

## **Brittany Ferries/P&O Ferries merger inquiry issues statement**

The issues that the CC intends to consider are:

### **Market definition**

1. The appropriate definition of the economic markets affected by the proposed merger (the relevant markets), and in particular:

#### ***Product market***

- (a) whether ferry services form part of a wider market, which could include other modes of transport such as airlines and the Channel Tunnel rail link;
- (b) whether passenger<sup>1</sup> services and freight services are in separate relevant markets, or whether, since certain capacity may be used either for freight or for passengers, they are in the same relevant market due to supply-side substitution;
- (c) whether there are separate markets for accompanied and unaccompanied freight and whether there are separate markets for roll-on/roll-off and lift-on/lift-off traffic;
- (d) whether there are particular relevant market segments or sub-markets, such as passengers with caravans or trailers, or long-stay and short-stay passengers; and
- (e) whether the service for freight transported in light commercial vehicles is part of the same market as passenger services.

#### ***Geographic market***

For each of the relevant product markets, what is the geographic extent of that market and, in particular:

- (a) whether the relevant geographic market comprises the Western Channel<sup>2</sup> or some part of the Western Channel, such as routes emanating from Portsmouth;
- (b) whether the relevant geographic market includes routes emanating from Dover; and
- (c) whether there are separate markets for journeys originating in the British Isles and those originating in Continental Europe.

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<sup>1</sup>We use the term 'passengers' to describe travellers whose primary purpose in making a journey is to convey themselves, and possibly their vehicles and personal effects. We include tourists, personal and business travellers, travelling as foot passengers or with a vehicle.

<sup>2</sup>In this context we use the term 'Western Channel' to include all ferry routes between England and France west of, and including, Newhaven-Dieppe.

## Counterfactual

2. What may be expected to occur in the absence of the merger (the counterfactual); particular issues include whether P&O may be expected to cease operation of the Portsmouth–Le Havre route in the absence of the merger, and if so:
  - (a) whether one or more other parties would be expected to enter the relevant market(s) by purchasing some or all of P&O's ferry services business on the Portsmouth–Le Havre route; or
  - (b) whether Brittany Ferries and/or any other operator(s) would be likely to enter the relevant market(s) other than by purchasing some or all of P&O's ferry services business.

## Assessment of the competitive effects of the merger

3. Against this background, the possible competitive effects of the merger within each of the relevant markets identified, and in particular:
  - (a) whether there are identifiable trends in the development of the relevant markets which might significantly affect competition in the foreseeable future, and in particular whether there is a trend towards specialization in either freight or passenger traffic;
  - (b) the current level and nature of competition between Brittany Ferries and P&O Ferries (the parties);
  - (c) the current level and nature of competition between the parties and their competitors in the relevant markets;
  - (d) for both freight and passenger traffic, the current capacities of the principal operators and their ability and incentives (taking account of cost) to expand this capacity;
  - (e) the extent to which, if any, other transport modes and ferry operations outside of the relevant markets constrain prices in the relevant market;
  - (f) whether there are significant barriers to entry or expansion in each of the relevant markets; in particular whether availability of suitable berths at ports, minimum efficient scale of operations, access to trained staff or perceived financial advantages (such as national or regional state support) of existing operators are significant barriers to entry or expansion;
  - (g) whether the merger might lead to Brittany Ferries having the rights to use almost all the commercially significant berths in the relevant geographic market;
  - (h) whether in any of the relevant market(s), and in particular in those for freight, any potential lessening of competition might be offset by the buying power of customers;
  - (i) whether the merger may be expected to create or increase market power in any relevant market and lead to a rise in prices, a reduction in service, support or choice for some or all customers or a reduction in innovation (non-coordinated effects);

- (j) whether the merger may be expected to create or increase the likelihood of coordination between the suppliers of ferry services in the relevant markets, and lead to a rise in prices, a reduction in service, support or choice for some or all customers or a reduction in innovation (coordinated effects);
- (k) whether the merger could lead to adverse effects in related markets such as that for package holidays;
- (l) whether, taking account of all of the above, the proposed merger may be expected to result in a substantial lessening of competition in the UK or a part of the UK, or in any other market.

## **Remedies**

- 4. Should the Group conclude that the proposed merger may be expected to result in a substantial lessening of competition, it will consider whether and, if so, what remedies might be appropriate, and will issue a further statement at a later date.

## **Relevant customer benefits**

- 5. In deciding the question of remedies, should this be necessary, the Group may have regard to any relevant customer benefits. The Group would therefore wish to explore whether or not any significant customer benefits might arise as a result of the merger, and if so what these benefits are likely to be. In particular, the Group would be interested in whether the merger would be likely to lead to lower prices, better quality, or greater choice of services.