Executive Summary

This Strategy

This strategy aims to provide a long-term programme for investment in the Mersey Ferries operation to 2034/35, with the goal of maximising the benefit they bring to the local population and economy relative to the costs involved. The strategy sets an overall approach within which Merseytravel can consider the alternatives for service delivery in the future.

Vision

Ferry services across the River Mersey are one of the most recognisable images and associations with the Liverpool City Region (LCR). They have served local residents for many centuries, providing vital commuting and trade links between the Wirral and the city centre. More latterly, as the visitor economy has grown, day trippers and tourists have become an increasingly important part of the passenger mix. The Ferries play a recognised role in attracting such visitors to the LCR, forming part of a wider visitor offer which has already helped to make Liverpool one of the top five most visited towns and cities in the UK. This strategy aims to ensure that the Ferries continue to fulfil these roles.

However, the operation has faced a number of challenges which have led to a steady increase in the amount of public subsidy and support it requires. The development of the Merseyside rail network in the 1800s, and, more crucially, the Queensway and Kingsway tunnels during the 1900s, has led to an erosion of the long-standing local passenger market. Put simply, the Ferries have struggled to compete with these modes due to the extended times and distances involved with getting to and from the piers. Whilst initiatives have been successfully pursued to grow the leisure and tourist markets, such as cruises on the Manchester Ship Canal (MSC) and charters, these are also not without operational challenges.

The backdrop to these changes is increasing costs, caused, at least in part, by an aging fleet which is not aligned with passenger numbers or expectations.

The goal of this strategy is now to put the Mersey Ferries on a sustainable path to the future, ensuring this important economic, social and cultural asset can continue to play a central role in the LCR’s success.

To achieve this, an integrated package of measures has been developed. Fundamental to this over the next 10 years is a programme for new vessels which cater to a revised service offering, better aligned to the existing and potential markets for travel on the Ferries. Supporting these is a range of short-term measures and growth initiatives to raise the profile and attractiveness of the Ferries, all helping to reduce the requirement for support from taxpayers. Some difficult decisions are required, but these have all been taken with the overall aims of maintaining operation and growing demand.

Beyond the first decade of the strategy, there are significant opportunities to once again put the Ferries at the heart of the LCR as part of ambitious regeneration plans for both the Liverpool and Wirral waterfronts. The strategy aims to ensure that the Ferries are in a position to support these plans, maximising the benefits to the local economy, and putting them on a sustainable long-term footing so that they can be used and enjoyed by generations to come.

Mersey Ferries currently, as of 2015/16, provide the following services:

- Commuter;
- River Explorer;
- MSC cruises;
- Special Cruises; and
- Charters.

In addition to considering the relative performance and potential of each of these services, and how their provision interacts with the ability to change elements of each, the Strategy also considers the condition of the Vessels and Piers and the future requirements for these in light of proposals for service provision.
Strategy Objectives

This strategy was commissioned to identify a set of holistic interventions which would help to reduce anticipated future losses, whilst also contributing to the LCR’s economic, social and environmental objectives. In addition to the imperative of reducing losses and putting the Ferries on a more sustainable financial footing through growth in revenue and reduction in costs, the appraisal of alternate strategies also considered:

- Ensure the Ferries are available for future generations to enjoy.
- Ensure the Ferries are not a drain on the public purse.
- Maintaining high standards in operation and safety;
- Economic contribution to the LCR;
- Social outcomes, by seeking to maintain access to opportunities and through the delivery of high levels of customer service; and
- Environmental outcomes, principally through the reduction of greenhouse gas emissions and local air pollutants from Ferry operations.

A set of objectives were defined for the strategy, and set against financial metrics to help determine a preferred strategy. This was to ‘focus on local traffic’, looking to sustain the timetabled Commuter and River Explorer operations, with growth in higher value special cruises and charters and measures to maintain, and ultimately grow, the MSC cruises outside of the busiest periods on the Mersey.

The Commuter Service

It is clear that the revenue generated by Commuter operations, at approximately £210,000 per annum (pa), is not sufficient to support a commercially viable operation when set against estimated costs of £840,000 pa. These revenue figures are boosted by the use of the service for non-commuting purposes, particularly during the afternoon peak. Subsidy per passenger trip is currently £4.60 (or £9.20 per day), and in total £625,000 per annum, and this is forecast to increase if the current vessels are retained due to rising operating costs. The drop in revenues in the commuter market has been driven, in the long-term, by the increased competition from other modes, with the ferries unable to respond in any significant manner in order to increase their attractiveness. Because of the relative lack of rail competition around Seacombe Pier, proximity of major employers at Pier Head, and the attractiveness of the ferry for certain segments, a core commuter market has been retained, but this has still been subject to a gradual decline in recent years.

