

NUMAST

Brittany Ferries / P&O — Transfer of Routes

Submission to the Competition Commission



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BRITTANY FERRIES/P&O – TRANSFER OF ROUTES

NUMAST is the trade union and professional organisation representing some 19,000 seagoing officers and maritime staff in the British Merchant Navy and the wider shipping industry. The Union has more than 1,000 members working in the ferry sector, of which some 150 are employed by P&O Ferries on vessels sailing from Portsmouth.

NUMAST has, for obvious reasons, expressed concerns about the state of the UK ferry sector in recent years. Factors such as the opening of the Channel tunnel, the withdrawal of duty-free allowances and the emergence of low-cost airlines mean that trading conditions for ferries have become increasingly difficult over the past decade and this has resulted in some significant restructuring of routes and services.

The shipping industry is characterised by intense international competition and marked freedom of choice in operating practices. Shipowners have the ability to make radical changes in the registration and crewing of their ships, while freight rates and market conditions are subject to immense volatility. This means that even in 'domestic' or inter-European services, such as those operated by P&O, shipping operations are exposed to fierce economic pressures – with, for example, flag of convenience tonnage having an increasingly prominent presence on ferry routes in and out of the UK. Such pressures are also evident at present with Irish Ferries' attempts to re-register its ships and to replace British and Irish seafarers with lower-cost nationals from elsewhere within Europe.

It is against this context that NUMAST urges the Competition Commission to allow the transfer of routes from P&O Ferries to BAI for the following reasons: -

The effect on passengers

NUMAST believes that if this transfer is allowed to proceed there will be no adverse effect on passengers. Passengers will continue to have a considerable choice with regard to where they go and how they get there. There are myriad options for travel from the South Coast to France, including ferry services from Plymouth, Dover and Newhaven and a new low-cost catamaran service operated by SpeedFerries.

NUMAST in particular notes the increased choice in travel options available on the South Coast as a result of the growth in traffic at Southampton Airport, less than 30 miles from Portsmouth.

Between May 2003 and June 2004 passenger figures at the airport increased by 24.8%, making it one of the fastest growing airports in the U.K. Indeed, there has been a 200% growth in the last decade.

Significantly, much of this recent expansion can be attributed to the growth of low-cost airlines and in particular, "Flybe".

Originally known as "Jersey European Airways" serving the Channel Islands, Flybe has changed its approach - now focusing on low-cost flights. Flybe has made Southampton Airport its regional hub and serves seven French airports, including Cherbourg and Brest (in Brittany). These routes directly compete with ferries from Portsmouth. Also, the growth of low-cost airlines in general has changed peoples' travel priorities and has reduced the number of passengers opting for ferry travel. This can be evidenced by the substantial restructuring of the ferry sector over the last five years.

Low-cost airlines are also able to offer low-cost car hire, meaning that they can also effectively compete not just in the foot passenger market, but also the car market.

NUMAST believes that in these two sectors the transfer of P&O routes to BAI will in fact enhance competition by providing a more robust ferry sector to compete with low-cost airlines.

The effect on freight

NUMAST believes that effective choice will remain for freight operators after the transfer of these routes. We believe competition already exists from the port of Dover, with many operators finding it more cost effective to cross the channel from Dover rather than Portsmouth. Eurotunnel also offers an alternative and during 2004 it adopted a new strategy of price-cutting, which has impacted on P&O. Eurotunnel has been reported as being barely 55% utilised and as a result has become increasingly aggressive in its attempts to compete against the ferry companies.

Clearly, final destination is important, but there is plenty of evidence to suggest that operators can choose between a shorter sea crossing and longer road travel or vice-versa.

At Dover choice exists between at least four companies, with at least one of these adding more tonnage this year on the route.

NUMAST therefore believes the merger will improve choice for freight operators by providing a robust alternative to the port of Dover.

In addition, Channel Freight Ferries established a new ro-ro freight route last year from Southampton to Rouen with 14 sailings per week. This provides further choice for freight operators. Again, evidence suggests that this route has had a direct impact on traffic from Portsmouth and only recently the company announced that it was increasing the frequency of sailings on the service – further increasing this competition.

The effect on jobs

NUMAST believes that if this transfer does not go ahead hundreds of jobs will be lost to the UK economy. We have been in discussions for some months with P&O Ferries and they have made it clear to us that they will close these routes if the transfer is prevented.

We estimate that this will result in the loss of over 300 seafarer jobs, without furthering the cause of competition.

If the Competition Commission rejects the transfer it will also mean that BAI will be the only operator from Portsmouth - but offering fewer routes and less choice to consumers.

Conclusion

NUMAST urges the Commission to allow this transfer. Without it, the routes will be lost - as will hundreds of UK seafarer jobs. With it, Portsmouth will be a more robust competitor for

Dover, Flybe and Channel Freight Ferries and ultimately lead to greater choice for the consumer.

NUMAST
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