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Eurotunnel investigation extended

By Mark Odell, Transport Correspondent

The UK competition watchdog has signalled it could back down from forcing Eurotunnel to reverse its move into the cross-Channel ferry business after acknowledging that its preferred remedy would prove complex.

The UK Competition Commission on Thursday said it was extending the timeframe of its inquiry into Eurotunnel's entry into the cross-Channel ferry market with the purchase of three ferries from bankrupt SeaFrance because of the "complexity of the inquiry".

The watchdog said it recognised that its preferred remedy of forcing the operator of the Channel tunnel to divest the ferry business, called MyFerryLink, would clash with a ruling made by a French commercial court at the time of the deal.

The judgment by a Paris court that cleared the way for the takeover required Eurotunnel to hold on to the business for five years. Later, the French competition watchdog cleared the deal, with restrictions. The approach of its UK counterpart had been much tougher after its initial ruling found the deal created "a substantial lessening of competition" in the market.

But on Thursday it put forward a number of other remedies for consultation. One would see Eurotunnel forced to divest after the five-year lock-up period expired, with price controls in place in the interim. Another would force MyFerrylink off certain routes, most notably Dover-Calais, as it is a "close substitute" for Eurotunnel services.

Another remedy was one put forward by Eurotunnel for a "complete separation of commercial staff and management" between the parent and ferry operator.

Rival ferry operators – P&O Ferries and DFDS – have complained about the deal, arguing it was anti-competitive because Eurotunnel already carries close to 50 per cent of the traffic on its train services.

A spokesman for P&O Ferries said on Thursday the company was "a little bit concerned" about the latest move by the UK watchdog. "If they are going to water down the verdict then we would be concerned about it," arguing divestment is the only way to ensure a "level playing field".

The Competition Commission denied it was backtracking. "I wouldn't go as far saying we are watering it down. We are just recognising there are legal complexities involved in some of the

remedy possibilities.”

Last month, Jacques Gounon, Eurotunnel’s chief executive, said he thought “a compromise was possible” between the French and UK regulators.

A Eurotunnel spokesman said on Thursday it would consider the Competition Commission’s position and “respond in due course”.

Eurotunnel, which has its primary listing in Paris and a secondary listing on London’s NYSE Euronext, paid €65m for the three ferries – the Berlioz, the Rodin and the Nord-Pas-de-Calais. It started operating the ferries in August 2012 under the new brand, MyFerryLink.

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