

Transcript summary Portsmouth Commercial Port

Background

1. Portsmouth Commercial Port (PCP) said that the port was wholly owned by Portsmouth City Council. PCP said that it had three ferry operators operating from the port; P&O, Brittany Ferries and Condor Ferries. Most ferries that operated from the port were multi-purpose ferries, which carried both passengers and freight. These ferries operated around the year.

Operation of Portsmouth Commercial Port

2. PCP said that ferry operations constituted 93 per cent of the total income of the port. PCP said that it ran an open port policy, which was UK government policy. This meant that on the payment of dues and if a berth was available, a berth would be allocated to the company that applied for that berth. PCP said that its rates for a berth were published each year.

Capacity issues

3. PCP said that it was entirely feasible that two ferry operators could share one berth. There were agreements between the port and the ferry operators giving priority use on certain berths. P&O had priority use over berth 2 till the end of 2007. The ferry companies had to bid by 30 September each year for the slots they required for the following year.
4. Once the berth had been allocated, any spare capacity on that berth was assigned by PCP to whoever it wished. Not all berths were priority berths. There were some common-user berths entirely under the control of PCP. PCP would allocate spare capacity on a commercial basis.
5. PCP said that the priority berth agreements with ferry operators also included freight parking space for unaccompanied trailers. This gave an equal and exclusive amount of freight parking space on the port to each operator with a priority agreement, regardless of whether it had a ship on the berth or not. PCP said that there was also common-user parking space, which was allocated by PCP.
6. PCP said that there was marshalling space for accompanied freight and all wheeled transport. A ferry company with an allocated slot on the berth had the right to use the relevant marshalling areas while its ship was on the berth.
7. PCP said that Berth 1 was dedicated to high speed ferries. Berth 2 was for the priority use of P&O. In the winter, some Brittany Ferries services also ran from Berth 2 to Cherbourg. Berth 3 was a common-user berth. PCP had recently invested heavily in Berth 3 and had put in a new double deck linkspan. Brittany Ferries had priority use of Berth 4. Condor Ferries had priority use of Berth 5.
8. PCP said that if two ferry operators wanted to use the same berth at the same time and they had placed bids by 30 September of that year, then there would be a meeting between PCP and the ferry operators. PCP said it would consider issues such as length and depth of ship and ramps and then make a decision on which company would get the berth. PCP said such a situation did not happen very often. PCP said that money was not paid for granting of a berth slot.

9. PCP said that it had sufficient port capacity to offer a new ferry operator an evening slot. PCP said that it would need to know the time the new entrant wanted on the berth and the capacity of the ship. A normal slot had a maximum duration of four hours, but a number of ships only wanted two hours. Some ships only wanted an hour and high speed craft needed even less than that. PCP said that it would try to avoid a major freight operation clashing with three passenger ship operations.
10. PCP said that the utilization of berths even at peak times was not 50 per cent.

French ports

11. PCP said that it had very little contact with the French ports. PCP said that Le Havre had some very good infrastructure and some modern terminals. PCP said that it did not know anything about Le Havre's operation and whether it had capacity problems or how it was funded.

The market

12. PCP said that the market tended to be mainly for passengers in the summer and freight in the winter. PCP said that there was a distinction between port services on the South Coast for freight and port services for tourists. With respect to freight, PCP said the immediate competition was from the service from Southampton to Radicatel. PCP said that it saw the Newhaven-Dieppe service and the service from Poole as competing with those from Portsmouth. PCP said that the major influence on freight was the Channel Tunnel. The rates charged by the Channel Tunnel were very competitive. The rates that ferry operators charged for the transport of vehicles across the Channel were also highly competitive.

Barriers to entry

13. PCP said that the first hurdle in starting a ferry service was the cost of the set up. For a service comparable with the Portsmouth to Le Havre service, there was a need to find two suitable and similar ships, which was difficult. PCP said that a new ferry service would also have to obtain a berth that fitted its ships. There was also the need for shore infrastructure, such as offices.

The proposed acquisition

14. PCP said that it had concerns about the proposed transaction because there was a down-turn in income. The Le Havre route was worth quite a lot of money to PCP. PCP did not have any views on whether the proposed acquisition would result in a substantial lessening of competition. PCP said that the priority agreements on berths could not be transferred.

The counterfactual

15. PCP said that in their opinion if the proposed acquisition did not occur, nobody would take over the route this year because it would be too late by the time the Competition Commission had reached a decision. There might be people interested in the route next year. The current P&O ships were not ideally suited to the route. The ships ran with very few passengers and passenger cars on board in the winter months, yet they could not take all of the freight. If another operator took over the route they would probably use different ships. The easiest way to enter the route would probably be as just a freight operator.

16. PCP said that possibly all the major carriers might be interested in entering the route as just a freight operator, but the rates for freight were depressed because of the Channel Tunnel.
17. PCP said that in their opinion there was not the room in the market for two operators operating against each other on the route. There was only room for one operator. For summer passengers there might be room for a high speed service.