Response to Airport Charges Draft Decision Paper

The Irish Tourist Industry Confederation (ITIC) wishes to make the following response to the proposed price cap 2015-2019 as outlined in the Commission's paper of May 29th 2014.

A recommendation that suggests a reduction in charges is to be welcomed, and it supports the general thrust of the draft National Aviation Policy where a principal goal is:

"To enhance Ireland's connectivity by ensuring safe, secure and competitive access responsive to the needs of business, tourism and consumers."

It should be noted however that Dublin Airport's current maximum charge of €10.55 – is €3, or more than 20% below the comparable European average. The DAA's proposal is to keep prices flat in real terms over the next five years. This would encourage growth and the development of new services and simultaneously enable the necessary improvements to airfield and passenger facilities to provide required capacity and deliver a quality product to the public.

Against this background, aspects of the Commission's recommendations give cause for concern. While appearing to be attractive, many of the reductions may very well be unsustainable, and could inadvertently lead to lost opportunities for growth. Facilitating growth requires prudent investments in Terminal 1 associated passenger facilities (which are 40-50 years old), in airfield improvements to maximise the capacity of the existing runway, and in some essential security upgrades. CAR has disallowed all of these projects, and more, in its draft determination.

In order to guard against an unsatisfactory outcome, CAR should reconsider the following points before finalising its price cap decision:

Enhancing Connectivity

Over 80% of all international air travel to and from the Republic of Ireland is through Dublin Airport. Therefore the future of the Airport must be considered in light of the pivotal national significance it holds.

The future prosperity of tourism, trade, and inward investment is intrinsically linked to the provision of adequate investment in Dublin Airport. It is widely accepted that the delay in developing Terminal Two stifled growth opportunity, and tarnished Dublin's and Ireland's progressive image in the early noughties. Such incommensurate investment must be avoided if Dublin Airport is not to repeat the mistakes of the past.

In the earlier period, pre T2, Ireland was enjoying stellar economic growth. The lost opportunities and tarnished image was regrettable then, but given the current state of the Irish economy, to allow a similar scenario to develop now would be unconscionable.

It is a sine qua non that the DAA must continue to grow passenger numbers at Dublin Airport by further expanding the range of routes and services available to consumers, by growing its transfer and long-haul businesses, and by improving the passenger experience.

Terminal 1 at Dublin Airport is more than 40 years old, and the associated boarding gate areas (Piers 2 and 3) are even older, having been constructed in the early 1960s. Essential upgrades to enhance the passenger experience are already overdue. Given this investment, T1 has the potential to be a catalyst for further growth at Dublin Airport. However, the existing facilities are no longer fit for purpose in certain areas and a range of prudent and overdue refurbishments are essential. However CAR's proposals disallow any refurbishment of the 40-year-old terminal building or the 50-year-old boarding gate areas, and if unchanged, this would stifle the potential for growth.

"The development of new routes and services, particularly to new and emerging markets" is a key plank of the Government's draft National Aviation Policy.

The Government's draft Tourism Policy agreed by Cabinet on July 8th 2014 states:

"It is important that our air and sea access infrastructure is conducive to encouraging growth in inbound capacity from regions that present the best prospects"…

"While there has been considerable recent investment at our main airports, some capacity concerns remain at particular points in the facilities for incoming visitors"…

"Reflecting their importance to the tourism industry, all the State port companies must give full consideration to the quality of the visitor experience in their investment plans".

Dublin's runway is already congested at peak times and this is a curb on development opportunities. At the same time as postponing the delivery of a new parallel runway until sometime around 2022, the regulator has disallowed an extension to Dublin Airport's existing main runway. This extension would, in the meantime, provide much needed additional capacity at key times of the day, and enable Ireland to compete for direct air services from emerging markets in the Far East.

CAR's runway proposals are an inhibitor to delivering Government policy and to the prudent development of the airport.

Maintaining Service Quality Standards
In recent years, alongside growing passenger numbers, Dublin Airport has offered a better product to its customers on a sustained basis. This is acknowledged by the regulator in the determination, and by regular independent studies that consistently place Dublin Airport within the top five airports in Europe for customer service.

As recently as 2006, Dublin Airport had the lowest level of customer satisfaction among almost 30 peer airports in Europe. The improvements delivered in the past eight years have made Dublin Airport one of Europe's best airports for customer service, but CAR's proposals threaten the retention of that level of customer satisfaction over the next five years. In finalising its decision the Commission needs to provide compelling evidence that the proposed levels of security capex and opex in particular will enable existing levels of service to be retained and enhanced over the course of the next price control period up to 2019.

Enabling the Development of Dublin as a Hub
Building a secondary hub at Dublin Airport is one of the key recommendations within the Government's new Draft National Aviation Policy, and there is already significant progress in this area. More than a half a million passengers transferred at Dublin last year, which was a 36% increase on 2012.

Dublin Airport's plan is to quadruple this transfer business to two million passengers per year within the short-term.

This transfer business is vital to help Dublin Airport and Ireland expand direct connectivity, which is critical for tourism and business. These additional transfer passengers frequently underpin the viability of a route, and encourage airlines to launch new services and add capacity on existing routes. The new direct service to San Francisco for example - the provision of which was seen as essential by the Irish business community and by US hi-tech investors in Ireland - is predicated on a regular flow of transfer passengers from Britain and continental Europe via Dublin to the US and a similar traffic pattern on the return flight.

Helped by this transfer traffic, Dublin is beginning to become a major player in the transatlantic market within Europe. This summer, for example, it will be the seventh largest airport in Europe for services to North America, with 268 flights per week between the airport and 13 separate destinations in the United States and Canada.

CAR's draft proposals appear to be at odds with the Government's strategy of developing Dublin Airport as a hub. CAR has disallowed DAA's planned investment in an expanded transfer facility that would offer shorter connecting times for passengers and help improve the overall transfer product.

A vibrant Dublin Airport, aiding tourism, investment and trade, is essential for the Irish economy. It will also allow Ireland to connect with key emerging economies. CAR's current proposals run the risk of renewed stagnation and a poor quality airport product that is not in the best interests of the tourism industry or the business community.

July 22nd 2014