

APPENDIX 1.1
(referred to in paragraphs 1.3 and 2.1)

The reference and background

1. On 28 November 1996 the Department of Trade and Industry (DTI) sent to the MMC the following reference:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a merger situation qualifying for investigation as defined in section 64(8) of the Fair Trading Act 1973 ('the Act') in that:

- (a) enterprises carried on by or under the control of Stena Line AB will cease to be distinct from enterprises carried on by or under the control of The Peninsular and Oriental Steam Navigation Company (a body corporate incorporated in the United Kingdom), and
- (b) the value of the assets to be taken over exceeds £70 million.

Now, therefore, the Secretary of State, in exercise of his powers under sections 64, 69(2) and 75(1) of the Act, hereby refers to the Monopolies and Mergers Commission ('the Commission') for investigation and report within a period ending on 6 March 1997 the following questions:

- (i) whether arrangements are in progress or in contemplation as described in paragraph (a) above which, if carried into effect, will result in the creation of a merger situation qualifying for investigation;
- (ii) if events so require, whether the actual results of these arrangements are the creation of such a situation; and
- (iii) if so, whether, in either case the creation of that situation may be expected to operate or (if events so require) operates against the public interest.

In relation to the questions in paragraphs (i) and (ii) above, the Commission shall exclude from consideration one of paragraphs (a) and (b) of section 64(1) of the Act if they find the other satisfied.

28 November 1996

(signed) ANN EGGINGTON
An Official at the
Department of Trade and Industry

2. On 28 February 1997 it was announced that the Secretary of State for Trade and Industry had agreed that the reporting period should be extended to 4 April 1997.

3. The composition of the Group of members responsible for the present investigation and report is indicated in the list of members in the preface.

4. Notices inviting interested parties to submit evidence to the MMC were placed in *International Freight Weekly*, *Lloyd's List*, *Travel Weekly*, *KM Extra (Ashford)* and *KM Extra (Dover)*.

5. In addition we sought evidence and views from Government departments, ferry companies, freight operators, the travel trade, Dover Harbour Board, trade unions, trade and consumer associations, local authorities and other interested parties. Written evidence was received from many of these parties and we held hearings with 11 of them.

6. We received written evidence from P&O and Stena and the companies each attended two joint and

two separate hearings.

7. A visit was made by members of the Group, accompanied by staff, to Eurotunnel (Cheriton), Sally Line (Ramsgate), Dover Harbour Board, SeaFrance in Dover and Calais and P&O and Stena facilities in Dover Eastern Docks. The Group were given a tour of P&O's *Pride of Kent* and Stena's *Stena Empereur*. The Group, accompanied by staff, also visited the port of Newhaven and met representatives of The Newhaven Economic Partnership Limited.

8. Some of the evidence obtained in the course of our inquiry was of a confidential nature; our report contains only such information as we consider necessary for an understanding of our conclusions.

9. We should like to thank all those who helped us in our inquiry, particularly P&O, Stena and Eurotunnel.