

Brussels, 07 June 2001

Commission does not oppose the continuation of the P&O Stena Line cross-Channel ferry service

The European Commission has granted the P&O Stena Line joint venture a six-year exemption under the European Union's competition rules to continue operating a cross-Channel ferry service for passengers and freight. The P&O Stena Line joint venture got a first, short exemption in January 1999. The Commission's recent investigation has not revealed any valid market changes which could justify forcing P&O of Britain and Stena Line Ltd, a subsidiary of Sweden's Stena Line AB, to undo their alliance. During the exemption period, which will expire on 7 March 2007, the Commission will closely follow any market developments in close contact with consumer organisations and national authorities.

On 22 December 2000, P&O Stena Line and its parents, Peninsular and Oriental Steam Navigation Co and Stena Line Ltd, applied for a renewed exemption under article 81(3) of the EC Treaty, which allows the Commission to clear prima-face anti-competitive agreements and practices which contribute to improving production or supply of services while allowing consumers a fair share of the benefits. The parties applied for exemption until 2020.

After a careful analysis and consultation of third parties, the Commission concluded to the absence of any material changes in the market that would justify denying a further, although limited, clearance.

P&O Stena Line has had to face competition from both the Eurotunnel, Sea France, Hoverspeed and, more recently NorfolkLine. The investigation has revealed no evidence that P&O Stena Line and Eurotunnel, the main operators on the route, acted in parallel and the characteristics of the market are still such that the operators can be expected to continue to compete with each other rather than act in parallel fashion to raise prices.

The Commission's review also established that customers benefit from cost savings and improvements to the service. Through the establishment of the joint venture, consumers have enjoyed the benefit of improved frequency of departure. The waiting time at the quay has been reduced through a continuous embarkation system. The costs savings from the joint service has also enabled P&O Stena Line to invest more in achieving a high quality standard in onboard services and other facilities.

Price increases

The Commission has studied comments from individual consumers and organisations regarding changes in pricing practices and generally higher prices.

The investigation has, however, indicated that those price developments are not the result of the joint venture but rather reflect the market's adjustment to more normal market conditions for cross-Channel transport services, such as the end of duty free sales and the absorption of the new capacity created when Eurotunnel started its services in 1995. The market has also had to cope with considerably higher fuel prices in the last few years.

Finally, another factor which also partly explains the price increases on cross-Channel services is the introduction by P&O Stena Line of a yield management system, whereby the ticket price is set according to demand, as is done in the airline sector. According to such a system, prices change daily and customers travelling in peak periods with little flexibility usually pay more.

The Commission consulted the national competition authorities, including the UK Office of Fair Trading, on the P&O Stena Line's request for a new exemption.

In any case and irrespective of the exemption, the Commission will continue to follow developments in cross-Channel transport services in close contact with consumer organisations and national authorities. The Commission has the possibility to change its position if it appears that the conditions for applying Article 81(3) are not longer satisfied.

Background

On 26 January 1999, the Commission approved the joint venture between P&O and Stena Line for the operation of cross-Channel ferry services. The approval was however limited to three years (with retroactive effect to 10 March 1998) due to uncertainties as to the future developments in the market.¹

After the parties requested new clearance in December 2000, the Commission on the 8th of March this year published in the Official Journal of the European Communities a summary of the parties' application for a renewal of the exemption of the joint venture and invited interested parties to submit comments.² Publication of the summary also triggered a 90-day period for the Commission to raise serious doubts if there was a need to continue the investigation.

According to Regulation 4056/86, under which the deal was notified, if the Commission does not raise serious doubts within the 90-day period, an agreement is automatically exempted for six years. Since the Commission has not raised serious doubts the joint venture agreement is deemed exempt until 7 March 2007.

¹ See IP/99/56.

² See IP/01/333.