

Norfolkline Shipping BV - Hearing summary

Background.

- 1 Norfolkline Limited said that as a group Norfolkline turned over [X] euro per annum. As part of that group Norfolkline was involved in ferry, container, trucking, rail and reefer activity and warehousing and distribution. The ferry division operated three ferry services with the main activity being out of Scheveningen in Holland. It had a small slot charter based arrangement out of Esberg. It also had three RoPax vessels on the Dover-Dunkerque route. Norfolkline Shipping BV said that it was currently building three purpose built ferries for its Dover-Dunkerque route. This would provide for increased freight tonnage. Norfolkline said it used the Dover-Dunkerque route for historical reasons and to distinguish itself from the competition. The majority of the freight came from Germany, the North and from Italy. About 5 to 8 per cent of its activity was unaccompanied. Unaccompanied freight was not time sensitive. Norfolkline thought that the proposed regulations on driver hours would have an impact in due course.

Barriers to entry

- 2 Norfolkline said that the main barriers to entry were the need to obtain the right tonnage, the right vessels for the right ports and financial constraints. There was a shortage of RoPax vessels on the market at the moment. The availability of berths at the right time was also important. Norfolkline had had good support from Dover and from various French ports including Dunkerque. Norfolkline said the easiest way to start a ferry service was probably to introduce a pure freight route.

The market

- 3 Norfolkline said that it viewed the market as being all the way from the North Spanish Ports to Rotterdam including Scheveningen with hauliers and passengers being highly price sensitive. A 5 to 10 per cent increase or even less in freight and passenger rates would cause significant movement between shippers. Accompanied and unaccompanied freight were part of the same market. However, unaccompanied was too expensive to handle to any degree as part of a RoPax ferry.

Competition

- 4 Norfolkline said that competition on the short sea crossing was a mixture of sailing times, service, reliability and the on board experience. It did not take coaches or foot passengers which provided a more relaxed atmosphere on the ship. The market basically decided what it was possible to charge by way of rates. There after it depended on how much operators could provide by way of volume and commitment. Rates varied according to the time of day. Prices also varied on a daily basis depending on the number of days/time to departure.

The merger

- 5 Norfolkline said that its new vessels were likely to cost about [X] each. The new vessels would be faster (25 knots); with increased passenger capacity

from 350 to 850 and increased lifesaving and fire fighting equipment. Norfolkline said it had no objections to the merger. It would be possible for a new entrant to enter the Portsmouth/Le Havre route but whether any company was interested in doing so was another matter. As P&O had not made a profit on the route for a number of years it must be doubtful whether others could do so. It would probably be necessary for any new entrant to reduce over heads and alter the vessel configuration as between freight and passengers. Trans-Mediterranea; Sea France; Cobelfret of Seacontainers and Stena might be possible new entrants. It was possible that some might be interested in taking over the tonnage carried by P&O. On the other hand, Sea France and Brittany Ferries appeared to receive subsidies which made it difficult for a competitor.

- 6 Norfolkline said it had looked at new routes from Caen to Dublin. Norfolkline said it was surprised by the announcement that P&O had decided to reach a deal with Brittany Ferries. It was interested in potential routes but thought that new vessels would not be available before 2008 which meant that the route would lie fallow. The same would happen when P&O withdrew from Oostende and the Irish Sea. Brittany Ferries would have a distinct advantage in taking over the route as they already had an organisation in place and another nearby route. Norfolkline said that it thought that it was natural for Brittany to operate the Portsmouth/Le Havre route irrespective of whether the arrangement with P&O was agreed.
- 7 Norfolkline said that its policy leant towards the freight side of the business. It said that hauliers costs were about £1 per kilometre. Norfolkline said that its motivation for entering the market five years ago, inspite of excess capacity, was that it was unable to obtain the right rates from ferry operators at that time. The introduction of new ships was expected to improve profit margins. Norfolkline said that there would be a demand for the P&O ships if they could be modified to fit other ports.