculiar to the cross-Solent routes. This reflected the investments commonly made by ferry operators in linkspans and other necessary facilities.

Freight charges

6.18. We asked Wightlink whether there was discrimination against smaller carriers or those not Island-based. Wightlink said that there was no discrimination other than in recognition of the realities of the cross-Solent freight market (and indeed freight markets generally); the regular users of Wightlink's services and those who provided the larger volume of business obtained more favourable terms.

Response to comments and complaints

6.19. The company's views given above cover in general terms the criticisms made by third parties of the monopoly situation, control of ports, the state of competition in the market and the quality of service given by the company.

6.20. Wightlink believed that the complaints about fares were not a true reflection of the opinion of most of its customers. The volume of complaint on this topic received by the Commission was minuscule in relation to the numbers carried. For reasons already given, Wightlink did not accept that fares were too high. The increase in demand showed that the level of fares was no constraint on the use of Wightlink's services by the different classes of customer. For reasons also already given, Wightlink did not accept that there was insufficient differentiation in its fares.

6.21. Wightlink commented as follows on detailed criticisms of the fare structure made by members of the public (see paragraphs 5.59 to 5.61):

(a) Motor caravans were formerly converted from car bodies, so they were no wider or longer than an average car. Most modern motor caravans were based on commercial bodies, so they were wider, heavier and higher than the average car. Motor caravans not exceeding 2.25 metres in height could be stowed under the mezzanine decks when they were in use; vehicles over this height were considerably wider and heavier than a typical car, so taking up considerably more deck space, preventing the full use of mezzanine decks and limiting the capacity of the vessel. For these reasons the concessionary fare was limited to motor caravans not exceeding 2.25 metres in height.

(b) It was not unreasonable for the Island concession for cars to be reduced to one month from three, as it was offered at a considerable discount. The current concession covered the great majority of typical journeys.

(c) The reasons for the abolition in 1991 of the midweek car return fares were lack of demand, and as a step in simplifying the fare structure for the benefit both of users and operators.

(d) Wightlink kept opportunities for promotional fares under review; such fares should be available to all sections of the community, and not pensioners alone. No monthly return promotional bargains had ever existed. In the past 12 months Wightlink had offered Islanders two day-return promotions.

(e) There had never been a Wightlink 11'3" vehicle rate.

(f) Wightlink favoured the idea of including the driver in the car fare in principle, and hoped that enumeration difficulties with ticketing machines preventing its adoption would be overcome by summer 1992.

(g) Reduced parking fees for season ticket holders on Ryde Pier already existed. Fees at Lymington compared favourably with the parking fees of BR and local authorities.

(h) If there were differential passenger rates, many journeys could not be through booked with BR, so two separate transactions would be needed. Wightlink already gave an Island concession for cars.

(i) Concessionary foot passenger fares existed on the Portsmouth-Ryde catamaran service for children, groups, old age pensioners with a railcard, day-return passengers, half-day-return passengers, disabled railcard holders and season ticket holders.

(j) Concessions for students and other railcard concessions were withdrawn after privatisation. Wightlink believed that such concessions were unlikely to generate extra ferry business. It would now be inappropriate to include the ferry crossing in the BR Rover ticket as no revenue would accrue to Wightlink.

(k) As regards the idea of a five-day Island concession for working people, Wightlink said that the existing seven-day season ticket represented a discount even when used for only five days. It was travel industry practice to issue weekly seasons, and if Wightlink were out of line ticket holders might be put to the inconvenience of three tickets, one for the mainland rail journey, one for the ferry and one for the Island journey.

(l) If day returns and ordinary returns did not differ the discretionary traveller would not be encouraged to travel. The reduced day returns (and half-day returns) were generally welcomed.

(m) There was no such thing as a `summer surcharge' for coaches, a point raised by an association of pensioners. Rather there were winter concessionary rate contracts for Island coach operators running

multiple journeys. The intention was to generate off-peak coach business. And the object of all Wightlink's reduced winter rates was to stimulate demand during the off-peak period.

