



**Determination No. M/04/016 of the Competition Authority, dated 5<sup>th</sup> April 2004, under Section 21 of the Competition Act, 2002**

**Notification No. M/04/016 – Acquisition by Stena of P&O’s Fleetwood-Larne route ferry business, together with P&O’s two vessels deployed on its Mostyn-Dublin route ferry business.**

**Introduction**

1. On 19<sup>th</sup> March 2004, the Competition Authority, in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Stena AB (“Stena”) would acquire all of the assets of the Peninsular and Oriental Steam Navigation Company (“P&O”) relating to P&O’s ferry business between the Irish Sea ports of Larne, in Northern Ireland, and Fleetwood, in Great Britain. Further, Stena proposes to acquire P&O’s two vessels currently deployed by P&O on its ferry business between the Irish Sea ports of Dublin and Mostyn. These acquisitions are hereinafter collectively described as “the proposed transaction”.
2. Previously, on 7<sup>th</sup> November 2003, the Authority was notified of an earlier proposed acquisition by Stena of certain assets of P&O (Notification No. M/03/035). The Authority proceeded to full investigation in that matter in December 2003. That agreement was abandoned, and the notification was formally withdrawn, in February 2004, before the Authority had made a final determination. The Authority, in examining the present proposed transaction, considered information that had been provided by Stena and P&O and gathered through third party submissions and market enquiries in the course of examining Notification No. M/03/035. This was done with the consent of the notifying parties.

**The Parties**

3. Stena comprises a number of businesses in shipping and related fields. Stena’s principal activities include the operation of ferry services between Great Britain and the island of Ireland and the operation of Irish ports. It has passenger and freight services on the following routes: (i) Rosslare-Fishguard, (ii) Dublin-Holyhead, (iii) Dun Laoghaire-Holyhead and (iv) Belfast-Stranraer. Stena owns ports at Holyhead and Stranraer, and holds a 50% interest in the Fishguard and Rosslare Railways and Harbours Company, which owns the ports at Rosslare and Fishguard.
4. P&O is a worldwide transport company. P&O’s principal activities include the operation of ferry services between the island of Ireland and Great Britain and between the island of Ireland and the Continent, and operation of Irish ports. It has passenger and freight services on the following routes: (i) Larne-Fleetwood, (ii) Larne-Cairnryan, (iii) Dublin-Liverpool, (iv) Dublin-Mostyn, (v) Larne-Troon, (vi) Rosslare-Cherbourg, and (vii) Dublin-Cherbourg. P&O owns ports at Cairnryan and Larne.



### **The Proposed Transaction**

5. The proposed acquisition would occur by acquisition of assets. P&O would sell to Stena its three vessels and related assets and inventory currently operated by P&O on its Larne-Fleetwood route, and would sell to Stena its two vessels deployed on its Dublin-Mostyn route. P&O would also assign to Stena certain port leases and agreements touching on the proposed transaction. Current employees of P&O, on any of the vessels or in any of the port facilities being sold, would become employees of Stena.

### **The Irish Sea Freight Industry**

6. The Irish Sea holds key transport routes for trade between the island of Ireland and Great Britain, and the island of Ireland and Continental Europe (Britain provides a land bridge to the Continent). Roll on/Roll off (“Ro/Ro”) vessels are the main traffic mode for freight movement, with a smaller proportion of freight transported by Load on/Load off (“Lo/Lo”) vessels.
7. **Key industry participants** - Ferry operators provide sea transportation services to hauliers who in turn provide a package of road and sea transportation services to consigners (e.g. large supermarkets, manufacturers). Irish consigners generally do not deal directly with ferry operators, but engage hauliers to provide a door-to-door transport service, usually negotiated on a yearly basis.
8. **Main competitors** - The principal ferry operators on the Irish Sea, other than the notifying parties, are: Norse Merchant Ferries (“NMF”) - Ro/Ro services on a number of Irish Sea routes; Irish Ferries - Ro/Ro services on a number of Irish Sea routes; Seatruck Ferries - Ro/Ro service only from Warrenpoint to Heysham; Coastal Container Line Limited - Lo/Lo services on a number of Irish Sea routes; and Swansea Cork Ferries - seasonal service between Cork and Swansea.