River Explorer

The River Explorer has evolved from serving a predominantly local, leisure based, market, operating between peak commute services, to being a much more significant component of the Mersey Ferries operation. Boardings of 450,000 to 500,000 per annum now outnumber the equivalent commuter service boardings by approximately three to one, with a significant proportion of the afternoon peak service between Seacombe and Pier Head also being leisure related. The market experienced growth from 2013/14 to 2014/15, and the importance of major events in Liverpool City Centre to River Explorer demand was shown by the impact of the Giants Spectacular from 23rd to 27th July 2014, where week-on-week demand more than doubled.

Seasonality is very much apparent in the demand profile for the River Explorer, with appreciable spikes around all the school holidays. These spikes are enough to suggest that in certain peak times, of peak weeks, some sailings may be very busy. The nature of existing ferry users could, if it has not to some extent already, be beneficial in smoothing such demand, assuming greater flexibility in the times that the older demographic could visit. Analysis of visitor data indicates potential latent demand amongst overseas and overnight visitors.
MSC Cruises

MSC cruises are highly popular and well-subscribed, particularly amongst the older demographic. The data suggest that the cruises are highly profitable in terms of revenue minus cost of sales / marginal cost of operation. However, the MSC cruises require the retention of a second vessel more than any other aspect of Mersey Ferries’ operation and thus it is possible, and indeed likely, that the ‘full’ cost of operating the cruises exceeds revenue. As long as a two vessel operation is in place though, the cruises are economical to operate as they cover their costs and make a contribution to overheads.

Special Cruises

Mersey Ferries’ Special Cruise market offers the potential to generate additional revenue from the vessel used for the Commuter and River Explorer service during the day, by extending operation into the evening. It can also help increase the utilisation of the second vessel should this not be required for other operations such as MSC cruises. The data suggests that cruises are generally profitable and make a contribution to central overheads, especially when the vessel is already on the water. The case for retaining a second vessel to support the special cruise, charter and MSC markets alone is more challenging unless the market for such ancillary events can be grown significantly. A key challenge going forward, should Special Cruises be retained, will be to diversify and develop the market.

Charters

Mersey Ferries’ charter market offers the potential to generate additional revenue from the vessel used for the Commuter and River Explorer service during the day. The data suggests that these cruises are generally profitable and make a contribution to central overheads. It is notable that current charters tend to be at the lower end of the market in terms of profitability. The case for retaining a second vessel to support the special cruise, charter and MSC markets is more challenging unless the market for such ancillary events can be grown significantly. The current vessels were constructed for a specific cross river commuter service and their layout and specification don’t always lend themselves to charter events.

Vessels

The future requirement for quantum and type of vessels will need to be determined through an iterative process, informed by and, in turn, informing, demand-side strategies. The latter is governed by anticipated changes in service provision within a given strategy, but the two-way process allows this to be integrated with the feasibility and risks associated with different vessels, and combinations thereof. It should be recognised that the reality of maintaining a (very) old fleet by industry standards, albeit well invested and maintained, renders a continuation of the current fleet a potential victim to major incidents outside the company’s control, which would, in turn, threaten the company’s major revenue streams. The increasing operational costs become less certain as the fleet ages.

Piers

The aging nature of the terminal and pier assets at Seacombe and Woodside mean that they incur considerable ongoing operating costs, and require significant capital investment to ensure safe and reliable operation in the near future. Consideration needs to be given as to how investment is best targeted across the entire Mersey Ferries’ operation to help grow demand, maximise benefits to the visitor economy, and reduce ongoing subsidy requirements. Demand from passengers from the Wirral piers is much lower than Liverpool, and a key decision should be explored in whether retaining two terminals in Wirral is cost effective.
Targets

To help guide the implementation of the strategy, and track progress against objectives, a series of targets have been defined, including to:

• Reduce ongoing subsidy;
• Maintain high levels of reliability across all services;
• Grow River Explorer demand, particularly amongst overnight and/or overseas visitors to the LCR and its surrounds;
• Grow the number of special cruise and charter markets, with an increase in the income per passenger through a higher value offer;
• Continue to provide a cross-river link which provides convenient access to Liverpool City Centre from Seacombe and its surrounds;
• Increase customer satisfaction; and
• Reduce greenhouse gas emissions from Ferries’ operation.

Proposed Actions – The Vessels

A new fleet of vessels is fundamental to the success of the strategy. The current Royal Iris of the Mersey and Snowdrop have served the operation well, but are now over 50 years old and poorly aligned to the current Ferries market and the future direction of this strategy. Two new vessels, currently envisaged to have capacity for 450 and 250 passengers, are scheduled for introduction in 2021/22 and 2031/32. These will carry the iconic names of the Royal Daffodil and Royal Iris of the Mersey. Prior to the introduction of the second vessel, it is proposed that one of the existing vessels is withdrawn to help provide parts for the other vessel. After 2031/32, depending on condition, there may still be a future for this vessel in providing MSC cruises and a third vessel during times of peak demand such as the Cunard Three Queens event and the Giants spectacular. This will be reviewed as the Strategy evolves.