6.22. As regards complaints about the cost of attending mainland hospitals for treatment not available on the Island, Wightlink said that the Department of Social Security met the cost for people in receipt of family credit or income support, and others on low incomes could also claim. For this reason Wightlink withdrew its proposal to the Health Authority for a concession for patients travelling to the mainland for treatment.

6.23. Wightlink commented as follows on complaints about fares from businesses (see paragraph 5.39):

(a) As regards the allegation of faster rises over the last six or seven years in the charges for cross-Solent transport than for inland movements, the components of ferry operating costs differed considerably from those of road haulage, so there would almost certainly be a differential in the rate of price increases. Wightlink denied that its charges had risen faster than those for inland movements.

(b) Without details, the company could not deal with an allegation that an Island football club did not receive a discount for multiple journeys annually.

(c) Extending the Island concession for cars to commercial vehicles of similar size when used privately would create great difficulties of definition and interpretation.[1]

(d) In response to a complaint that there were no commercial day returns, Wightlink said that almost all commercial vehicle movements were on a day-return basis so the rates did not vary with the duration of the journey.

(e) Horse trailers (and lorries) in fact obtained livestock reductions. Trailer charges were based on the freight rate per metre and towing cars were charged at the appropriate car rate.

(f) There was no discrimination between Island and mainland hauliers; charges for animal feed and livestock deliveries were on a set metre rate.

(g) Regular business travellers did receive large discounts. For cars, users could buy books of tickets at a discount from the full fare. In order to avoid misuse, discounted season tickets and books of tickets were not transferable unless agreed by Wightlink with the company or user concerned.

Remedies

6.24. In sum Wightlink's view of the market was that it was competitive, with no barriers to entry. The company was efficient and conducted its affairs fairly and without detriment to the public interest. Neither Sea Containers nor Wightlink took any steps for the purpose of exploiting or maintaining the scale monopoly situation. No action or omission was attributable to the existence of this situation. For these reasons Wightlink submitted that it should be allowed to continue providing its cross-Solent ferry services without the imposition of external controls or regulatory intervention.

6.25. We did, however, discuss with the company possible general remedies which might be applied if we should find in our inquiry any facts which operated or might be expected to operate against the public interest.

6.26. In discussion we said that a divestment remedy might follow from an assumption that the cross-Solent ferry routes together formed a single market, with the aim of introducing competition. Wightlink said that experience elsewhere showed that divestment would not cause fares to fall significantly, since all competitors sought to protect their investments by operating profitably. Costs would probably rise because of the loss of economies of scale and the fragmentation of management and management systems. Both competitors could make losses. Rises in fares would probably be the final consequence.

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[1] Red Funnel's Isle of Wight concessions allow commercial vehicles up to 18 feet in length to travel at private vehicle rates when not engaged in commercial activities.

6.27. Wightlink said that a remedy of price control on the assumption that profits were high would be counter-productive; it would destroy the company's motivation to invest in the services and to improve and expand them.

Red Funnel

Competition

6.28. Red Funnel told us that the cross-Solent ferry services were not homogeneous in their nature or the nature of those who used them. Fast craft only carried foot passengers; car ferries carried trucks, cars, coaches, caravans and trailers as well. The berthing requirements (and the associated costs) of fast craft and car ferries differed considerably. Red Funnel shared the fast ferry route from Southampton to West Cowes with Cowes Express; for the rest the different competitors served different routes. These functional and operational differences strongly affected the nature of competition between the ferry operators, and the different categories of customer varied in responsiveness to the competitive elements in this market. These consisted of price, convenience of location and quality of service in its several aspects.

6.29. Commuters and other regular travellers on a particular route, especially foot passengers, had least flexibility to start and finish their journeys near the terminals of one particular route. Other foot passengers such as day trippers might use either fast craft or car ferries. The location of the terminal was less important for passengers accompanying cars and coaches (or for their coach or tour operator or Island hotelier). They had greater freedom to choose ferry routes, and price and the other elements of competition had greater weight in their choice of route. For freight, choice of route was usually determined entirely by price, but a haulier carrying food or perishables might be prepared to pay a higher price for space to be regularly available at a convenient time. The company could not offer figures for differences in cross-price elasticity but said that for similar services offered by the different ferry operators price elasticity was comparatively high. Sufficient users of each of the cross-Solent ferry routes were able to switch readily to another route to make demand on each route quite price sensitive; the routes operated within the same market. The substantial similarity in charges for ferry services of the same kind were evidence of this constraint on pricing by individual operators. Such similarity in pricing in spite of Red Funnel's higher variable costs was not to be expected without the constraint of competition. Red Funnel's poor profitability in recent years also showed that the company had no power to price independently.

