

APPENDIX 4:

EXCESS CAPACITY ANALYSIS

- 1.1 As is discussed in the main body of the response to the PFs, the CC's theory of harm in the PFs rests on a critical presumption that the level of capacity on Dover-Calais is substantially in excess of industry capacity in 2010, which the CC treats as a "benchmark" for the (maximum) level of supportable capacity on the route.
- 1.2 GET considers that the use of 2010 capacity as a benchmark for the level of supportable capacity on the Short Sea is arbitrary and lacks an evidential basis. However, in any event GET does not consider that it is indeed the case that there is any substantial excess in capacity relative to 2010, on the basis of the latest capacity estimates and once the growth in demand since 2010 is taken into account.
- 1.3 GET considers that it is inherently difficult to obtain reliable comparisons of capacity across operators, and over time. The CC itself notes at footnote 186 that different operators' capacity estimates appear to be inconsistent, and GET has also not been able to reconcile its estimates of total market capacity with Figure 2 of the PFs, which appears to indicate a lower overall level of industry capacity than estimated by GET.¹
- 1.4 In an attempt to replicate the CC analysis of excess capacity however, GET has relied on the best available information available to it to construct its estimates of the levels of capacity that are expected to operate in 2013 against the capacity that operated in 2010 following the reduction in capacity by SeaFrance (i.e. the CC's relevant benchmark).² On a conservative basis, GET has further assumed that this benchmark (when applied to estimates of capacity on the Short Sea as a whole) also follows the reductions in capacity during 2010 on Dover-Boulogne.
- 1.5 Table 1 shows the assumptions, in terms of vessel size and frequency for the ferry operators, on which GET has relied on constructing its capacity estimates. Since capacity is seasonal – for example, GET understands P&O typically reduces capacity during January and February – GET has provided its understanding of capacity not taking into account reduced winter capacity, or reduced capacity on certain days of the week.³ For Eurotunnel, GET has relied on the (budgeted) annual average daily capacity, in each of 2010 and 2013.

¹ GET is unable to verify the CC assumptions on capacity as these have been excised in the version provided to GET. Without being able to verify the CC assumptions, GET is concerned that the CC's estimates may not have been provided on a consistent basis across operators.

² At paragraph 7.13, the CC states that the reduction in capacity during 2010 "corresponds to a period during which SeaFrance attempted to restructure its operation, in particular by selling two of its ships". However, as the CC identifies correctly in para 2.8, Renoir and Cezanne were sold and taken off the route in the course of 2008: therefore between 2008 and 2009 there had already been a substantial reduction in SeaFrance capacity (from 77,900 in 2008 to 72,800 in 2009) – the further reduction in capacity in the course of 2010 was achieved primarily by reducing the usage of Nord pas de Calais and of Moliere. Because end of 2008 is however a period coinciding the Eurotunnel fire and its subsequent capacity impacts, GET considers it difficult to reconcile market-wide capacity levels prior to SeaFrance restructuring.

³ However, peak capacity for 2010 is defined as the fully operational capacity following the reduction in capacity by SeaFrance.