### **Relevant Markets**

9. **Product Markets** – In identifying the scope of the relevant product markets in this matter, three key aspects are considered:
  - a. *Whether the relevant market should be defined to include both passenger/passenger vehicle services and freight services, or whether each should be considered to be a separate market.*

Customers of freight services are commercial organisations, for which evening sailings are the peak times. Passenger service is predominantly a tourist trade, where daytime sailings are the peak times. Where ferry operators provide both services, these appear to be complimentary rather than competing services.

Without making any final conclusion on this question, the proposed transaction would not result in a substantial lessening of competition in the passenger/passenger vehicle ferry services sector, and hence this sector is not further assessed in this determination.



- b. Whether the relevant market should be defined to include both accompanied and unaccompanied freight, or whether each should be considered to be a separate market.***

There are different characteristics between accompanied and unaccompanied freight. However, the limitations of unaccompanied freight service providers to handle high value or time sensitive goods are steadily reducing. Also, there is supply-side substitutability between accompanied and unaccompanied services.

- c. Whether the relevant market should be defined to include both Ro/Ro and Lo/Lo services, or whether each should be considered to be a separate market***

Market enquiries indicate that the essential difference between Ro/Ro and Lo/Lo services is that Ro/Ro vessels cater for driver-accompanied vehicles that drive onto and off a ferry, whilst Lo/Lo vessels hold containers that are loaded and unloaded by crane. There may be enough scope for competition between Ro/Ro and Lo/Lo services to warrant including both within the same market, though Lo/Lo services lie at the margin of that market.

10. For the purpose of assessing the proposed transaction, it is not necessary to define any of the relevant product markets.
11. **Geographic areas** - Based on market inquiries and information provided by the parties, there are three main geographic areas:
- Northern Corridor (SW Scotland & NW England to N Ireland);
  - Central Corridor (N Wales/NW England to Dublin Bay); and
  - Southern Corridor (S Wales to S Ireland)
13. Of these three geographic areas only the first two areas are relevant for the purpose of assessing the proposed transaction.

## **Analysis**

### **A. Ferry freight services on the Northern Corridor**

14. **Routes** - The Northern Corridor has two short sea routes (Belfast-Stranraer, Larne-Cairnryan) and three long sea diagonal routes (Belfast-Liverpool, Belfast-Heysham, Larne-Fleetwood). There are significant differences in journey lengths between each type of route. Information provided indicates that long sea diagonal routes in the Northern Corridor are competitive against short sea routes. For the purpose of assessing the proposed transaction, it is not necessary to reach a final decision on this issue.
15. **Shares** - There are three main competitors on the Northern Corridor - Stena, P&O and NMF. As a result of the proposed transaction, P&O would sell its Larne-Fleetwood business to Stena, but remain active in the Northern Corridor with its Cairnryan-Larne business. The number of routes and competitors on the



Northern Corridor would not be reduced by Stena's acquisition of P&O's Larne-Fleetwood business, and that market concentration would decrease.

16. **Conclusion** - The proposed transaction would not result in a substantial lessening of competition in any market for ferry freight services in the Northern Corridor area of the Irish Sea.