6.30. Red Funnel did not think that the stability in market shares in recent years was an indication of weak competition; rather it was a reflection of a static market. While the total market had grown, recent improvements in Red Funnel's services had led to greater numbers of cars carried, but not greater market share in this sector. In the fast ferry sector, the entry of Cowes Express had taken up the expansion in the market. Red Funnel expected that the attention it now gave to the coach sector would lead to improved market share in this sector in future.

6.31. The last decade had seen improvements in the service offered by Wightlink and Red Funnel, and increased competition on the cross-Solent routes. Wightlink under new ownership had become a formidable competitor; Wightlink had invested substantially in new vessels and better facilities on shore and had put much more effort into advertising and marketing. Red Funnel itself had recovered much lost ground under new management appointed after its acquisition by ABPH. There had been major investment in the two Red Jet catamarans. The timetable and sailing frequencies had been extended. More attention was given to marketing, for example through recent promotions intended to attract more visitors to the Island in the low season and also to attract business away from its competitors. The company was considering sites on Southampton Water for an additional terminal which could halve crossing times. In August 1991 Red Funnel started a new hydrofoil service from Portsmouth to West Cowes. The new Cowes Express fast ferry service from West Cowes to Southampton had succeeded in affecting Red Funnel's business substantially.

Fares

6.32. Red Funnel commented on the volume of public complaints we had put to the company, mainly on the level or composition of fares, but also on the topics of the state of competition, quality of service and control of port facilities.

6.33. Red Funnel was aware of concern by passengers about the level of fares, particularly from those who regarded themselves as having limited income but who wished or needed to travel between the Island and the mainland from time to time. Over the years the company had offered fare concessions to Island residents and old age pensioners but found their economic or commercial justification doubtful. If social needs to use the cross-Solent ferries remained unsatisfied at the present level of fares, as indeed some of the individual complaints put to Red Funnel suggested, the company considered that the remedy lay in appropriate financial support by central or local government for the individuals concerned. There was a balance between the need to remain profitable and pricing at a level which would reduce demand. Fares were not excessive and profits were low, especially in the light of the cost of necessary fleet replacements.

6.34. Red Funnel recognised that further improvements in its performance might be possible. Although the prospects for growth in the market were very limited, some prospect for growth lay in greater differentiation between peak and off-peak prices, and the company was testing this possibility by various new promotions, including differentiation by time of day as well as day of the week or season of the year.

Quality of service

6.35. Red Funnel recognised that its car ferries urgently needed replacement with modern craft with better facilities; moreover it would be uneconomic to convert the present ferries to comply with revised safety standards to be introduced over the next few years. The matter was one of continuing concern to and deliberation by the company, mainly because of the unpromising and uncertain outlook over the life of the replacements. The new catamarans for the fast service offered improved accommodation and capacity, and they were more reliable and could sail in worse weather than the hydrofoils. Timetable improvements had been made both for fast ferries and car ferries. Red Funnel knew that ending the car ferry service to West Cowes was unpopular with some local residents, but this was done in order to allow hourly services for the car ferries for East Cowes, a simplification of the timetable that had proved popular. Connections between sailings and Southampton railway station were equally convenient for car ferries and the fast craft. For the latter a booking system with its associated costs was not needed because they rarely ran at capacity. The car ferries did lack capacity at times, particularly for cars at the peak holiday period. Pre-booking, although the system was sometimes abused, was the most equitable solution. If new car ferries were acquired, Red Funnel would endeavour to have the vessels designed so as to give greater vehicle capacity while still capable of manoeuvring in Cowes.

