

# Subsidy Advice Unit Report on the proposed subsidy to Dover Harbour Board

Referred by the Department for Transport

9 July 2024

Subsidy Advice Unit

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Part of the Competition and Markets Authority



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# 1. Introduction

- 1.1 This report is an evaluation prepared by the Subsidy Advice Unit (SAU), part of the Competition and Markets Authority, under section 59 of the Subsidy Control Act 2022 (the Act).
- 1.2 The SAU has evaluated the Department for Transport (DfT)'s assessment of compliance of the proposed subsidy (the Subsidy) to Dover Harbour Board (DHB) with the requirements of Chapters 1 and 2 of Part 2 of the Act (the Assessment).
- 1.3 This report is based on the information provided to the SAU by DfT in its Assessment and evidence submitted relevant to that Assessment.
- 1.4 This report is provided as non-binding advice to DfT. The purpose of the SAU's report is not to make a recommendation on whether the subsidy should be given, or directly assess whether it complies with the subsidy control requirements. DfT is ultimately responsible for granting the subsidy, based on its own assessment, having the benefit of the SAU's evaluation.
- 1.5 A summary of our observations and advice<sup>1</sup> is set out at section 2 of this report.

## The referred subsidy<sup>2</sup>

- 1.6 DfT and Kent County Council (the Council) are proposing to award a grant of £45 million to DHB, the owner and operator of the Port of Dover (the Port), to implement the Dover Border Access Improvement Project (the Project). The Council applied for this grant as part of the Levelling Up Fund and it was provisionally approved in January 2023. The District of Dover is a Priority 1 Levelling Up Area.<sup>3</sup>
- 1.7 The Project consists of the following infrastructure improvements at the Port to reduce the incidence and extent of congestion on the strategic and local road network, including when there is disruption to Port flows:
  - (a) A change in sequence of border controls to reduce disruptive effects of managing vehicles rejected at the border checks;
  - (b) An increase in pre-check-in plaza capacity to hold more traffic in the Port and off the public road network;

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<sup>1</sup> Provided at the SAU's discretion under section 59(3)(a) and (b) of the Act.

<sup>2</sup> [Referral of a proposed subsidy to Dover Harbour Board by the Department for Transport - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/referral-of-a-proposed-subsidy-to-dover-harbour-board-by-the-department-for-transport)

<sup>3</sup> The Levelling Up Fund places areas across the UK into category 1, 2, or 3, with category 1 representing places with the highest level of identified needs.

- (c) An increase in the number of border control points to process queuing traffic and reduce the need for queuing on the public road network;
  - (d) A new dock exit route to reduce disruptive effects of managing vehicles rejected at the border checkpoints or at the ferry operators' check-ins.
- 1.8 The Assessment estimates the capital cost for the Project at £62 million, of which the Subsidy will cover £45 million. DHB will cover all remaining costs, including any cost overruns. For the purposes of the Assessment, the whole of the £45 million grant is being treated as subsidy.<sup>4</sup>
- 1.9 The grant award will be governed by a Grant Funding Agreement (GFA).

### **SAU referral process**

- 1.10 On 22 May 2024, DfT requested a report from the SAU in relation to their proposed subsidy to DHB.
- 1.11 DfT explained<sup>5</sup> that the subsidy is a Subsidy of Particular Interest because the value will exceed £10 million.
- 1.12 The SAU notified DfT on 29 May 2024 that it would prepare and publish a report within 30 working days (i.e. on or before 9 July 2024).<sup>6</sup> The SAU published details of the referral on 30 May 2024.<sup>7</sup>

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<sup>4</sup> The SAU has a defined role in the subsidy control regime which is set out in Part 4 of the of Act. The Act explains that it is not the role of the SAU to determine what constitutes a subsidy. Public authorities are responsible for determining whether the financial assistance they are proposing to provide meets the definition of a subsidy before referral to the SAU.

<sup>5</sup> In the information provided under section 52(2) of the Act

<sup>6</sup> Sections 53(1) and 53(2) of the Act.