Proposed Actions – Piers

As with the vessels, two of the existing piers, Woodside and Seacombe, are aging assets, and are the subject of high levels of expenditure to ensure they remain fit for purpose. Unfortunately, due to the extensive capital investment required in the near future, it is recommended that Woodside terminal is mothballed and the pier infrastructure removed. Reductions in costs at that location help to sustain investment at Seacombe and enable the capital expenditure on new vessels.

Proposed Actions – River Explorer Cruises

The River Explorer is a successful, and growing, service. Providing an advertised half hourly frequency during holiday periods, supporting a ‘turn up and go’ offer to customers, would capitalise on this. It is also believed that there are some significant untapped markets, particularly overseas, overnight, and coach tours, and combinations thereof, which would help to further success. Following the taken out of service of Woodside, a reorientation of the River Explorer’s route should be undertaken to maximise viewing times for key attractions along the Liverpool Waterfront.

Proposed Actions – Special Cruises and Charters

The new vessels will support a transformation in visitor experience and comfort on the Ferries, enabling an expansion of the special cruise and charter markets and a move towards a higher value offer.

With two vessels operating the River Explorer during holiday periods, this can be easily accommodated with that timetable ceasing at 16:00 or 17:00. At other times a balance will need to be struck on the use of the second vessel for MSC or special cruises/charters.
Proposed Actions – Commuter Service

Current losses associated with the Commuter service are unsustainable. Berthing the vessel off the River Mersey overnight would reduce this substantially, enabling its ongoing operation in the immediate future. It is recognised though that passenger numbers are low, and, whilst expected to rise with new vessels and a marketing campaign, require further stimulus to contribute to the strategy’s objectives. With this in mind, further reviews are planned during the strategy to assess performance against a minimum threshold for passenger numbers.

Proposed Actions – Manchester Ship Canal Cruises

MSC cruises are a popular and cost effective use of the second vessel, and this strategy envisages growth in this market through the berthing of a vessel on the canal to avoid the tidal constraints imposed by the River Mersey. Sailings would then be clustered outside of the holiday periods, during which the second vessel would be required for the River Explorer and special cruises/charters. Diversification of the MSC offer could also be supported by the introduction of an intermediary calling point at a location such as Port Warrington, and this should be investigated in the near future.

Proposed Actions – Supporting Initiatives

Interventions for the fleet, piers and terminals, and services are supported by a number of supporting initiatives. These include:

- Targeted marketing at commuters in the vicinity of Seacombe, and for visitors passing through key gateways to the LCR;
- Improved branding across the operation, including the online presence, local signage and the terminals; and
- Better integration with other attractions to help provide a joined up visitor offer, including renewing the joint ticketing offer and advertising, a coordinated social media offer, and provision of cycle hire at Seacombe, with onward travel to/from New Brighton a particular attraction.

Further long-term actions should be informed by the roll-out of the Mersey Waters developments.

Forecast Outcomes

The performance of the strategy has been assessed against a ‘Do Minimum’ scenario with continued operation of the services and assets as they stood in 2014/15. With the strategy in place:

- Operating costs are forecast to reduce by a total of £16m across the 20 years;
- Revenues are expected to increase by £27.2m, leading to a total reduction in ongoing operating subsidy, excluding major capital expenditure, of £43.3m to 2034/35;
- Total demand is forecast to grow by an additional 5.6m passenger trips, helping to generate an additional £47m of wider economic benefits to the LCR; and
- Capital expenditure is £27.7m across vessels, piers and terminals.
1. Targets

1.1 Processes

Targets are set for the LTS relative to the Do Minimum trend in costs and revenue. These help to shape the proposed action plan in Chapter 2 and provide a quantifiable means of monitoring progress in years to come. All financial targets are expressed in real terms, from a 2013/14 price base, relative to the Do Minimum.

1.2 Long-Term Strategy Targets

Table 1.1 Mersey Ferries Long Term Strategy Targets

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial and Operational</strong></td>
<td></td>
</tr>
<tr>
<td>To reduce ongoing annual subsidy (Revenue – Operating Expenditure (OpEx))</td>
<td>Annual operating subsidy reduced by 100% by 2034/35</td>
</tr>
<tr>
<td>Maintain high levels of operational reliability on timetabled services</td>
<td>&gt;98% reliability</td>
</tr>
<tr>
<td>Grow River Explorer demand</td>
<td>30% growth by 2034/35</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td></td>
</tr>
<tr>
<td>Increase overseas visitor use of the Ferries</td>
<td>&gt;10% of River Explorer demand by 2034/35</td>
</tr>
<tr>
<td>Increase overnight visitor use of the Ferries</td>
<td>&gt;30% of River Explorer demand by 2034/35</td>
</tr>
<tr>
<td>Grow the special cruise and charter markets</td>
<td>Increase in income per capita of 20% across all cruises by 2034/35</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
</tr>
<tr>
<td>To provide a cross-river link to employment and leisure opportunities for local residents</td>
<td>Retain a minimum core cross-river frequency of half-hourly</td>
</tr>
<tr>
<td>Increase customer satisfaction</td>
<td>&gt;4.85 out of 5.0 for River Explorer</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
</tr>
<tr>
<td>Reduce greenhouse gas emissions from Ferries’ operation</td>
<td>Reduce the fuel consumed per hour operated by 50%</td>
</tr>
</tbody>
</table>