Table 1: Capacity assumptions, by operator and route

Operator	Vessel	Capacity	Daily Crossings		Notes
			2010	2013	
SeaFrance	Rodin	2000	10	-	
	Nord pas de Calais	1380	4	-	Daily crossings reflect 2010 capacity reduction.
	Berloiz	2000	10	-	
	Molière	1900	8	-	Daily crossings reflect 2010 capacity reduction.
DFDSL(Dover-Calais)	Norman Spirit	1800	-	10	
	Dieppe Seaway	1900	-	10	Previously Moliere.
DFDSL(Dover-Dunkirk)	Dover Seaway	2460	8	8	GET believes that DFDS has continued to operate 12 rotations on the route.
	Dunkirk Seaway	2460	8	8	
	Delft Seaway	2460	8	8	
P&O	Spirit of France	3746	-	10	Lane metres capacity includes "car only" capacity.
	Spirit of Britain	3746	-	10	Lane metres capacity includes "car only" capacity.
	Pride of Burgundy	1925	12	6	GET understands that P&O has "Pride of Burgundy" temporarily out of service, and when it returns P&O future timetables indicate that it will operate 3 rotations on the Dover-Calais route.
	Pride of Calais	1560	10	-	
	Pride of Dover	1560	8	-	
	Pride of Kent	1925	12	10	
	Pride of Canterbury	1925	12	10	
	European Seaway	1925	4	-	GET understands that this vessel will be retired imminently (once Pride of Burgundy returns to service).
MFL	Rodin	2000	-	8	
	Nord pas de Calais	1380		4	
	Berloiz	2000	-	8	
Ramsgate-Ostend	Eurovoyager	700	4	-	
	Gardenia	1140	4	4	
	Larkspur	870	4	4	
	Oleander	720	2	-	
	Ostend Spirit	1800	4	-	
Dieppe-Newhaven	Cote d'Albatre	1270	2	-	
	Seven Sisters	1270	4	4	

- 1.6 On the basis of these assumptions, the table below summarises GET's estimates of average daily capacity on the Short Sea, as at peak in 2010 and in 2013 – on the assumption of exit of P&O's European Seaway. These indicate that 2013 capacity on the Short Sea is 10% higher in 2013 than it was in 2010.⁴ If Dover-Boulogne capacity were included, it increase the "benchmark" capacity levels in 2010, by an estimated 13,600 lane metres of daily capacity on average during 2010.

Table 2: Total capacity estimated by operator and route

Operator	Total Capacity Operated	
	2010	2013
Eurotunnel	102,146	[confidential]
SeaFrance	60,720	
DFDSL(Dover-Calais)	0	37,000
DFDS(Dover-Dunkirk)	59,040	59,040
P&O	105,080	124,970
MFL	0	37,520
Ramsgate-Ostend	19,480	8,040
Dieppe-Newhaven	7,620	5,080
Total	354,086	389,656

- 1.7 However, the CC itself recognises that there has been an increase in demand observed since 2010, particularly in relation to freight. This renders a direct comparison of 2010 and 2013 capacity misleading – and on a like-for-like basis, justifies a higher level of supportable capacity in 2013, as compared to the 2010 "benchmark".
- 1.8 To correct for this, GET has estimated the levels of capacity utilisation, by comparing outturn data on traffic levels (i.e. demand) against its estimates of capacity presented above.
- 1.9 GET employed monthly demand data from IRN Research's Ferrystat and Freightstat January 2013 edition. Ferrystat data provided monthly figures for the number of cars

⁴ It is further notable that there has been an increase in capacity on Dover-Calais, but a decrease in capacity in the other Short Sea routes (which would be even more marked if Dover-Boulogne services were included in the 2010 analysis). As we discuss below, this pattern in capacity is also represented in the patterns of demand - with the effect that Dover-Calais has grown its share of total Short Sea demand.

and coaches transported via each respective short-sea operator. Similarly, Freightstat presents the monthly accompanied and unaccompanied units transported.⁵

- 1.10 Since, in contrast to the demand datasets, capacity is presented in terms of average daily lane metres and is calculated through an average of annual capacity figures (i.e. the product of ship capacity and number of crossings), data on freight and passenger unit numbers has been presented on a comparable basis by assuming the average length for each of the transport types, then multiplying the monthly vehicles transported by their respective lengths presented above, and subsequently dividing this value through by the number of days in the month of concern. For the purpose of this analysis, GET assumes that the average car length is 2.4 metres, lorry length is 16.5 metres and coach length is approximately 12 metres.
- 1.11 Since for 2013, demand is only available for the month of January, to compare capacity and demand information between 2010 and 2013, it is also necessary to correct for seasonality trends present in the market. To do so, GET aggregated monthly demand figures for the short-sea route operators, and subsequently calculated annual demand averages for freight, car and coach traffic respectively. From these annual means, GET was able to identify monthly indices across 2010, 2011 and 2012, using a base of the respective annual means. In order to calculate the final indices used, an average was taken for each month across the three years. Final indices used in calculations are shown in the table below.