Access to port facilities

6.36. Red Funnel told us that a new cross-Solent ferry operator could without difficulty either obtain access to the existing port facilities at Southampton, provided that a berth was physically available at the time requested by the operator and that he was willing to pay the going rate of charges, or construct new facilities at a number of other suitable sites. Neither Red Funnel nor ABP had raised any difficulties for new entrants or new services to be provided by ferry operators already in the market. The capital investment necessary was the only barrier to entry. This was not insuperable, as current developments showed.

6.37. We discussed with ABP the Southampton harbour facilities used or to be used by Cowes Express, and the charges made for them. ABP told us that harbour dues for the Cowes Express berth at Town Quay were fixed in negotiations with Cowes Express; the site charges were the same as those agreed by Cowes Express with ABP's predecessor in title for the Town Quay site. It had been agreed that Cowes Express should move to a long-term berth in the Empress Dock in December 1991, and ABP told us that the financial terms were in accordance with what Cowes Express had proposed. During our inquiry Cowes Express put to ABP proposals for the operation of a Southampton-Cowes car ferry service from an Empress Dock berth adjoining the new Cowes Express fast ferry berth. As a port owner ABP was legally prohibited from refusing access to Cowes Express (or any other ship operator) offering to pay the harbour dues. If Cowes Express disputed these dues an appeal would lie to the Secretary of State under section 31 of the 1964 Harbours Act.

6.38. ABP told us that all of the rates payable by Red Funnel with the exception of land rents were negotiated on a commercial footing each year. The land rent was fixed some years ago and was due to be renegotiated in 1992, when a commercial rent would be sought.

Remedies

6.39. As already stated, ABP had done nothing through control of port facilities that raised difficulties for ferry operators seeking to enter the market. Ports legislation offered adequate remedies for any unreasonable port dues that might be imposed. It would be entirely wrong and unjustified to divest a port owner who also owned ferries of the existing berthing rights and the land itself. The consequences of such divestment would reach far beyond the Solent crossings. ABP identified 14 other United Kingdom ports whose owners ran ferry services from them.

6.40. Red Funnel was not in a monopoly situation, but commented that ports legislation would equally offer remedies for any action by Wightlink detrimental to competition, either as a port owner or through existing berthing rights. Red Funnel also commented on the effects of divestment of or price control over Wightlink's operations as remedies for any public interest detriments. Divestment of any of Wightlink's routes, services or vessels would have no material commercial effect on Red Funnel's competitive position, and none on the justification for investment in new car ferries by Red Funnel. If a new ferry operator were to commence an identical service on the same route as an existing operator, there would be a danger of producing two loss-makers on the route, something which was already likely on the West Cowes-Southampton route because of the existing direct competition between Red Funnel and Cowes Express. Price controls applied to Wightlink's fares would apply indirectly to Red Funnel's fares as well. If such controls affected Red Funnel's revenue, the justification for investment in new car ferries would become even more uncertain.

Hovertravel

6.41. In Hovertravel's view the Solent crossings formed three distinct markets: the eastern routes, where Hovertravel was in competition with Wightlink; the Southampton-Cowes route, where Red Funnel was newly in competition with Cowes Express; and Wightlink's route from Lymington to Yarmouth on the west of the Island. Even on the eastern routes the local foot passenger market was arguably divisible into Wightlink's rail passenger traffic and into the large proportion of the car passenger traffic which Hovertravel carried.

6.42. Hovertravel had stood up well in competition with Wightlink. Hovertravel was unassailable on its own route from Southsea to Ryde because amphibious hovercraft were the only vessels capable of landing on the shore at Ryde at all states of the tide. The recent trend in foot passenger traffic (mostly people using cars for part of their journeys) from Wightlink's catamarans towards Hovertravel's hovercraft was probably caused by recent developments which provided better parking facilities on both shores of the Solent adjacent to Hovertravel's terminals. In some cases Hovertravel's published fares were now slightly below Wightlink's, but the average fare per passenger was slightly higher because of different discount structures. Given

Hovertravel's increasing market share, the company believed that its fares had had some effect on Wightlink's business. It believed that they had had none on Red Funnel because Red Funnel's market was separate.

