

EUROTUNNEL/SEAFRANCE MERGER INQUIRY

Summary of hearing with Customer B held on 9 January 2013

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

1. Customer B sent driver-accompanied freight traffic to and from Europe via the short sea, in particular Eurotunnel and the P&O ferry service from Dover to Calais. It was not currently a customer of P&O or MyFerryLink. Ferry operators needed to offer at least one departure per hour to meet its needs.
2. It had considered using other routes, including those from Tilbury to Ostend and Zeebrugge, but had not pursued these for a number of different reasons, including cost, transit times and frequency of departure. It had also considered using the route from Immingham to Denmark, though frequency of departure was again considered to be insufficient.
3. Customer B did not use the Dover–Dunkirk ferry services. The additional time that it took trucks to reach Dunkirk was an important consideration. One selling point had been a no-strike agreement at Dunkirk port, though Customer B noted that the port had, in the past, been blockaded by fishermen.
4. A uniform increase of 5 to 10 per cent in prices for short-sea crossings would not have prompted Customer B to move significant volumes away from the short sea.
5. Speculation as to which companies might or might not continue to operate the short-sea routes did not have a bearing on which operators Customer B chose to contract with.
6. The majority of Customer B's traffic was sent with Eurotunnel because of the speed of the service, and price in relation to the ferries. Generally, its requirements were not during Eurotunnel's peak periods, which worked well because this meant that there was good service availability. Customer B would be able to ship greater volumes by ferry but, for financial reasons, there was no real incentive for it to do so.

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

7. Customer B did not send unaccompanied freight. It had considered using unaccompanied and lo-lo modes but the service frequency and transit times did not meet its requirements and it had incurred significant costs when conducting trials.

Nature of contracts with ferry and tunnel service providers

8. Eurotunnel incentivized Customer B to ship greater volumes through the tunnel by offering discounts. Customer B believed it had a good relationship with Eurotunnel and had not faced unreasonable price increases.
9. There was not a volume incentive with P&O, due to the relatively low volumes it sent by ferry. Customer B believed that it could negotiate a volume discount if it gave P&O a guarantee of a certain amount of crossings, but it was not actively looking to do this. Certainly, in winter time it would not look to do so because of the impact that the weather could have on the ferry services.

10. The UK branch of Customer B also acted on behalf of Customer B's other European operations to negotiate rates with Eurotunnel. Customer B would have to get agreement with these operations for which it acted as an agent in order to move volumes of shipments away from Eurotunnel.
11. Customer B did review its contracts with the ferry operators, but one of the reasons for not switching volumes was that it believed in the spirit of partnership and alliance, and in the value of a long-term relationship.

Concerns about the merger

12. It was plausible that Eurotunnel could apply commercial pressure to those customers who had a strong need for its tunnel services to use MyFerryLink. Customer B had not had any discussions with Eurotunnel to this effect.