

To the Commission for Aviation Regulation

Subject: Response to the 2019 Draft Determination CP3/2019

Apologies for the delay in our submission to the 2019 draft determination CP3/2019; however, due to holidays I only became aware of this change on my return.

DHL Express is extremely concerned at the financial constraint being placed on Dublin Airport Authority and the impact that this is likely to have on future developments relating to the cargo community. The attached letter from Mr Vincent Harrison of the DAA highlights the extent of this reduction and quite clearly states it comes at the expense of infrastructure . I appreciate the decision to reduce the annual fees delivers a significant saving to passengers; however, when faced with limited resources to meet many demands, it is most often the case that the needs of cargo suffers. I would go so far as to question the degree to which the commission considered how cargo would be impacted in such a revenue reducing determination.

I am particularly concerned over the future of the intended 'Underground bypass to the West Apron' and question whether this is now in jeopardy as a result of the draft determination and I would urge the commission to investigate this before making its final decision.

Regards

Mike

Mike Farrell

Operations Director &
EMA HUB Expansion Programme Director

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By email only to: Eddie.Meaney@dhl.com

21 June 2019

Dear Mr. Meaney,

As a key customer of Dublin Airport, I am writing to make you aware of some important developments with respect to the recent draft regulatory determination by the Commission for Aviation Regulation (CAR) and its impact on our Capital Investment Programme (CIP), which will have very significant implications for the airport's future growth.

As you will be aware, CAR regulates the level of charges that daa can collect in airport fees levied on airlines. Every five years, following consultation with daa, airlines and other interested parties, CAR decides on the maximum level of airport charges that Dublin Airport will be allowed to collect from its airline customers during each year of the coming 5-year period. This is applied as a 'price-cap' for each passenger that uses the airport. CAR's last determination took place in 2014 covering the period 2015-2019. The process is currently underway for the next determination which will cover the period 2020-2024.

As part of this process, CAR published its Draft Determination for Dublin Airport for 2020-2024 on May 9th. It is important to say that we are heartened by the fact that, in its Draft Determination, CAR has given its strong support for the €1.8bn investment plan that daa had proposed for the development of Dublin Airport over the coming regulatory period. In its draft, CAR has stated that 'Dublin Airport's €1.8bn plan was developed following an extensive period of consultation with stakeholders, both bilateral and multilateral. This was a comprehensive and meaningful consultation resulting in an investment programme which in many respects is aligned to the needs of users.'

This proposed investment programme was, throughout all discussions, predicated on a clear plan of maintaining last year's charge of approximately €9.65 per passenger at Dublin Airport for our airline customer until 2024. Given the current competitiveness of our charges, which are 30-40% cheaper than European peer airports, we have always maintained that this represents a very competitive proposition and offers price stability over the period, whilst effectively doubling the regulated asset base. I am appending daa's regulatory proposition separately for your information and review.

daa Board of Directors | Bord Stiúthóirí daa: Basil Geoghegan - Chairman/Cathaoirleach, Niall Greene, Patricia King, Colm McCarthy, Paul Mehlhorn, Barry Nevin, Eric Nolan, Risteard Sheridan, Denis Smyth, Gerry Walsh, Dalton Phillips - Príomhtheidhmeannach /Chief Executive

Óifig Chláraithe: Aerfort Bhaile Átha Cliath, Co. Bhaile Átha Cliath. **Uimhir Chláraithe:** 9401 Éire Is ainm gnó cláraithe de chuid daa plc atá in Aerfort Bhaile Átha Cliath
Registered Office: Dublin Airport, Co. Dublin. **Registered Number:** 9401 Ireland **Dublin Airport is a registered business name of daa plc**

However, and significantly, while largely supporting our capital plans in their need and their scope CAR has – in its published draft - simultaneously proposed to reduce the passenger charge at Dublin Airport to just €7.50 in 2020. This would represent an unprecedented 22% reduction in prices at Dublin Airport in 2020, which would

remain at this level until 2024 – a period in which Dublin Airport was planning to embark on the largest development programme in its history.

I fully acknowledge and understand that, on the surface, the prospect of significant reductions in pricing may appear attractive to our airline customers. However, in reality, this proposed pricing reduction has a very significant cost: it comes at the expense of infrastructure and capacity development, and ultimately at the expense of future growth for all of our key airlines and stakeholders.

The 22% reduction in pricing proposed will simply not allow Dublin Airport to finance the level of capital investment which has been requested by airlines and ratified by CAR, without creating an unacceptable and unsustainable level of risk for the daa group. In making its determination CAR has refused to seek any expert independent advice to assess or to confirm that its proposition can actually be delivered in a financially viable/sustainable way – despite multiple requests from stakeholders for such an assessment.

And, in light of the significant financeability issues that CAR's decision presents, the Draft Determination is already having very real and serious impacts for Dublin Airport and its users. On the basis of the very positive feedback received during consultations with airlines, we had sought to accelerate the development of our investment programme at risk. However, as a result of the Draft Determination, our Board has now had to take the difficult decision to stand down works on these projects, while we fully re-evaluate our plans in the context of what may be ultimately affordable and over what timescale.

It goes without saying that we are extremely disappointed with the decision by CAR, and the impact that it has had for our necessary and agreed investment programme. Our belief and our position is clear: that the draft pricing determination by CAR is fundamentally flawed and does not take account of the market realities at Dublin Airport. We believe that the reduction in airport charges being proposed by CAR is completely unjustified and is based on utterly flawed logic. We are therefore strongly challenging the CAR decision, in order to deliver a final determination that is realistic and reasonable, and that will support the airport's future growth, and the growth aspirations of all of our customers.

CAR is now holding a public consultation on its Draft Determination with responses due by July 8th. It will then issue its final pricing decision for 2020-2024 in the autumn. Again, I understand that – given our own individual commercial positions - we will unavoidably have diverging opinions on some issues and areas in respect of any regulatory determination. However, regardless of where our positions vary, there is one thing that I think we can agree on: that we must continue to develop Dublin Airport in a way that creates continued growth opportunities - for all of our airline customers. And in this respect, it is important that I highlight that the simple and objective reality is that this determination effectively blocks the future capability for growth in Dublin Airport. The cost of this price reduction will therefore, in the long-term, far outweigh any short-term value.

Given its potential impact for your business, I am strongly encouraging all of our airline customers to make a submission to CAR on this determination in advance of July 8th – it is important that every voice at Dublin Airport is heard and fully considered by CAR in making its final decision. Further, when making your submission, I would appreciate if you could give my comments your full consideration. This determination creates risk, uncertainty, and limits opportunity for all stakeholders and I do believe that it is important that we are united in requesting a final determination that is, at an absolute minimum, actually deliverable, and that will support all airlines and key stakeholders operating at the airport to grow and develop into the future.



We are more than happy to discuss this issue further with you, and to provide more information as needed. To this end, senior members of my team will be contacting you very shortly to clarify the issues outlined above, and I am also happy to discuss them personally as required.

Thank you for your time, and for your ongoing custom and support, it's much appreciated.

Best regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read "Vincent Harrison".

Vincent Harrison
Managing Director, Dublin Airport