

There have been years when Western Channel operators have tried to increase prices, or to hold rates when short sea operators have reduced them. Transport suppliers are forced to consider the differential between short sea and Western Channel if they are to be competitively priced. If there is too great a difference between the Western Channel supplements and the short sea prices, customers will decide to travel via the short sea routes. This has acted as a constraint on the Western Channel operators. Brittany Ferries in particular have been mindful of this issue when negotiating rates.

The share of purse that the Western channel operators are trying to gain puts them in direct competition against the short sea operators and the low cost airlines. We believe that the market in which the Western Channel operators now compete should be defined to include other routes and travel options. We understand that you take a narrower, more tightly defined definition of the geographical ferry market splitting it short sea and Western channel and we believe that it may be more appropriate to take a broader view of all transport options for our customers as there is some degree of interchangeability between them.

In an ideal world, for our customers, we would prefer some over-capacity (too much and service levels may decline due to lack of profitability) and healthy competition between at least two operators on the Western Channel. We perceive that this scenario is likely to keep ferry prices down, service levels on board at least maintained and increase the demand for our holidays (lower ferry rates will help us to keep our overall package price down). However, our understanding is that P&O have lost considerable sums of money on their Western Channel routes over the last few years, and that the Le Havre route in particular has been a difficult one to operate profitably. Of the various Western Channel routes it offers the least attractive gateway to the North West of France and has to be priced accordingly to attract custom.

Brittany Ferries operate to higher standards on their Western Channel services than P&O have done in recent years. We believe that it is likely that they will strive to bring quality into line with the other routes they currently offer to protect the Brittany Ferries brand, and we believe that this will be positive for our customers.

We think it unlikely that there is another operator of sufficient size, experience and commitment to France as a destination to successfully operate the Le Havre route beyond season 2005. It is our assessment that if Brittany Ferries do not operate the Le Havre service, that capacity on the Western Channel may reduce. This will be to the detriment of our customers in terms of both choice and value for money. If there is less capacity generally on the Western Channel, this is more likely to bring about price rises.

In summary, we would prefer to see Brittany Ferries take over the route rather than for their application to be refused. We believe that they are likely to keep capacity up and invest in the route to bring the service up to a similar quality to that which they offer on their other routes. We believe that the Short Sea rate differentials will act as a constraint on any price increases.

We would also welcome as quick a resolution to this enquiry as possible as it creates uncertainty about the future of routes and that causes practical difficulties for us and our customers about brochure information, timetables and pricing.