

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Environment and Transport
Date:	19 September 2017
Title:	Hythe Ferry Subsidy
Report From:	Director of Economy, Transport and Environment

Contact name: Peter Shelley

Tel: 01962 847212

Email: peter.shelley@hants.gov.uk

1. Executive Summary

- 1.1. The purpose of this paper is to seek approval to continue the support Hampshire County Council has provided to the Hythe Ferry service for over 30 years, towards the provision of an environmentally friendly alternative transport link for commuters, shoppers and visitors and to support the local economy.
- 1.2. This paper sets out the context of the subsidy request, the background to the involvement of the County Council in the Hythe Ferry service, and the prospects for the new operator which took over the service in April 2017.

2. Contextual information

- 2.1. The Hythe-Southampton ferry is a long established link which has operated for some 700 years. The previous operator ran the service from 1993 until early in 2017 after two changes of provider in the early 1990s. The ferry offers an environmentally friendly alternative to the heavily trafficked A326, and provided 214,418 passenger journeys in the year to 31 October 2016.
- 2.2. This service carries both pedestrians and cyclists who are commuters, shoppers and visitors to both Southampton and Hythe. The ferry links with bus services at both ends, including to the summer Beach Bus tourist service in Hythe, and to both the Solent Way and Hampshire coastal cycle path in Hythe.
- 2.3. Waterborne transport is seen as offering a potential option for coastal communities, and maintaining the Hythe Ferry could offer the basis for future proposals. The ferry service is largely commercial, but Hampshire County Council has provided funding towards the service since the early 1980s at least, through grants towards vessels and the terminals, licence costs, and subsidies. The County Council has provided an annual operating subsidy since 1995. This has been unchanged since 2009 at £55,788 a year. It is paid monthly in arrears. In addition, the County Council pays an annual licence fee of £2,000 to ABP for the use of the terminal at Town Quay, Southampton.
- 2.4. Funding is provided to the incumbent operator of the day, as the operator of the ferry also owns the ferryboat and Hythe pier, which are essential for the operation of the service.

- 2.5. No request for an increase to the subsidy was received from the previous operator.
- 2.6. Blue Funnel Ferries Ltd has, through a company buy out of Hythe Ferry Ltd, taken on the operation of the passenger ferry service between Hythe in Hampshire and Southampton since April 2017. Hampshire County Council provided a grant of £50,000 in April 2017 to enable a replacement vessel to be chartered whilst the normal ferryboat was overhauled so that the service could continue without interruption for the convenience of users and to support the future of the link.
- 2.7. Blue Funnel Ferries Ltd took over the Hythe Ferry after the previous ferry company declared that it was no longer viable for it to continue. Blue Funnel has plans to improve the current vessel, which is getting towards the end of its operating life, and eventually to replace it. The company has bought the Hythe Ferry on the basis that it sees definite potential for the ferry service, but to meet modern customer expectations and to improve reliability, which is essential to retaining regular passengers, the company is seeking an annual subsidy towards improvement costs in the year April 2017 to March 2018 of £75,000 and subject to CPI for future years, if the subsidy continues.

3. Finance

- 3.1. Where County Council contracts have a provision for an inflation increase, the Consumer Prices Index (CPI) is used. The monthly CPI figure for January 2009 when the most recent subsidy figure was set was 84.9, and that for December 2016 was 101.9. If this had been applied, the annual subsidy would have increased to £66,945.60.
- 3.2. The Hythe Ferry has been in receipt of subsidy funding from the County Council since 1995, the most recent annual amount of £55,788, paid until March 2017, was unchanged since 2009 as noted above. Blue Funnel is seeking to reinstate the subsidy paid to the previous operator whilst it develops the service, but has requested that this be increased to £75,000 a year, and that the subsidy be subject to an annual inflation increase in the future.
- 3.3. Southampton City Council contributed funding towards the Hythe Ferry, latterly £7,000 per annum, but this ceased in 2013.
- 3.4. The annual licence fee of £2,000 that the County Council pays to ABP for the use of the terminal at Town Quay, Southampton, would continue.
- 3.5. The proposed subsidy of £75,000, together with the £50,000 grant for replacement vessel charter in April 2017, which has already been paid, are within the available 2017/18 ferries budget, which is part of the public transport budget.
- 3.6. The proposal is for an annual subsidy for the current year, with an option to extend for a second year when a clearer picture of the development of the ferry service under the new operator should be apparent. The payment for the second year if approved, and if the option is exercised, would be uplifted by CPI for December 2017.

4. Performance

- 4.1. If agreed, the County Council would be supporting the Hythe Ferry service to the extent of £75,000 subsidy and £2,000 ABP licence annually, a total of £77,000 per annum. Based on the most recent year's passenger numbers, this would equate to 0.359p per passenger journey compared to a benchmark of £1.67 for subsidised bus journeys.
- 4.2. The subsidy payment, if approved, would be subject to the requirement that Blue Funnel Ferries Ltd enter into and complete a subsidy agreement for specific requirements in relation to the operation of the ferry service. This will include, but not be limited to, timetable, licensing, insurances, and agreed standards for the operation of the service.
- 4.3. The subsidy agreement will set out the level of service and standard of operation that the County Council requires of the ferry service in return for continuing to provide a subsidy. The agreement will allow the County Council to give one month's notice that the subsidy arrangement will cease in the event of defined unsatisfactory service. Either party can terminate the agreement with three months' written notice.

5. Other Key Issues

- 5.1. Reinstating the annual subsidy payment which the service has received since 1995 would be consistent with the grant made by the County Council in April 2017 in supporting the new operator in taking over and developing this long established transport link.

6. Future direction

- 6.1. The new operator sees a positive future for the Hythe Ferry service. Waterborne transport is seen as offering a potential option for coastal communities and maintaining the Hythe Ferry could offer the basis for future proposals.
- 6.2. Given the pressures of the current financial climate, the County Council will regularly need to review all its revenue expenditure, and so no long term guarantees can be given for future revenue funding. The operator is encouraged to develop a financially sustainable model in the future, reducing dependency on County Council subsidy.

7. Recommendation

- 7.1. That the Executive Member for Environment and Transport gives approval for an annual subsidy payment of £75,000.00 to Blue Funnel Ferries Ltd towards the operation of the passenger ferry service between Hythe in Hampshire and Southampton, for the period 1 April 2017 to 31 March 2018, with the option to extend for one year for the period 1 April 2018 to 31 March 2019, to be met from the public transport budget.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

The decision will provide for the continuity of this service, and so no disproportionate impact upon people with protected characteristics is anticipated.

2. Impact on Crime and Disorder:

2.1. The proposal is not expected to have any impact on crime and disorder.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

The proposal continues support for waterborne transport which provides an environmentally friendly alternative to using the busy local road network.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Waterborne transport provides an option for an environmentally friendly transport alternative for coastal communities. Continuing support for the Hythe Ferry could provide the basis for a wider network in the future.