

# Eurostar CEO reveals post-Brexit impact on cross-Channel operator

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The outgoing CEO of Eurostar, Jacques Damas has laid bare the impact of Covid-19 and Brexit on the cross-Channel operator in a letter to Transport Select Committee (TSC) chair Huw Merriman.

The TSC had expressed concern at Eurostar announcing it was not resuming trains calling at Ebbsfleet and Ashford International stations as planned. Services here were suspended at the start of the pandemic.

However, in his letter, Damas, who leaves his role at the end of September, said: “the Committee is aware of the unique impacts on the business caused by the pandemic and the associated travel restrictions. We had our revenues cut by 95 per cent for 15 months in 2020-21 and were hit hard by the Omicron wave in December 2021 and early 2022, the restrictions attached to which had a further impact of at least £50m.

“Contrary to the £7bn in state aid given to our airline competitors – many of whom also have overseas and state-backed shareholdings – Eurostar did not receive any state-backed loans.” He said its shareholders had put a further £250m into the business but that an extra £500m was needed in commercial debt in order to survive. “This commercial debt is at considerably higher cost than the loan facility offered to the airlines and Eurostar must continue to meet the demanding financial ratios underpinning these loans,” he

wrote.

He also wrote that the TSC would be aware that following the UK's departure from the European Union additional border checks apply to UK citizens seeking to enter Schengen, as they do to all Third Country nationals. "Since circa 40 per cent of our customers are UK nationals, this has resulted in a significant increase in processing times at stations. The stamping of British passports by continental police adds at least 15 seconds to individual passengers' border crossing times. Automated systems such as e-gates are less effective," he wrote.

Damas said Eurostar has been taking action and working with authorities and have upgraded the French passport gates in St Pancras and more UK gates are now going into Paris Gare du Nord. An extra French control booth is being installed in London, where space is extremely constricted already. "However, as things stand, peak capacity through the stations is c.30 per cent lower than pre-Brexit. Even with all booths manned, St. Pancras can currently process a maximum 1500 passengers per hour vs. 2200 in 2019. It is only the fact that Eurostar has capacity-limited trains and significantly reduced its timetable from 2019 levels, that we are not seeing daily queues in the centre of London similar to those experienced in the Channel ports," he said.

"This situation has obvious commercial consequences and is not sustainable in the mid-to-long term. But the immediate consequence is that we are currently not able to respond to the high demand on our core routes linking capital cities. Re-opening the intermediate stations (where demand and yields are much lower) would make things even worse as it would take away from London vital border police resources. The reality of traffic numbers is such that a police officer controls five to 10 times more passengers in our large terminals than in intermediate stations."

A shortage of maintenance engineers at Eurostar's Temple Mills depot has also hampered operations Dumas revealed and this has meant some trains have not been ready in time which has affected departures.

He wrote: "The combination of the two main short-term factors above means that, despite the return to travel, Eurostar cannot currently pursue a strategy of volume and growth. We are having to focus services on those core routes which make the maximum contribution per train and to charge higher prices to our customers. The whole focus of this effort is to manage and reduce the debts we had to incur; there is no prospect of any dividends to shareholders until this is done."

He wrote that the reason Eurostar had declined to offer any near-term prospect for review of the decision regarding the Kent stations is that the pressures he referred to are not abating.

"The expectations of recovery within the business held by the banks continue to step-up in 2023. The pandemic has certainly abated, but the risk remains. The uncertainty regarding the EU's 'Entry Exit System (EES) - much discussed with the Committee - hangs over us," he wrote.

"Finally, there is a third main factor in the mid- to long-term. We cannot yet reasonably predict how both business and leisure markets will respond to the various structural changes such as the energy crisis and new work-from-home habits. There is considerable uncertainty about the ability of customers to pay in the

context of the current and forecast pressures on the cost of living. At the same time the business itself faces nearly £100m in increased inflationary pressures. Once again, this is most acute on the UK side where the HS1 infrastructure – which is already three to four times more expensive per km than its French equivalent – is now rising in price almost three times as fast.

“Recently, Eurostar and Southeastern Trains came together with HS1 to jointly propose a measure to alleviate pressure on charges in the near-term using funds already in the system.”

He said that the government did not object but the process considerations tabled by the regulator have meant that this important initiative has run into the sand. “As a result, Eurostar and Southeastern are able to commit to fewer trains next year and into 2025 than they otherwise would have done,” he warned.

“This is of particular concern because we are now starting the Periodic Review that will fix charges for the five years from 2025. Eurostar believes that unless a different position is taken in that review on the balance between near-term and long-term risks, and unless UK charges are reduced, then, at best, the business will find itself indefinitely locked into the present position of having to focus on driving high-yield from a limited customer and service base.

“In such an uncertain context, I have the duty, as CEO, to make the right decision and secure my company’s future. I am therefore cautious not to overcommit.”