Source: Mott MacDonald
2. Action Plan

2.1 Processes

This strategy considered options across all assets and services. An initial ‘long list’ was developed, with nothing considered out of scope at the earliest stages. Options were then grouped under four alternative strategies for the future of the Ferries, and assessed against the ‘Do Minimum’ scenario.

2.2 Option Generation

The first ‘long list’ of options was assessed against the objectives described in detail. This removed a series of options which were deemed to:

- Be overly detrimental to one or more of the objectives, as scored on a scale of 1 to 5; and
- Carry undue financial and operational risk to the sustained future of the Ferries.

Remaining options were then grouped under the four Do Something strategies, and subject to financial assessment. Options for inclusion in the preferred strategy, ‘Focus on local traffic’, were then subject to iteration to maximise the benefits to the operation and the LCR economy.

2.3 Vessels

By 2034/35 the existing vessels would be over 70 years old. This would not only place an unsustainable burden on costs, but also put the continued operation of the Ferries at risk as reliability decreases and spare components become increasingly difficult to source.

New Vessels

In the course of the next 20 years, two new vessels are proposed to be introduced in 2021/22 and 2031/32. Whilst the existing ferries have served the LCR exceptionally well, age increases the risk of mechanical failure and a rise in operating costs. Delaying such decisions beyond this time-frame creates the significant risk of there being no Ferries operation at some point in the future, and the potential that any absence means they may never return – an unacceptable outcome.

New vessels also provide the first opportunity to truly cater for the visitor and tourist market which now dominates the Ferries operation. This improvement in quality, coupled with savings in capital and operational costs, mean that the expected benefits of new vessels easily outweigh the costs.

Key criteria of new vessels for the Mersey will be:

- **Fitness for purpose**, comprising passenger capacity, hull length, beam, strength;
- **Comfort**, providing adequate power but low engine noise and vibration, and quality furniture and fittings to improve passenger comfort and support the initiative to support a higher end market in special cruises and charters;
- **Efficiency & social responsibility**, involving improvements to fuel consumption, reductions in crewing requirements through advances such as auto-mooring, and lower emissions;
- **Value**, with a trade-off between best price versus the sophistication of engines, generators and internal outfit; and
- **Heritage perception**, with the retention of some key historic features into their design.

Recommendations for the new vessels are contained in Table 2.1.
Table 2.1: New Vessels - Recommendations

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitness for Purpose</td>
<td>At this point in time, high speed craft are discarded as an option, as the shorter journey time is more than offset by lack of manoeuvrability and poor weather resistance, a lack of need amongst the existing markets who need time to appreciate the sights, and high fuel consumption. Similarly a Riverbus (e.g. Thames Clipper style) may lack robustness and flexibility of use across other aspects of the service. Steel hull, strong belting, ease of access, balance between internal seating and external decks will probably be required in whatever design is finally decided.</td>
</tr>
<tr>
<td>Comfort</td>
<td>To cater for different markets, vessels of 250pc and 450pc are proposed, with the latter introduced at an earlier date. Engines on floating mounts (Royal Daffodil), super silent generators, high quality furniture and fittings throughout and space to carry 400 plus on MSC cruises in a relaxed environment are prerequisites.</td>
</tr>
<tr>
<td>Efficiency and social responsibility</td>
<td>The current trend in new build ferries is toward Liquid Natural Gas (LNG). From the first Norwegian vessel Glutra in 2001 to some 100 currently under construction and some 300 envisaged by 2020 (source: Lloyds Register). No nitrous oxide emissions validate its green credentials, but this distinct advantage is, to some extent, offset by other issues, listed in Table 2.2. It has been assumed that the new vessels will feature auto-mooring, allowing for reductions in crewing requirements on the River Explorer and Commuter services.</td>
</tr>
<tr>
<td>Value</td>
<td>It is noted that the cheapest ship would not fit the other criteria identified above, and may compromise the overriding need for safe and reliable operation.</td>
</tr>
<tr>
<td>Heritage perception</td>
<td>Historically, 50-60 or so years ago, the existing Mersey Ferries were exciting new vessels. Indeed, The Royal Iris of the Mersey, launched in 1951, was futuristic in shape and highly innovative in design, with ultra-modern Diesel Electric engines. The ship was launched when WWII rationing was still in place and John Lennon was in primary school. The fleet has developed the current heritage perception through the sheer amount of years they have been operational. This may be why many people believe that any new craft introduced should have classic ship lines allied to modern, sophisticated and socially responsible underpinnings.</td>
</tr>
</tbody>
</table>