<sup>7</sup> [Referral of a proposed subsidy to Dover Harbour Board by the Department for Transport - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/referral-of-a-proposed-subsidy-to-dover-harbour-board-by-the-department-for-transport)

## 2. Summary of the SAU's observations

- 2.1 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the [Statutory Guidance](#)) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the [SAU Guidance](#)).
- 2.2 We consider that DfT has engaged with the Statutory Guidance and has considered the Subsidy's compliance with the subsidy control principles. In particular, the Assessment sets out a well-reasoned equity objective, as well as assessing an appropriate range of alternative options to the proposed Subsidy. It provides a good overview of a number of aspects of the likely impacts on competition, reviewing the closest competitors and the market for freight and drawing on a number of credible evidence sources.
- 2.3 However, we have identified the following areas of improvement:
- (a) We understand that the GFA was not finalised at the time of referral and therefore certain key subsidy characteristics could not be considered in detail in the Assessment. We consider that the Assessment cannot definitively conclude on whether the Subsidy complies with Principles B and F until the relevant terms of the GFA are finalised. We have advised that, to the extent possible and useful to minimise potential negative effects, the GFA should provide for clear performance indicators, conditions imposed on the beneficiary that limit the activities or projects for which the subsidy can be used, periodic reviews where it is commensurate and appropriate to do so, and relevant conditions covering the recovery of the Subsidy. We consider that this would help demonstrate compliance with Principle F.
  - (b) The Assessment should focus on the Subsidy itself rather than on the wider Project that it will support, notably when considering the policy objective (Principle A) and the counterfactual (Principle C).
  - (c) The Assessment should include further evidence and analysis to demonstrate DHB's limited incentive to invest in the Project, notably when considering the market failure (Principle A), counterfactual (Principle C), and proportionality (Principle B).
- 2.4 Our report is advisory only and does not directly assess whether the Subsidy complies with the subsidy control requirements. The report does not constitute a recommendation on whether the Subsidy should be implemented.

### 3. The SAU's Evaluation

3.1 This section sets out our evaluation of Assessment, following the four-step structure used by DfT.

#### **Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use**

3.2 The first step involves an evaluation of the Assessment against:

- (a) Principle A: Subsidies should pursue a specific policy objective in order to (a) remedy an identified market failure or (b) address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns); and
- (b) Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.<sup>8</sup>

#### **Policy objectives**

3.3 The Assessment states that the policy objective of the Project is 'to reduce the traffic congestion in Dover and Kent caused when there is disruption within the Port (due to border processing disruption, bad weather, service or IT failures, industrial action, or heavy volumes, etc.) that chokes the free flow of vehicles'. It also aims to build resilience to address delays and queues that could be caused by the additional checks which will be required when the EU Entry/Exit System<sup>9</sup> is introduced.

3.4 The Assessment explains that the proposed improvements will allow freight and passenger vehicles to pass through the Port faster. This should reduce queuing beyond the Port's footprint, easing the levels of traffic congestion in Dover and the rest of Kent. This should in turn reduce the need to use Operation BROCK

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<sup>8</sup> Further information about the Principles A and E can be found in the [Statutory Guidance](#) (paragraphs 3.32 to 3.56) and the [SAU Guidance](#) (paragraphs 4.7 to 4.11).

<sup>9</sup> The Entry/Exit System is an automated IT system for registering non-EU nationals each time they cross the external borders of European countries using the system, when they are travelling for a short stay.

(BROCK)<sup>10</sup> and the Traffic Access Protocol (TAP),<sup>11</sup> which cause disruption to the local community and create social inequalities.

- 3.5 In our view, the Assessment sets out a clear policy objective for the Project, but not for the Subsidy itself. We consider that the Assessment should articulate the specific policy objective for the Subsidy, within the context of the overall Project. This specific policy objective should be explicitly linked to the identified market failure and equity objective.

