CAR draft decision on second interim review of 2019 determination

IATA response

IATA appreciates the opportunity to respond to the Commission for Aviation Regulation's consultation on a Draft decision on the Review due to COVID-19 of the 2019 Price Determination of Airport Charges at Dublin Airport. Our views are detailed below:

"Narrow focused" interim review and capex clawbacks

As mentioned in our submission back in May, if the CAR decided a review were needed for 2022, the scope of its intervention should be limited to where is strictly necessary. Amendments to the opex pass through mechanism, the reprofiling triggers and commercial revenue rolling mechanism may be merited. However, we expressed concern at the possibility that the CAR disallows the capex clawback mechanism for 2022 as we considered that as disproportional.

We observe that the draft decision has adopted a narrow focus which we find appropriate. However, we are concerned to the proposal to disallow the capex claw-back mechanism for 2022. Eliminating the capex clawback mechanism would imply that the CAR is remunerating Dublin airport for capex that does not exist. The argument that it is "unlikely" that DUB airport recovers the full capital costs needs to be seen in the context that the airport holds traffic risk.

Capex and Service Quality

IATA supports the continued requirement for consultation on capital projects with an expected cost of €4m or more. It is important to maintain oversight and the flexibility to ensure that Capex allowances remain relevant.

IATA supports the Commission's decision to reimplement some of the Quality-of-Service metrics. There has been sufficient time to adjust to the Covid health measures and airlines should have the level of service for which they are paying. IATA does not believe that the rebate scheme should be diluted as it is an important mechanism to incentivize the performance that airlines and their customers expect.

Full review from 2023

In our May submission we responded that any decision from the CAR on its second interim review should be solely related to 2022, and that the decision regarding 2023 should be made during 2022 taking into consideration the traffic evolution. We unfortunately see that the CAR is already proposing to carry out a full review during 2022 with a view of implementing a new regulatory period in 2023.

This would imply that the regulatory existing regulatory period has been cut short by 2 years, implying a significant transfer of risk from the airport to the consumer.   This transfer of risk will need to be reflected through a lower WACC in the next regulatory period.

Finally, we would like to state our opposition to the CAR's comment on paragraph 7.9 that its full review may include a "lookback" to allow recovery of losses. We consider this entirely inappropriate considering the fact that the CAR has already determined in paragraph 5.46 that Dublin airport's financial viability is not under threat. Moreover, cutting short the regulatory period by two years, and disallowing capex clawbacks is already disproportionate enough and therefore no further concessions should be allowed.