Second-hand tonnage was considered as an alternative to new build, and there are vessels available in Europe that could be purchased that might suit operation on the Mersey, but they would require significant investment to make them suitable inside and out. Purchase price could be as little as £1m, but a further £1-2m would potentially be required to convert a ship of similar size to the existing fleet. Most of the vessels that are available are in Greece, where poor maintenance standards are common. This could result in poorer reliability. This was considered to be unlikely as a successful alternative to new vessels and extending the life of the existing fleet in the interim.
Table 2.2: LNG versus Diesel Strengths and Weaknesses

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>No nitrous oxide emissions- Green</td>
<td>Less efficient than diesel (60%).</td>
</tr>
<tr>
<td>LNG from UK shale gas sources</td>
<td>Can give off ultra - fine particles – methane</td>
</tr>
<tr>
<td>Cheaper than diesel (70%?)</td>
<td>Fuel storage costs.</td>
</tr>
<tr>
<td>Forecast to be most used in new build</td>
<td>More recent technology</td>
</tr>
<tr>
<td>ferries in the next 30 years</td>
<td></td>
</tr>
<tr>
<td>Possible tax and other penalties on diesel</td>
<td></td>
</tr>
</tbody>
</table>

Source: Graham & Woolnough Naval Architects

Cost estimates for new build vessels are:
- £4.5m for a 250pc vessel; and
- £7.0m for a 450pc vessel.

Existing Vessels

Considerable consideration has been given to the future of the three existing Mersey Ferries’ vessels. This strategy assumes a core operation involving two vessels. With the second new vessel not envisaged until 2031/32, there will be a requirement to maintain the existing Snowdrop, or Royal Iris of the Mersey, as the second vessel. This will predominantly be for use on MSC cruises and special events. The withdrawal of the second vessel provides the opportunity for spare parts to be made available, prolonging its lifespan. Beyond 2031/32, depending on the nature of the market and the vessel’s condition, there may still be scope for further retention as part of a three vessel operation, e.g. with the Snowdrop fully dedicated to MSC cruises.

The condition of the Royal Daffodil, and the fact that it is a unique vessel, means that there is little value in options involving a return to passenger service as part of the Mersey Ferries operation. It is therefore recommended that a role for it on the Mersey is sought as part of its maritime heritage, either in an existing attraction or as part of the planned Mersey Waters developments.

Renaming

In the 1990 and 2000s the names Royal Iris of the Mersey and Royal Daffodil were transferred to the current vessels from their predecessors11. The ‘Royal’ prefixes had been granted by King George V following their critical role in a World War I (WWI) naval raid on Zeebrugge, Belgium. This tradition of passing down the iconic names through the Mersey Ferries fleet should be maintained with the two new vessels meaning that the Royal Iris of the Mersey and Royal Daffodil continue to serve the Mersey for many years to come.

11 Prior to this most recent renaming, the current Royal Iris of the Mersey and Royal Daffodil were known as the Mountwood and Overchurch.
2.4 Summary

Table 2.3 summarises the proposed actions in the preferred strategy.

**Table 2.3: Mersey Ferries Long-Term Strategy - Actions**

<table>
<thead>
<tr>
<th>Asset or Service</th>
<th>Action</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessels</td>
<td>Introduce new vessels</td>
<td>2021/22 (450pc)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2031/32 (250 pc)</td>
</tr>
<tr>
<td></td>
<td>Selection of existing Royal Iris of the Mersey or Snowdrop as long-term third vessel and programme for maintenance and renewals</td>
<td>2016/17</td>
</tr>
<tr>
<td></td>
<td>Transfer or exiting Royal Daffodil to local third party as long-term asset for the Mersey</td>
<td>2017/18</td>
</tr>
<tr>
<td></td>
<td>Renaming</td>
<td>New 2021/22 vessel christened as the Royal Daffodil</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New 2031/32 vessel christened as the Royal Iris of the Mersey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remaining 1960s vessel reverts to original name</td>
</tr>
<tr>
<td>Piers &amp; Terminals</td>
<td>Take Woodside Terminal Building out of service and dispose of waterside infrastructure</td>
<td>2018/19 (subsequent decision on whether to retain terminal for potential future use)</td>
</tr>
<tr>
<td></td>
<td>Introduce facility for overnight berthing and boarding/alighting on the MSC</td>
<td>2017/18</td>
</tr>
<tr>
<td></td>
<td>Establish intermediary calling point on MSC cruise, should a suitable facility exist</td>
<td>2018/19 – ongoing</td>
</tr>
<tr>
<td></td>
<td>Energy efficiency programme built into renewals and maintenance plan for Pier Head and Seacombe Terminals</td>
<td>2016/17</td>
</tr>
<tr>
<td>Services</td>
<td>Commence Commuter Service at 08:00</td>
<td>By 2016/17</td>
</tr>
<tr>
<td></td>
<td>Introduction of timetabled half-hourly River Explorer during school holidays and selected one-off events</td>
<td>By 2018/19</td>
</tr>
<tr>
<td></td>
<td>Re-orientate River Explorer route</td>
<td>2018/19</td>
</tr>
<tr>
<td></td>
<td>Focus MSC sailings on dates outside of school holidays and one-off events, and seek to grow number</td>
<td>2018/19</td>
</tr>
<tr>
<td></td>
<td>Enhanced charter and special cruise offer to cater for higher value markets</td>
<td>2021/22</td>
</tr>
</tbody>
</table>
## Table 2.3: Mersey Ferries Long-Term Strategy - Actions

