



# Notes of evidence

Name of meeting	<b>POLICY COMMISSION FOR BUSINESS AND INFRASTRUCTURE</b>
Date and time	<b>WEDNESDAY, 7 JANUARY 2009 AT 6.00 PM</b>
Venue	<b>COMMITTEE ROOM 1, COUNTY HALL, NEWPORT IOW</b>
Commission	Cllrs Jonathan Fitzgerald-Bond (Chairman), Henry Adams, Charles Hancock, John Hobart, Peter Humber, Ian Ward
Officers Present	Jon Baker (Democratic Services), Ashley Curzon (Economic & Tourism Development), Paul Thistlewood (Democratic Services)
Stakeholders	Richard Box (Hovertravel), Ian May (Hovertravel), Peter White (Hovertravel)  James Cooper (Red Funnel), Jonathan Green (Red Funnel), Richard Scott (Red Funnel),
Apologies	Cllr Roger Mazillius

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1. **Notes of Evidence**

RESOLVED

The Notes of evidence arising at the meeting held on [8 October 2008](#) were agreed

2. **Declarations of Interest**

2.1 There were no Declarations of Interest received.

3. **Public Question Time**

3.1 There were no Questions received.

4. **Policy Commission Briefing Document - Multi-Storey Car Parks Feasibility Study**

4.1 The Commission was advised that following communication with various car parking management companies, 4 of which had been engaged in detailed discussions, there had been no forthcoming commitment to proceed with any Multi-Storey Car Parks on the Island.

4.2 This was due to several factors being taken into account that included the volatile fuel costs and the economic climate, the Eco Island Agenda that discourages the use of

the car as well as the limited car parking revenue due to the resident's car parking permit scheme.

- 4.3 It was suggested that the door on the proposals should not be shut entirely and a return to the feasibility Study could be revisited in the future.
- 4.4 Whilst the Multi Storey Car Parking scheme was not considered viable, the use of the Park and Ride facilities, particularly at Somerton near Cowes was highlighted. It was suggested that future discussions with ferry operator, Red Funnel with a view to looking at working together on a better Park and Ride scheme that would alleviate the problems of commuter parking within Cowes, could be explored.
- 4.5 The Interim Managing Director of Red Funnel stated that he would welcome any discussions on improving the Ferry Service to its customers.

#### RESOLVED

- (i). THAT the Enquiry into the Multi-Storey Car Parks Feasibility Study be removed from the Policy Commissions work plan and revisited at a more appropriate time.
- (ii). THAT the possibility of expanding the Park and Ride facilities at Cowes be explored with a view to open discussions with Red Funnel.

### **5. Cross Solent Travel Costs**

#### Red Funnel

- 5.1 The Chairman welcomed the Interim Managing Director, the Sales and Marketing Director and the Finance Director of Red Funnel to the Meeting and reminded all that the purpose of the enquiry was not to demand that lower ferry fares be implemented, but give the ferry operators the opportunity to provide the Commission with evidence to support their business and fares structure.
- 5.2 The Interim Managing Director of Red Funnel reported that the company had experienced a good 2008 and that there had been a 20-30% increase in car and foot passenger sales.
- 5.3 Previous investment within the company had resulted in new ferries being acquired as well as modifying existing ships to cater for more vehicles.
- 5.4 It was planned that future investment would see new Red Jet vessels being introduced at some time between 2012 and 2013.
- 5.5 There was also a need to provide investment in the companies IT system that would help customers book fares more effectively and take advantage of better ticket prices.
- 5.6 The Commission was advised that Red Funnel would be looking at improving capacity at times when custom was traditionally quiet. Whilst the company continued to thrive at peak season, particularly Bank Holidays, there was a need to increase custom at less popular times.
- 5.7 The Interim Managing Director of Red Funnel suggested that very low fare prices could be offered at off peak times and a system of booking such cheap tickets could be introduced, mirroring that of the Air Travel industry. The Commission was informed

that there were also plans to offer loyalty discounts to regular users of the high speed Red Jet service.