### **Market failure**

- 3.6 The Statutory Guidance sets out that market failure occurs where market forces alone do not produce an efficient outcome.<sup>12</sup>
- 3.7 The Assessment explains that the Subsidy is intended to address negative externalities from queuing traffic, which primarily affects the local community and wider national economy rather than DHB's revenue streams. The Assessment states that DHB does not have sufficient financial incentive to address these externalities without the Subsidy as it faces only limited commercial consequences as a result of traffic delays and congestion.
- 3.8 In our view, the Assessment sets out at a high level a credible market failure and the existence of negative externalities is well demonstrated. The Assessment could draw on evidence to establish the scale of the market failure more clearly, and how it impacts DHB (as set out in paragraph 3.27), in line with the Statutory Guidance.<sup>13</sup>

### **Equity objective**

- 3.9 The Statutory Guidance sets out that equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.<sup>14</sup>
- 3.10 The Assessment sets out evidence that the area around the Port experiences high levels of deprivation compared to the rest of the UK, including low levels of income and health. The highest levels of deprivation are concentrated along the access routes to the Port, and congestion on the road network is said to exacerbate these issues. According to the Assessment, congestion resulting from disruptions at the

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<sup>10</sup> Operation BROCK is a proactive traffic management plan usually implemented when seasonal forecast trips at the Port and/or Eurotunnel are expected to lead to significant queuing on the Strategic Road Network. During such scenarios, lorries en route to either the Port or Eurotunnel are allocated exclusive use of coast-bound section of the M20, while all other traffic is constrained to a contraflow system on the London-bound side.

<sup>11</sup> Traffic Access Protocol (TAP) is a reactive traffic management process implemented when outbound traffic volumes exceed the Port's throughput capacity; TAP queues freight traffic on the inside lane of the A20 until capacity allows for traffic to be released.

<sup>12</sup> [Statutory Guidance](#), paragraphs 3.35-3.48.

<sup>13</sup> [Statutory Guidance](#), paragraphs 16.18-16.20.

<sup>14</sup> [Statutory Guidance](#), paragraphs 3.49-3.53.



Port particularly impacts access to employment, educational opportunities and essential services via public transport, as these services use fixed routes and are less able to avoid traffic congestion.

- 3.11 Congestion from the use of Dover TAP further impacts local residents due to resulting noise and air pollution along with litter from queuing vehicles, and holding heavy goods vehicles on the A20 and M20 impacts on other local traffic.
- 3.12 Using local surveys, the Assessment explains that congestion from traffic management also has a negative impact on local businesses and coastal attractions.
- 3.13 In our view, the Assessment sets out and evidences a credible equity objective.

### **Consideration of alternative policy options and why the Subsidy is the most appropriate and least distortive instrument**

- 3.14 In order to comply with Principle E, public authorities should consider why the decision to give a subsidy is the most appropriate instrument for addressing the identified policy objective, and why other means are not appropriate for achieving the identified policy objective.<sup>15</sup>
- 3.15 The Assessment lists several options which DfT considered, including:
  - (a) Encouraging the diversion of traffic to alternative ports – this was rejected as ineffective, as the market continues to select the Port for making Channel crossings;
  - (b) Expanding the Port – this was rejected as cost-prohibitive and requiring additional public monies;
  - (c) Constructing a new port in an alternative location – this was rejected as unviable due to the overall costs, the lack of supporting road network and the disruption to supply chains and existing infrastructure it would cause;
  - (d) Legislative alternatives – these were rejected as changes to the checks on goods and people travelling outbound through the Port are not within the gift of the UK Government;
  - (e) Provision of an HMG loan – this was rejected as DHB would not gain a commercial benefit that would justify investment for the full cost of the Project;

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<sup>15</sup> [Statutory Guidance](#), paragraphs 3.54-3.56.

(f) Off-road sites, which were rejected as it would not alleviate passenger vehicle disruption or improve border fluidity.

3.16 The Assessment also mentions (when discussing the policy objective) that existing plans for further improvements to the road infrastructure are expected to increase pressure in and around the Port due to easier access rather than reduce congestion.

3.17 In our view, the Assessment demonstrates that DfT has considered a range of alternative options for achieving the policy objective and explained why these alternatives would not be appropriate.

## **Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change**

3.18 The second step involves an evaluation of the Assessment against:

- (a) Principle C: First, subsidies should be designed to bring about a change of economic behaviour of the beneficiary. Second, that change, in relation to a subsidy, should be conducive to achieving its specific policy objective, and something that would not happen without the subsidy; and
- (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.<sup>16</sup>

### **Counterfactual assessment**

3.19 In assessing the counterfactual, the Statutory Guidance explains that public authorities should assess any change against a baseline of what would happen in the absence of the subsidy (the 'do nothing' scenario).<sup>17</sup> This baseline would not necessarily be the current 'as is' situation (the 'status quo') but what would likely happen in the future – over both the long and short term – if no subsidy were awarded.

