EUROTUNNEL/SEAFRANCE MERGER INQUIRY

Summary of hearing with Customer D held on 9 January 2013

Introductory remarks

1. [✂].

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

2. Customer D used a range of routes, with the majority on the short sea. The advantages of the short-sea route were the continuous availability and frequency of departures and proximity of the ports to the long-haul traffic lanes. Frequency and duration of crossing was important to Customer D's time-sensitive deliveries.

3. It used the Eurotunnel services where time sensitivity was a concern, but also used the ferries where time allowed. Many deliveries needed to arrive within a narrow allotted time window ([✂]) and, in these cases, the shorter crossings were preferred. It also used longer routes (to and from Belgium and Scandinavia, for example), but only where schedules and driving time and cost calculations made this feasible.

4. A uniform price increase of 5 to 10 per cent on the short-sea crossings would not prompt Customer D to switch significant volumes to other routes. [✂].

5. Using routes to and from Dunkirk was not considered a viable option because of the complexities surrounding the routing. For example, a driver would need to know hours in advance whether to proceed to Dunkirk or Calais, and from a planning perspective, when dealing with multiple trucks each day, it was more straightforward to route more traffic through Calais.

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

6. Customer D mainly sent its shipments accompanied by the driver, and did not use unaccompanied traffic on the longer routes. It would consider doing so in the future, subject to technical issues and the availability of attractive offers in the market. [✂].

Current market situation and views on the existing MyFerryLink and DFDS Dover–Calais services

7. Customer D thought that there was considerable uncertainty around the current short-sea ferry service market. A company which moved significant volumes from Eurotunnel or P&O to one of the new operators and then needed to move volumes back in the event of a market exit would end up paying a higher rate.

8. Customer D was unsure who the owner was and who had the economical responsibility of MyFerryLink. It was also unsure if MyFerryLink would be able to compete with the other operators, due to the relatively low frequency of departures.

Nature of contracts with ferry and tunnel service providers

9. Customer D was a customer of Eurotunnel and P&O and was expecting to carry out technical tests of the DFDS and MyFerryLink services. It was important to diversify risk by spreading its volumes between multiple operators.

10. It was not plausible that Eurotunnel would be able to force customers who had a strong need for the tunnel to also use MyFerryLink, as there were other options available. Eurotunnel could, however, sell bundled packages. For instance, if a customer had a certain volume which was time sensitive and needed to be put through the tunnel, it could offer a good price for other volumes via MyFerryLink. This could only be attractive if the frequency of the service of MyFerryLink was equivalent to P&O (as, for instance, the retail business in the UK was driven mainly by narrow time windows). Customer D thought that this would only be viable with a fleet of four or five ships.

Concerns about the merger

11. Customer D was concerned about capacity in the market and would like to see a competitive marketplace with three strong independent providers. This would enable it to split, or at least negotiate volumes, between multiple competitors.

12. In any case, it was very important for the current MyFerryLink ships to remain in the short sea, in order for the market to remain competitive.