Table 3: Seasonal index assumptions, by month

Month	Final Monthly Indices		
	Freight	Car	Coach
January	0.93	0.59	0.47
February	0.95	0.63	0.62
March	1.08	0.68	0.87
April	0.95	1.09	1.43
May	1.01	0.98	1.37
June	1.03	1.15	1.43
July	1.04	1.55	1.44
August	0.94	1.84	0.99
September	1.03	1.13	0.95
October	1.06	0.87	0.91
November	1.09	0.66	0.63
December	0.90	0.84	0.91

- 1.12 On this basis, Table 4 presents the seasonally adjusted capacity utilisation for 2010 and 2013, where demand in January 2013 is seasonally adjusted to provide a December benchmark, and then compared against December 2010 data.⁶

⁵ Demand data is not available for Ramsgate-Ostend. Throughout the analysis, it is assumed that the demand on this route is proportional to the percentage of total Short Sea capacity accounted for by vessels operating on this route.

⁶ December 2010 is used as demand as this may be considered to best reflect demand by operator after SeaFrance and Dover-Boulogne capacity reductions were implemented.

1.13 Once adjusted for demand growth, these data do not indicate a substantial increase in excess capacity either on the Short Sea, or on Dover-Calais route alone.

1.13.1 If P&O retires European Seaway as GET understands that it is planning to do, the capacity utilisation on the Short Sea in 2013 (46.4%) is expected to be very slightly lower than the 2010 capacity utilisation (47.7%) – with the implication that the demand growth since 2010 has almost exactly compensated for the increase in the overall capacity. Even if European Seaway remains active (with 6 crossings on Dover-Calais), the total capacity utilisation in 2013 (45.0%) would only be slightly lower than the 2010 benchmark.⁷

1.13.2 Even if the focus is only on Dover-Calais, the capacity utilisation in 2013 (48.3%) would only be slightly below the 2010 benchmark (51.1%). Furthermore, by far the lower capacity utilisation would be for MFL. However, GET does not consider this to be the appropriate basis for analysis: indeed the shift in both demand and capacity towards Dover-Calais from the other Short Sea routes highlights the competitive interaction between them.

⁷ GET estimates that European Seaway with 6 crossings accounts for capacity of 11,550 lane metres per day.

Table 4: Capacity and capacity utilisation on the Short Sea, 2010 – 2013

	2010 "Benchmark" Capacity	December 2010 Demand	Benchmark Utilisation	2013 Capacity	Jan 2013 Demand	2013 Estimated December Demand	Current Utilisation
Eurotunnel	102,146	64,162	62.8%	118,006	71,823	75,419	63.9%
SeaFrance	60,720	24,565	40.5%				
DFDSL (Dover Calais)				37,000	15,941	16,112	43.5%
DFDS (Dover Dunkirk)	59,040	20,990	35.6%	59,040	21,128	21,508	36.4%
P&O	105,080	48,196	45.9%	124,970	54,037	54,836	43.9%
MFL	0	0		37,520	6,936	7,014	18.7%
Ramsgate- Ostend	19,480	9,300	47.7%	8,040	3,623	3,729	46.4%
Dieppe- Newhaven	7,620	1,830	24.0%	5,080	2,095	2,118	41.7%
Total Short Sea	354,086	164,043	47.7%	389,656	175,583	180,735	46.4%
Total Dover- Calais	267,946	136,923	51.1%	317,496	148,738	153,381	48.3%

Note: the seasonally adjusted demand is presented on a December basis. P&O capacity includes car-only capacity on "Spirit of Britain" and "Spirit of France": if this is excluded, the industry utilisation for 2013 would be 48.9% for the Short Sea, and 51.6% for Dover-Calais.