3.20 The Assessment explains that, in the absence of the Project, traffic disruption in Dover and Kent more widely would continue given the forecast growth in both freight and traffic, and the impact of likely additional border checks due to the introduction of the EU Entry/Exit System. It states that this could have significant consequences locally, including potential job losses and increased deprivation, as well as causing difficulties for residents when attempting to access local services. Further, it outlines the potential harm to the national economy, given that the Port

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<sup>16</sup> Further information about the Principles C and D can be found in the [Statutory Guidance](#) (paragraphs 3.57 to 3.71) and the [SAU Guidance](#) (paragraphs 4.12 to 4.14).

<sup>17</sup> [Statutory Guidance](#), paragraphs 3.60-3.62.

handles a large proportion of the UK's trade with Europe, and the potential impacts on tourism and the environment.

- 3.21 The Assessment describes the current financial costs of operating the TAP and BROCK traffic-management procedures and estimates their likely cost in the counterfactual scenario, supported by contextual evidence. Further, supporting documents cite an academic study, which describes the potentially disruptive effects of the EU Entry/Exit System and how small delays could considerably magnify congestion beyond the Port boundary.
- 3.22 The Assessment primarily focuses on what would happen without the Project rather than without the Subsidy. In our view, the Assessment should first demonstrate what would happen to the Project without the Subsidy, including whether the whole Project would not have gone ahead or whether some of the planned improvements would have been made anyway. The Assessment could also have made better use of available evidence to help demonstrate that the current inequities would further deteriorate in the absence of the Project.

### **Changes in economic behaviour of the beneficiary and additionality**

- 3.23 The Statutory Guidance sets out that subsidies must bring about something that would not have occurred without the subsidy.<sup>18</sup> In demonstrating this, public authorities should consider the likely change or additional net benefit. According to the Statutory Guidance, 'additionality' means that subsidies should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy.<sup>19</sup>
- 3.24 The Assessment explains that the Subsidy is designed to ensure that the beneficiary delivers the improved size and layout of the port to improve traffic congestion in the Dover area and Kent as a whole. Further, the Assessment states that the congestion issues have done little to dissuade passengers from using the port and that the beneficiary therefore 'lacks sufficient commercial incentive to act on this problem itself'.
- 3.25 The Assessment acknowledges that the Port will experience some commercial and reputational benefits from the Project, given the expected improvements in vehicle throughput and faster processing times. However, as most of the benefits result from addressing the negative impacts on Dover and Kent, it considers that these are not sufficient for DHB to finance the Project without the proposed Subsidy. Regarding additionality, the Assessment states that the GFA will ensure that the subsidy is only granted based on the Project proceeding as agreed.

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<sup>18</sup> [Statutory Guidance](#), paragraph 3.64.

<sup>19</sup> [Statutory Guidance](#), paragraphs 3.63-3.67.

- 3.26 The Assessment further considers that the Project costs could not be met without a suitable funding model that allows the beneficiary to carry out the Project. It also explains that the costs covered by the Subsidy are one-off capital costs and not ongoing operating costs of the beneficiary, noting that the problems the Subsidy seeks to address are not caused by any ‘inherent operational inefficiency’ at the beneficiary. The Assessment states that the beneficiary will be liable for any cost overruns.
- 3.27 In our view, the Assessment reasonably shows additionality. It explains that the change in economic behaviour which the Subsidy is expected to bring about is the delivery of the Project, and how this change will support the policy objective being pursued. However, the Assessment should better evidence its conclusion on the lack of commercial and financial incentive for DHB to fund the whole of the Project. It could also use the internal rate of return analysis provided in Step 3 to better demonstrate the change in economic behaviour and additionality that the Subsidy will bring about.