<table>
<thead>
<tr>
<th>Asset or Service</th>
<th>Action</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>Local commuter marketing within 3km of Seacombe Pier</td>
<td>2016/17</td>
</tr>
<tr>
<td></td>
<td>Online and social media channels</td>
<td>2017/18</td>
</tr>
<tr>
<td></td>
<td>LCR gateway initiatives</td>
<td>2017/18</td>
</tr>
<tr>
<td></td>
<td>Reinvigorate links to other existing LCR attractions</td>
<td>2016/17</td>
</tr>
<tr>
<td></td>
<td>Multi-lingual headsets and complementary initiatives to grow overseas market</td>
<td>2015/16 – ongoing</td>
</tr>
<tr>
<td></td>
<td>Grow coach tour operator links to River Explorer</td>
<td>2016/17</td>
</tr>
<tr>
<td>Other</td>
<td>Develop and implement a common branding across all physical infrastructure and virtual media</td>
<td>2017/18</td>
</tr>
<tr>
<td></td>
<td>Renew customer service programme to reflect current and future passenger mix</td>
<td>2017/18</td>
</tr>
<tr>
<td></td>
<td>Cycle hire provision at Seacombe Terminal</td>
<td>2017/18</td>
</tr>
<tr>
<td></td>
<td>Introduction of new payment and ticketing technologies</td>
<td>2016/17 – ongoing</td>
</tr>
<tr>
<td></td>
<td>Implement outcomes of the concessionary travel scheme review</td>
<td>2016/17</td>
</tr>
<tr>
<td></td>
<td>Support increased residential, with ancillary mixed uses, development in the immediate vicinity of Seacombe Terminal to create a ‘gateway’ to/from the Wirral</td>
<td>2015/16 – ongoing</td>
</tr>
<tr>
<td></td>
<td>Fares to rise at an average of RPI+1% across all services</td>
<td>2015/16 – ongoing</td>
</tr>
<tr>
<td></td>
<td>Work with partners to maximise connectivity to/from Mersey Waters developments</td>
<td>2015/16 – ongoing</td>
</tr>
<tr>
<td></td>
<td>Seek commercial partners for sponsorship of the Ferries</td>
<td>2016/17</td>
</tr>
</tbody>
</table>
3. Delivery programme

Figure 3.1 The delivery programme for the strategy

2015/16 2020/21 2025/26 2030/31 2034/35

Vessels

New vessels

1st New vessel (450pc) -- Royal Daffodil

Transfer of Royal Daffodil to third party

2nd New vessel (250pc) -- Royal Iris of the Mersey

Re-naming

Existing vessels

Select Snowdrop or Royal Iris for continued operation

Writing end of existing 2nd vessel

Decision on future of Mountwood for MSC and Special Cruise Operation

Pier and Terminals

Woodside Pier

Woodside Pier taken out of service

Manchester Ship Canal

Overnight berthing on MSC

Seacombe

Interim hourly calling point

Bridge replacement

Cambridge operation at 0800

Intermediate calling point

Landing stage and superstructure is refurbished

Commuter

Half-hourly River Explorer during peaks

Re-orientate River Explorer

Cruises and charters

Focus MSC sailing outside of holidays and grow

Enhanced special cruise and charter offer

Denotes a key action

Denotes decisions which can only be taken at a later date or with further investigation
4. Impacts

4.1 Strategy Forecasts

Comparing the Do Minimum against the LTS:

- Operating costs are expected to be lower across the strategy, with a saving of £16.0m in the 20 years to 2034/35, as efficiencies from the new vessels, commencing Commuter sailings at 08:00, and the taking Woodside Terminal out of service. Costs are slightly higher in the early years as the River Explorer operation is expanded and the cruise and charter markets are grown. This is in spite of the 08:00 start to Commuter operations;

- Total revenue accrued is £27.3m higher with the strategy in place, due to growth in the River Explorer, MSC, special cruise and charter markets;

- The total operating subsidy, outside of major capital expenditure, is some £43.3m lower with the strategy in place, providing a saving/revenue stream against which to finance borrowing for capital investment;

- Total passenger trips are 5.65m greater with the strategy, with revenue per capita largely unchanged;

- Total crewing requirements decrease slightly with the commencement of Commuter services at 08:00, and in the longer term by savings through auto-mooring facilities on the new vessels;

- Beyond 2031/32, depending on the fitness for purpose of one of the existing vessels and market situations, a three vessel operation could be provided with the strategy, allowing for expanded operation and the capacity to cater for peak demand periods; and

- The strategy is forecast to generate an additional £47m for the LCR visitor economy, which is a conservative assumption as it assumes the current passenger mix of day and overnight and UK and overseas visitors remains largely unchanged.