6.43. The company did not consider that there was scope for more competition either through new (or revived) routes or by new entrants to the market. Red Funnel's Red Jets and extended early and late sailings had strengthened its position on the Southampton-Cowes route. Cowes Express would not succeed on this route, even if it won half of the fast ferry traffic from Red Funnel. Hovertravel had stopped its own former service on this route when it was found uneconomic in spite of taking half the fast ferry pedestrian traffic. Nor did Hovertravel think that Red Funnel would succeed with a hydrofoil service on the Cowes-Portsmouth route. People were conservative in their travelling habits and would not travel from Cowes to Portsmouth any more than they would travel, say, from Ryde to Southampton. Generally Hovertravel saw no room in the Solent for extra ferry operators whether of fast craft or car ferries; indeed except for Southampton there were no suitable port sites for new operators or sufficient berthing slots for them in the existing ports. It should also be remembered that the larger the number of operators the larger the costs which had to be met from a static or falling pedestrian market.

6.44. Service offered to the public by Wightlink and Red Funnel was good, although Wightlink's car fares might be considered high. Should a price control remedy be imposed on car ferry traffic for any detriment to the public interest, Hovertravel thought that its own business would not be affected. Divestment of a Wightlink route would bring no price benefit to the public since the disposal price would of itself force the buyer to charge prices similar to the former Wightlink prices. Hovertravel itself would be interested in bidding for a divested route.

Cowes Express

6.45. Cowes Express told us that the company was formed in 1989 to seize the market opportunity offered by the deficiencies in service in Red Funnel's monopoly on the Southampton-Cowes route. The company first considered buying Red Funnel in order to do so, but Red Funnel was acquired by ABPH, and Cowes Express decided to enter into competition with Red Funnel by running a fast passenger service between Thetis Wharf, West Cowes, and Southampton, using a berth which adjoined a dockside development by the Bargate Dunning Group. Site charges as well as vessel and passenger dues became payable to ABP after Bargate Dunning went into liquidation. Negotiations commenced in April 1989 and agreement was reached with ABP in May 1990. Cowes Express told us that it found the dues imposed under a three-month agreement with ABP excessive. Cowes Express did not appeal to the Secretary of State under section 31 of the 1964 Harbours Act because it was imperative to get its service started. This was discontinued after one month in June 1990 because a longer-term arrangement with ABP had not been reached, the sole vessel then in service had broken down and financial problems arose in consequence.

6.46. For the service resumed in 1991, Cowes Express told us that it had reached agreement with ABP for the use of the Town Quay berth until December 1991. It had also been agreed that Cowes Express should then move its berth to the Southampton Ocean Dock, and obtain a lease from the appropriate ABPH subsidiary for the adjoining land needed for a terminal building and car parking.

6.47. Cowes Express considered that its earlier difficulties with ABP showed that it was anti-competitive for the owners of major port facilities such as Southampton to acquire ferries operating from their own ports and so discriminate against other ferry operators serving the same routes. The difficulties had the effect of delaying Cowes Express' own entry into the market, until a time when Red Funnel had improved its own performance. Red Funnel had abused its monopoly situation on the Cowes-Southampton route over the last seven or eight years and should not be able to shelter under the wing of a benevolent port authority.

6.48. Cowes Express told us that Wightlink had achieved its position in the whole market for cross-Solent ferry services by good management and by providing the services which the customer and the Island required. Little could be found at fault with these services, and Cowes Express referred in particular to Wightlink's recent and intended investments in its fleet and improved terminal facilities and to the benefits of the interchangeable ferry ticket system. Cowes Express did not consider that Wightlink dominated the cross-Solent ferry markets to the disadvantage of its competitors.

6.49. The company considered that there were separate markets for passenger traffic on the different routes, the choice of which was determined largely by origin and destination of the journey.

6.50. Cowes Express referred to the lack of subsidy for the Isle of Wight's economy and transport links with the mainland. A direct method of subsidy for the ferry operators would be to remove passenger and vessel dues at the cross-Solent ports. This would enable passenger fares to be lowered by over £1.