- 5.8 Whilst the company had not introduced any fuel surcharge as a result of the increasing oil prices, it did introduce an across the board increase of 50p for all foot passengers as well as a 6% increase on peak rate crossings for vehicles. Such an increase also took into account the increases in insurance and labour costs.
- 5.9 Red Funnel would continue to offer Island Hotels discounted fares for their residents, although it was accepted that such deals would more than likely be taken up by passengers who would find the Southampton to Cowes route more convenient. Similar deals with other ferry companies could also be agreed for those visitors who found the other routes more suitable.
- 5.10 Members were advised that as well as large hotels being able to work with other ferry operators to secure discounted deals, it was also be possible for smaller hotels to work together in order to achieve a similar package.
- 5.11 It was noted that, excluding freight business, approximately 85% of Red Funnels custom came from the mainland. This meant that promoting the Island as a Holiday destination was crucial to the company's future and the Finance Director of Red Funnel advised Members that the annual budget for tourism promotion was their fifth largest cost base.
- 5.12 Members were advised that whilst foot passenger fares have risen above the RPI rate, cars, coaches and freight fares had by and large been below inflation. The Commission was also advised that fuel costs were even more crucial owing to the duration of the journeys of both Car and Red Jet Ferries being more than twice the length of journeys undertaken by similar competition vessels.
- 5.13 It was stressed that East Cowes would always be critical to the business of Red Funnel; however, there were some reservations about SEEDA's proposals surrounding the East Cowes Development.
- 5.14 The Interim Managing Director of Red Funnel was keen to point out that the custom as a result of the music festivals was very welcome and despite the inclement weather for the Bestival in 2008, the company enjoyed a profitable period.
- 5.15 The company was also keen to promote good employment prospects for its 450 staff and a programme of cadetship was available to some members of personnel as well as graduate and non graduate training. Courses in accounting were also available to staff at local colleges. Of the 450 total staff employed, a third accounted for Island residents.
- 5.16 Members questioned whether any future high speed boats would have better facilities in order for people to be able to take bicycles across the Solent. Whilst the current Red Jet vessels were not able to take standard bicycles for Health and Safety reasons, such facilities may be possible on future vessels.

### Hovertravel

- 5.2 The Chairman welcomed the Interim Chief Executive, the Finance Director and the Business Development Director of Hovertravel and Hoverwork to the meeting.

- 5.3 The Interim Chief Executive of Hovertravel and Hoverwork gave a PowerPoint presentation on the Company and the services that it provides.
- 5.4 Members were told that Hovertravel had been providing a high speed cross Solent ferry service since 1965 and offered a crossing every 15 minutes with a turnaround of 5 minutes. Hovertravel employs 78 people at Ryde and operates 3 BHT130 Crafts. The company also offers a small but important parcel service between the Island and the mainland.
- 5.5 The service was subject to relatively high crew costs because of peak time frequency and a personalised service, as well as being exposed to high fuel and maintenance expenses.
- 5.6 The load capacity of each craft fluctuated depending on the time of day, but generally at peak commuter times each craft would run at approximately in excess of 80% capacity, whilst during off peak times the figure would be around 25% or less.
- 5.7 Passenger numbers also depended on the season when during the month of August an average of 110,000 passengers would be carried across the Solent as opposed to an average of 50,000 during the winter months. From June to September the Hovercraft would account for some 33% of all cross Solent foot passengers.
- 5.8 The Commission was advised that during the oil crises, a fuel surcharge was implanted in July 2008. This was due for review in February 2009 and, subject to the condition of the market, there was a possibility of the surcharge being removed.
- 5.9 The current method of acquiring tickets for Hovertravel was only in person at the terminal although internet booking was being looked into with a similar system to that of the Airline Industry being explored. Such a new system would mean investing some £400 K.
- 5.10 Members were advised that whilst the cost of a single fare to Portsmouth had risen slightly above the RPI rate, the cost of all other fares had risen below the rate of inflation.
- 5.11 The Commission was also advised that 60% of Hovertravel custom was from the Island and that there was plenty of potential from the mainland to improve business with plans to raise greater awareness of the service being considered highlighting the benefits.
- 5.12 One benefit of the service was that of a free shuttle bus that would collect passengers from the terminal at Southsea and transport them to the Hard Interchange at Portsmouth Harbour enabling connections to train and coach services. There were no plans however for a similar service on the Island due to connecting services being within easy walking distance of the Hover Terminal in Ryde.
- 5.13 Hovertravel also stated that they would be happy to carry out sponsorships of any local events, provided that it fell within the company's budget constraints.
- 5.14 The Interim Chief Executive of Hovertravel and Hoverwork reported that in addition to the passenger services offered to the public between Ryde and Southsea, there was also a successful manufacturing facility based at the Duver in St Helens on the Island that built new BHT130 craft in 2007 that were used on the cross Solent service as well as being contracted to build other craft for various customers. One recent example

had been the completion of an AP-188 hovercraft built for the Canadian Coast guard with delivery due in January 2009.

5.15 Hoverwork on the Island employs 43 staff at the Duver and in 2008 secured the acquisition of Griffon Hovercraft in Southampton that specialise in the manufacture of smaller craft. Of these, 100 were in service around the world within the military, coastguard and paramilitary sector. Such an acquisition would create an Opportunity to cross-fertilise, build the hovercraft market and grow the world's best hovercraft company helping to compliment and grow the manufacturing base on the Island.

5.16 Hoverwork would also be exploring the possibility to create apprenticeships in design and skirt manufacturing, with Southampton University being approached.

5.17 All the directors from Hovertravel welcomed the imminent start of the Ryde Gateway (Interchange) project and were looking forward to the benefits that it would bring to Ryde and Hovertravel customers.

**6. Members Question Time**

6.1 There were no questions submitted

CHAIRMAN.....DATE.....