This strategy assumes immediate disposable of the Woodside Terminal for other uses. Taking the infrastructure out of service from 2019/20 to 2034/35 is estimated to cost an additional £75,000 per annum, or, in total, £1.2m.
4.2 Capital Expenditure Programme

Capital expenditure under the Do Minimum scenario is forecast at £25.2m, in 2013/14 prices. With the new vessels, the LTS capital expenditure is forecast to be £27.7m, with the breakdown shown in Table 4.1.

Planned investment can be funded from either the operational savings of £31.2m relative to the Do Minimum, local transport funding or other capital investment funding opportunities.

Table 4.1: Mersey Ferries Long-Term Strategy – Planned Capital Expenditure (£Ms in 2013/14 prices)

<table>
<thead>
<tr>
<th>Asset</th>
<th>Do Minimum</th>
<th>Long-Term Strategy</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Terminals and Piers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pier Head</td>
<td>£0.06</td>
<td>£0.06</td>
<td>2015/16 to 2034/35</td>
</tr>
<tr>
<td>Seacombe</td>
<td>£7.00</td>
<td>£7.00</td>
<td>2015/16 to 2034/35</td>
</tr>
<tr>
<td>Woodside</td>
<td>£4.00</td>
<td>£0.10</td>
<td>2015/16 to 2019/20</td>
</tr>
<tr>
<td>Others</td>
<td>£1.84</td>
<td>£1.84</td>
<td>2015/16 to 2034/35</td>
</tr>
<tr>
<td>MSC berthing facility</td>
<td>–</td>
<td>£0.50</td>
<td>2017/18</td>
</tr>
<tr>
<td>TOTAL [A]</td>
<td>£12.93</td>
<td>£9.53</td>
<td></td>
</tr>
</tbody>
</table>

| Vessels                      |            |                    |                     |
| Snowdrop/Royal Iris of the Mersey | £12.25 | £5.40              | 2015/16 to 2034/35  |
| New Vessel 1                 | –          | £6.90              | 2021/22 to 2030/31  |
| New Vessel 2                 | –          | £5.90              | 2031/32 to 2040/41  |
| TOTAL [B]                    | £12.25     | £18.20             |                     |
| TOTAL [A + B]                | £25.2      | £27.7              |                     |

Source: Mott MacDonald, Peter Brett Associates and Graham & Woolnough Naval Architects
5. Summary

5.1 Context

The Mersey Ferries are one of the most resonant symbols of the LCR. They have facilitated trade across the river for many centuries, helping to provide economic opportunities and prosperity. However, strong competition from rail, bus and the car has diminished local demand. In its place has come growth in the leisure market, both through day visitors and tourists to the LCR making use of the River Explorer service, and also through the development of cruises and charters, particularly those on the Manchester Ship Canal.

These markets make a significant contribution to the visitor economy in the LCR, with the Ferries, as both a standalone attraction and as part of a wider visitor offer, bringing an estimated £4.7m per annum to the area.

As of 2015/16 though, growth in leisure demand had not been enough to offset declines in market share amongst local residents and rising costs from increasingly aged assets. Current operating losses, excluding major capital expenditure, are close to £2m per annum. This financial position is expected to deteriorate further without significant early interventions.

5.2 Objectives

This strategy was commissioned to identify a set of holistic interventions which would help to reduce anticipated future losses, whilst also contributing to the LCR’s economic, social and environmental objectives. In addition to the imperative of reducing losses and putting the Ferries on a more sustainable financial footing through growth in revenue and reduction in costs, the appraisal of alternate strategies also considered:

- Maintaining high standards in operation and safety;
- Economic contribution to the LCR;
- Social, by seeking to maintain access to opportunities and through the delivery of high levels of customer service; and
- Environmental, principally through the reduction of greenhouse gas emissions and local air pollutants from Ferry operations.

A set of objectives was defined for the strategy, and set against financial metrics to help determine a preferred strategy. This was to focus on local traffic, looking to sustain the timetabled Commuter and River Explorer operations, with growth in higher value special cruises and charters and measures to maintain, and ultimately grow, the MSC cruises outside of the busiest periods on the Mersey.