### **Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible**

- 3.28 The third step involves an evaluation of the assessment against:
- (a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and
  - (b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.<sup>20</sup>

#### **Proportionality**

- 3.29 The Assessment states that the Subsidy is the minimum required for DHB to deliver the Project. The Assessment indicates that the cost of the Project is £62 million and that the benefits accruing to DHB would be insufficient to justify this level of investment. However, DHB is prepared to invest £17 million into the Project which the Assessment considers should cover any commercial benefit it might receive.
- 3.30 The Assessment notes DHB’s required internal rate of return and explains that the growth rate in passenger patronage required for DHB to undertake the investment

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<sup>20</sup> Further information about the Principles B and F can be found in the [Statutory Guidance](#) (paragraphs 3.72 to 3.108) and the [SAU Guidance](#) (paragraphs 4.15 to 4.19).

on a commercial basis, at the lowest possible cost identified for the Project, is very unlikely to materialise given the competition DHB faces for passenger traffic.

- 3.31 The Assessment also considers certain characteristics of the Subsidy which are relevant to proportionality, including a high-level consideration of performance, ringfencing and monitoring and evaluation.
- 3.32 In our view, the Assessment should better evidence why the size of the Subsidy is the minimum necessary, more clearly setting out the assumed values of key parameters in this analysis and the evidence for them and undertake sensitivity analysis around them. This sensitivity analysis should include growth in both passenger and freight revenues (informed by further evidence provided), as well as differential charging levels (potentially informed by the valuation of direct benefits to customers estimated in the cost benefit analysis undertaken), and other possible levels for DHB's internal rate of return.
- 3.33 We also understand that the GFA was not finalised at the time of referral and therefore certain subsidy characteristics relevant to the assessment of proportionality, such as definition of performance, any ringfencing or clawback mechanisms, or monitoring and evaluation, could not be considered in detail in the Assessment. The Assessment should consider any impact of these characteristics on proportionality once the relevant terms of the GFA are finalised (see also paragraph 3.35-3.37 below).

### **Design of subsidy to minimise negative effects on competition and investment**

- 3.34 The Statutory Guidance sets out subsidy design features that public authorities should consider including to minimise the impact of distortive characteristics of a subsidy whilst still meeting the policy objective.<sup>21</sup> These design features include performance criteria, ringfencing, and monitoring and evaluation.<sup>22</sup>
- 3.35 The Assessment considers some relevant subsidy design aspects at a high level. However, we understand that the GFA was not finalised at the time of referral and therefore certain key subsidy characteristics could not be considered in detail in the Assessment. We consider that the Assessment cannot definitively conclude on whether the Subsidy is designed to minimise negative effects on competition and investment until the relevant terms of the GFA are finalised.

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<sup>21</sup> [Statutory Guidance](#), paragraphs 3.74 to 3.106. The guidance notes that although design features of a subsidy should not be discounted simply because of the cost or burden to the public authority, it is not necessary to ensure a subsidy has every one of the distortion-minimising characteristics set out, where that would only lead to a negligible reduction in potential distortion. Similarly, if the expense or administrative burden of implementing a particular feature would be sufficient to prevent the subsidy being given at all, there is no obligation to introduce it.

<sup>22</sup> [Statutory Guidance](#), paragraph 3.78.

- 3.36 In our view, to help demonstrate compliance with Principle F, the GFA should provide for the following, to the extent possible and useful to minimise potential negative effects: <sup>23</sup>
- (a) clear performance indicators in the agreement;<sup>24</sup>
  - (b) conditions imposed on the beneficiary that limit the activities or projects for which the subsidy can be used;<sup>25</sup>
  - (c) periodic reviews where it is commensurate and appropriate to do so<sup>26</sup> – these reviews could include an evaluation of progress against project milestones and whether interim objectives have been met; and
  - (d) relevant conditions covering the recovery of the Subsidy.<sup>27</sup>
- 3.37 Once the relevant terms of the GFA are finalised, the Assessment should consider in more detail the Subsidy characteristics and explain how they contribute to minimising negative effects on competition and investment.

### **Assessment of effects on competition or investment**

- 3.38 The Assessment considers DHB's competitors and concludes (informed by the wider evidence provided) that the Port is primarily operating in the Short Straits market for both passengers and freight, and the main competition it faces comes from Eurotunnel. It considers changes in these markets over time due to external factors, and discusses further evidence of how the Port's market share changes in response to price changes. It includes evidence on cost differentials between operators in the Short Straits and other routes, as well as on switching in the face of historical disruptions to the Port's operations.
- 3.39 The Assessment acknowledges that the Port will experience some commercial and reputational benefits from the Project, given expected improvements in vehicle throughput and faster processing times, and separately notes that there may be some vehicles that now use the Port which might otherwise have used Eurotunnel or other ports or modes. However, it considers that the proposed investment is unlikely to create significant market distortions as its main competitor, Eurotunnel, will accrue some of the benefits and there is limited competition with other UK ports.