#### **B. Ferry freight services on the Central Corridor**

17. **Routes** - The Central Corridor area has three main point-to-point routes - (i) Dublin/Dun Laoghaire-Holyhead; (ii) Dublin-Liverpool region; and (iii) Dublin-Mostyn.
18. Market enquiries indicate that hauliers of time sensitive freight prefer the shorter Dublin-Holyhead route. Long sea crossings via Liverpool or Mostyn are favoured for unaccompanied freight (due to the proximity of Liverpool and Mostyn to the industrial centre of Great Britain) and for some accompanied freight that is less time sensitive, or where the longer journey time can be used to provide driver breaks. However, the three routes are considered to form part of one geographic area for ferry freight services, particularly as it appears that switching between each route does occur.
19. **Closure of Dublin-Mostyn** - By selling its two vessels deployed on its Dublin-Mostyn route, P&O would quit that route, whilst Stena would not acquire the port infrastructure and facilities necessary to operate on that route. As there are no ferry operators on the Dublin-Mostyn route other than P&O, the route would effectively close. This would result in the Central Corridor area's main routes narrowing from three to two.
20. **Barriers to entry:** Key requisites for new entry or expansion in the Irish ferry industry are access to vessels, access to ports, and sufficient customer demand to justify new investment. Neither new entry nor expansion by existing competitors in the Central Corridor area would be sufficiently timely or likely to exercise a competitive force. Barriers to entry and expansion are considered to be relatively high in the Central Corridor area due to a combination of factors, principally ferry service providers' limited opportunities to gain access to suitable port berths at existing ports, while access to vessels is also likely to constitute a moderate barrier to entry.
21. Further, existing competitors are only likely to expand capacity if there is sufficient incentive to justify moving a vessel from one route to another, and sufficient demand to make the cost of expansion justifiable. Current-to-medium term conditions in the Central Corridor do not indicate that such expansion is likely. Since 1999, NMF has been the only new entrant on the Central Corridor, and for a period it went into administration, from which it has since emerged. Also, market enquiries do not reveal any commitment from any ferry operator to enter the Central Corridor, or expand therein, within the next two years. Accordingly, there is no strong record of new entry in the Central Corridor area, nor is there a likelihood of new entry in the foreseeable future.



22. **Conclusion** - Given the decrease in concentration, and having regard to P&O's submission that it intends to close its Dublin-Mostyn ferry operation in early course, irrespective of whether its two vessels are acquired by Stena, the proposed transaction would not result in a substantial lessening of competition in any market for ferry freight services in the Central Corridor area of the Irish Sea.

#### **P&O's Liverpool-Dublin Route**

23. Merger Notification No. M/03/035, referred to in Par.2 above, proceeded to full investigation pursuant to Section 22 of the Act. The Authority, in accordance with its established procedure for a full investigation, prepared an Assessment, summarising the transaction and describing the Authority's analysis and its principal preliminary concerns. Having regard to Notification No. M/03/035, the Authority informed Stena that it had concerns as to the effects of any future acquisition by Stena of P&O's Liverpool/Dublin ferry business on competition in the Central Corridor area of the Irish Sea.
24. In response, Stena submitted to the Authority a proposal of the kind described in Section 20(4) of the Act ("the proposal"), with a view to the proposal becoming binding on Stena. The full text of the proposal is set out below:
1. *Stena AB ("Stena") proposes to the Competition Authority (the "Authority") that for so long as this proposal remains binding on Stena, if Stena or any of its subsidiaries agrees terms with The Peninsular and Oriental Steam Navigation Company ("P&O") for the acquisition of P&O's Liverpool/Dublin business consisting of all or substantially all of the vessels and assets then operated by P&O in respect of the Liverpool/Dublin route, then Stena will notify the Authority in writing of that acquisition in accordance with Section 18(3) of the Competition Act, 2002.*
  2. *This proposal shall remain binding on Stena for a period of ten years from the date hereof or until the Authority provides notice to Stena in writing that it is released from the terms of the proposal in paragraph 1 above, whichever is the earlier.*
25. The Authority accepts the proposal, takes it into account in making this determination, and confirms that it forms part of the basis of this determination, pursuant to Section 20(3) of the Act. The proposal is deemed to take effect from 5<sup>th</sup> April 2004, the date of this determination.

#### **Determination**

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, and having taken into account the proposal made by Stena in accordance with Section 20(3) of the Act, has determined that, in its opinion, the result of the proposed transaction will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the proposed transaction may be put into effect.

**For the Competition Authority**



**The Competition Authority**  
An tÚdarás Iomaíochta

**John Fingleton**  
**Chairman of the Competition Authority**