5.3 Tracking Success

To help guide the implementation of the strategy, and track progress against objectives, a series of targets have been defined, including to:

- Reduce ongoing subsidy;
- Maintain high levels of reliability across all services;
- Grow River Explorer demand, particularly amongst overnight and/or overseas visitors to the LCR and its surrounds;
- Grow the number of special cruise and charter markets, with an increase in the income per passenger through a higher value offer;
- Continue to provide a cross-river link which provides convenient access to Liverpool City Centre from Seacombe and its surrounds;
- Increase customer satisfaction; and
- Reduce greenhouse gas emissions from Ferries’ operation.

5.4 Preferred Strategy

Following the establishment of a preferred strategy, the initial interventions within it were then iterated to arrive at a final action plan to 2034/35. Further long-term actions should be informed by the rollout of the Mersey Waters developments.

Vessels

A new fleet of vessels is fundamental to the success of the strategy. The current Royal Iris of the Mersey and Snowdrop have served the operation well, but are now over 50 years old and poorly aligned to the current Ferries market and the future direction of this strategy. Two new vessels, currently envisaged to have capacity for 450 and 250 passengers, are scheduled for introduction in 2021/22 and 2031/32. These will
carry the iconic names of the Royal Daffodil and Royal Iris of the Mersey. Prior to the introduction of the second vessel, it is proposed that one of the existing vessels is withdrawn to help provide parts for the other vessel. After 2031/32, depending on condition, there may still be a future for this vessel in providing MSC cruises and a third vessel during times of peak demand such as the Cunard Three Queens event and the Giants spectacular.

**Piers and Terminals**

As with the vessels, two of the existing piers, Woodside and Seacombe, are aging assets, and are the subject of high levels of expenditure to ensure they remain fit for purpose. Unfortunately, due to the extensive capital investment required in the near future, it is recommended that Woodside terminal is taken out of service and the pier infrastructure removed. Reductions in costs at that location help to sustain investment at Seacombe and enable the capital expenditure on new vessels. Investment in the Wirral Waters scheme(s) may support the future reinstatement of the pier at, and services to, Woodside, but this is outside the immediate scope of this strategy.

To help facilitate more intensive operation of the MSC cruises outside of holiday periods, a new berthing facility on the canal is proposed, potentially in conjunction with the National Waterways Museum at Ellesmere Port. Diversification of the MSC offer could also be supported by the introduction of an intermediary calling point at a location such as Port Warrington, and this should be investigated in the near future.

**Services**

Current losses associated with the Commuter service are unsustainable. Berthing the vessel off the River Mersey overnight would reduce this substantially, enabling its ongoing operation in the immediate future. It is recognised though that passenger numbers are low, and, whilst expected to rise with new vessels and a marketing campaign, require further stimulus to contribute to the strategy’s objectives. With this in mind, further reviews are planned during the strategy to assess performance against a minimum threshold for passenger numbers.

The River Explorer is a successful, and growing, service. Providing an advertised half hourly frequency during holiday periods, supporting a ‘turn up and go’ offer to customers, would capitalise on this. It is also believed that there are some significant untapped markets, particularly overseas, overnight, and coach tours, and combinations thereof, which would help to further success. Following taking Woodside out of service, a reorientation of the River Explorer’s route should be undertaken to maximise viewing times for key attractions along the Liverpool Waterfront. MSC cruises are a popular, and cost effective, use of the second vessel, and this strategy envisages growth in this market through the berthing of a vessel on the canal to avoid the tidal constraints imposed by the River Mersey. Sailings would then be clustered outside of the holiday periods, during which the second vessel would be required for the River Explorer and special cruises/charters.

The new vessels will support a transformation in visitor experience and comfort on the Ferries, enabling an expansion of the special cruise and charter markets and a move towards a higher value offer. With two vessels operating the River Explorer during holiday periods, this can be easily accommodated with that timetable ceasing at 16:00 or 17:00. At other times a balance will need to be struck on the use of the second vessel for MSC or special cruises/charters.

**Supporting Initiatives**

Interventions for the fleet, piers and terminals, and services are supported by a number of supporting initiatives. These include:

- Targeted marketing at commuters in the vicinity of Seacombe, and for visitors passing through key gateways to the LCR;
- Improved branding across the operation, including the online presence, local signage and the terminals; and
- Better integration with other attractions to help provide a joined up visitor offer, including renewing the joint ticketing offer and advertising, a coordinated social media offer, and provision of cycle hire at Seacombe, with onward travel to/from New Brighton a particular attraction.
5.5 Outcomes

The performance of the strategy has been assessed against a ‘Do Minimum’ scenario with continued operation of the services and assets as they stood in 2014/15. With the strategy in place:

• Operating costs are forecast to reduce by a total of £16m across the 20 years;
• Revenues are expected to increase by £27.2m, leading to a total reduction in ongoing operating subsidy, excluding major capital expenditure, of £43.3m to 2034/35;
• Total demand is forecast to grow by an additional 5.6m passenger trips, helping to generate an additional £47m of wider economic benefits to the LCR; and
• Capital expenditure is £27.7m across vessels, piers and terminals.
Mersey Ferries
Long-Term Strategy 2015/16 to 2034/35

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