

EUROTUNNEL/SEAFRANCE MERGER INQUIRY

Summary of hearing with Customer A held on 9 January 2013

Introductory remarks

1. Customer A was an international transport and logistics company operating predominantly in Continental Europe, running its own fleet of trucks and subcontracting some work. Between 80 and 85 per cent of its activity in Northern Europe utilized its own fleet. In Southern Europe, it subcontracted a larger proportion of its work.

Factors that determine use of short-sea versus other ferry routes

2. The most significant factor in choosing which routes to take between the UK and Continental Europe was geography, ie taking into account the source and destination of loads. The short-sea routes were preferable to vehicles coming from Italy, Spain and France.
3. Another relevant factor was the frequency of service offered. An advantage of the routes to and from Dover was the high frequency of departures. The frequency of sailings on the Western Channel and North Sea was much lower. This would cause problems to Customer A and its customers if a departure was missed, in that the driver would have to wait for a relatively long period for the next departure.
4. Many of the loads carried by Customer A were time sensitive. Some were 'just-in-time' deliveries, which needed to arrive within an allotted time window. In these cases, the shorter crossings (and the Eurotunnel crossing in particular) were preferable. This type of delivery was becoming more prevalent, as companies were finding it harder to get credit from suppliers and were, therefore, holding less stock.
5. Customer A was sensitive to price fluctuations on the short sea routes and would move volumes to other routes if it could negate the price increase in doing so, and enjoy the same flexibility of service. Customer A noted that this would be challenging in today's market given the relatively high frequency of departures on short sea in comparison to other routes. However, in the event of such an increase in prices and for loads that were not time sensitive, Customer A might have been willing to consider switching volumes away from the short sea.

Factors that determine choice of mode—accompanied/unaccompanied/lo-lo/rail freight

6. Customer A transported its vehicles mainly accompanied by a driver. Switching to an unaccompanied service would present logistical challenges, in particular the need to arrange and coordinate drivers on both sides of the crossing. The accompanied service offered significant flexibility to Customer A.
7. Transit times for containerized lo-lo services could be relatively quick and the price differential between the hire cost of a trailer (£15 to £20 per day) and a container (£2 to £3 per day) were significant.

Multi-sourcing and use of short-sea ferry and tunnel operators

8. Customer A was a customer of multiple operators on the short-sea routes (Eurotunnel, P&O and DFDS). It had to ensure that it had adequate capacity on these routes and one of the ways it achieved this was through multi-sourcing. Customer A did not have significant problems in switching volumes between operators. The current levels of total capacity on the short-sea routes meant that it did not have difficulties in sourcing the capacity it required.
9. [REDACTED].
10. Individual drivers would seek permission from the company (eg via mobile phone) regarding which cross-Channel operator to travel with on a journey. Sometimes drivers would be asked to take the earliest crossing. At other times, drivers would be asked to wait in order to travel with a preferred operator (eg for a lower price or to assist in meeting a volume commitment).
11. The long-term viability of a cross-Channel operator was an important consideration when deciding which companies to contract with. In particular, in this scenario, Customer A would be concerned about its ability to secure its required capacity, in the event that a transport provider with which it had contracted ceased operations.

Nature of contracts with ferry and tunnel service providers

12. Customer A had global agreements and volume commitments with multiple operators. It believed that it was charged competitive rates for transport across the short sea but did not have sight of the rates paid by competitors. The entry and exit of operators on the short sea had an impact on the prices paid by Customer A.

Potential attraction of combined tunnel/MyFerryLink offers

13. Because Eurotunnel offered a premium product that was required for time-sensitive shipments, it may be able to apply commercial pressure to companies to use the MyFerryLink services. It would also be possible that companies that were customers of MyFerryLink would find it easier to secure capacity on Eurotunnel services.