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<sup>23</sup> The SAU has discretion pursuant to section 59(3) of the Act to give advice about how the public authority's assessment might be improved, or advice about how the proposed subsidy may be modified to ensure compliance with the subsidy control requirements. This advice is non-binding.

<sup>24</sup> [Statutory Guidance](#), paragraph 3.100.

<sup>25</sup> [Statutory Guidance](#), paragraph 3.102.

<sup>26</sup> [Statutory Guidance](#), paragraph 3.104.

<sup>27</sup> [Statutory Guidance](#), paragraph 3.104.

3.40 In our view, the Assessment provides a good overview of a number of aspects of the likely impacts on competition, reviewing the closest competitors and the market for freight and drawing on a number of credible evidence sources. However, the Assessment should articulate the potential competitive distortions to Eurotunnel in more detail and provide a more thorough consideration of the impact of the subsidy on the passenger market in the Short Straits. The Assessment could also provide a sense of scale of the Subsidy relative to the size of the recipient, the costs on the beneficiary or the affected markets.<sup>28</sup>

#### **Step 4: Carrying out the balancing exercise**

3.41 The fourth step involves an evaluation of the Assessment against subsidy control Principle G: subsidies' beneficial effects (in terms of achieving their specific policy objective) should outweigh any negative effects, including in particular negative effects on: (a) competition or investment within the United Kingdom; (b) international trade or investment.<sup>29</sup>

3.42 The Assessment sets out the direct benefits of the Project. These include reducing external impacts from disruption on the road network along and the wider social and equity benefits, along with a quantified economic benefit. The benefit to reducing barriers for business investment and tourism in Kent is also noted.

3.43 The Assessment also explores the potential for negative impacts on competition from the Project, including:

- (a) An increase in consumer and commercial vehicles opting to use the Port rather than Eurotunnel or alternative ports or modes;
- (b) Vehicles and passengers going through border controls more quickly potentially enabling increasing ferry operators' ticket prices and revenues, which could result in benefits for the Port if service frequencies were subsequently increased;
- (c) the Subsidy increasing the credit worthiness (and therefore ability to raise investment) of DHB.

3.44 The Assessment concludes that the real-world impact from the negative impacts on competition are largely expected to be small and as such, are outweighed by the economic and social benefits. While this argument is coherent, the Assessment should provide a more systematic explanation of how the positive and negative elements were weighed against each other to reach this conclusion –

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<sup>28</sup> As set out in paragraph 3.88 of the statutory guidance. Much of this could be drawn from evidence presented elsewhere in the Assessment. For example, under Step 4 there is consideration of DHB's annual revenues of £77.1 million, against those of Eurotunnel at £1,375.7 million. This material should be included under consideration of Step 3, or appropriately cross-referenced.

<sup>29</sup> See [Statutory Guidance](#) (paragraphs 3.109 to 3.117) and [SAU Guidance](#) (paragraphs 4.20 to 4.22) for further detail.

particularly given the assertion that unlike the quantification of the positive economic benefits, it is not possible to quantify any distortive impact on competition.

- 3.45 In our view the Assessment could do more to fully consider the potential for effects on international trade and investment. The Assessment states that while the impact on trade has not been quantified, DfT expects significant benefits due to the improvements at the Port enhancing trade with the EU. The Assessment could better consider the impact on international trade and investment by explaining how any impact on competition with ports and transport services in other nations had been considered (even if they are likely to be small) – or by stating that none are considered to apply.

### **Other Requirements of the Act**

- 3.46 This step in the evaluation relates to the requirements and prohibitions set out in Chapter 2 of Part 2 of the Act, where these are applicable.<sup>30</sup> DfT has confirmed that none of these prohibitions or other requirements applied to the subsidy.

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<sup>30</sup> [Statutory Guidance](#), chapter 5.