PRESS RELEASE, 22 July 2022

COMMISSION FOR AVIATION REGULATION PROPOSES NEW DUBLIN AIRPORT PRICE CAP TO PROMOTE POST-COVID RECOVERY AND INVESTMENT FOR GROWTH

Today (Friday, 22 July 2022) the Commission for Aviation Regulation (CAR) publishes its Draft Decision on the maximum level of Airport Charges at Dublin Airport for 2023 to 2026. CAR is responsible for setting airport charges in the best interest of airport users (airlines and passengers), balancing efficiency with the delivery of high quality services and infrastructure.

This is CAR's third interim review of the 2019 Determination and is in response to the COVID-19 pandemic, which has had a devastating impact on the aviation industry. CAR is proposing to amend the price caps for 2023 and 2024 and to extend the period of the determination by two years, proposing new price caps for 2025 and 2026. A Final Decision will be made later this year following consultation with interested parties, with publication in Q4 2022. The two year extension is contingent on the enactment of the Air Navigation and Transport Bill, 2020 (ANTB).

CAR is proposing an average base price cap of €8.52 per passenger for the period, starting at €8.68 in 2023 and with price caps of €8.60, €8.29 and €8.48 in 2024, 2025 and 2026 respectively. This compares to the €8.24 price cap in 2022.[1] If Dublin Airport delivers its capital investment programme as planned, the price will increase further, up to €9.81 per passenger by 2026.

CAR estimates that the proposed price cap will allow Dublin Airport collect €1.2bn from Airport Charges over the 4 years, and it will collect a further €1.15bn from commercial revenues.

CAR assesses that the proposed Price Cap serves the best interest of passengers and airlines and will accomplish the following:

- Enable and incentivise the delivery of high-quality airport services to passengers
- Allow Dublin Airport to invest in significant increases in capacity, with a total capital investment allowance of €2.9bn (of which €1.8bn is expected to be spent by 2026).
- Allow Dublin Airport to invest in sustainability projects, to enable it to meet its climate targets
- Ensure Dublin Airport charges an efficient price, which will assist in the aviation industry's recovery from the COVID-19 pandemic and bring associated benefits to the Irish economy.
- Encourage competition between airlines and increase overall connectivity, leading to value and choice for passengers

Publishing the proposal Deputy Commissioner, David Hodnett said:

> *"Our proposed price will enable Dublin Airport to deliver a high-quality service for passengers.*
>
> *Like many other airports and aviation stakeholders, the faster than expected recovery in traffic has posed a significant operational challenge to Dublin Airport. This review covers the period 2023-2026 and we expect the service level to be at pre pandemic levels throughout, this is reflected in our proposed service quality targets. We propose to allow sufficient levels of operating costs to achieve the high quality service levels we have specified, with associated rebates and bonuses to incentivise delivery.*
>
> *The proposal reflects confidence in the rebound in aviation traffic levels and the return to growth. We expect passenger numbers at Dublin Airport to exceed 2019 levels by early 2025, and therefore it is timely for Dublin Airport to invest significantly in key pieces of national*

[1] Note: All numbers are in February 2022 price level. This may result in differences between numbers quoted here and elsewhere. For example, in February 2022 price level the 2022 price cap is €8.24, whereas the nominal price cap for 2022 is €8.11.

infrastructure. We have made capital investment allowances of €2.9bn, which, when completed by Dublin Airport, will provide capacity to handle 40m passengers per year.

We also propose making allowances for sustainability investments of €360m to enable Dublin Airport to achieve its sustainability targets."

NOTES FOR EDITORS

Main Changes from 2019

There are a number of changes since 2019 but these work in offsetting directions to a certain extent. Lower passenger forecasts due to the pandemic puts upward pressure on the price per passenger, whereas, making €800m of capital investment contingent on delivery, plus higher commercial revenue forecasts, push the base price down.

Where CAR differs to Dublin Airport

Dublin Airport has proposed a higher price in the range of €13.04 to €14.77. This is a significant difference, driven by four main factors. First, Dublin Airport forecasts a slower recovery in passenger traffic – forecasting 27.7m passengers next year compared to CAR's 30.1m. Second, Dublin Airport proposes a higher cost of capital (return for investors). Third, Dublin Airport forecasts that operating costs should grow at a much faster rate than CAR's forecast. Fourth, Dublin Airport has used nominal prices for its capital project costings, CAR has converted these to real prices since the price cap itself will be adjusted for inflation.

Statutory Objectives

In making these proposals CAR is guided by its Statutory Objectives, the thrust of which relates to economic efficiency and seeking to maximise the value that Dublin Airport provides to current and future users. With the future enactment of the Air Navigation and Transport Bill, 2020, CAR's objectives will have an additional focus on the promotion of sustainability and climate change related policy.

Consultation with Stakeholders

In preparing this draft decision CAR has consulted extensively with stakeholders, including, Dublin Airport and airlines. CAR has also engaged with its Passenger Advisory Group composed of organisations representing the diversity of passengers at Dublin Airport. The advice received from the group has informed decisions on service quality measures and on capital investment.

Air Navigation and Transport Bill, 2020 (ANTB)

The proposed two year extension is contingent on the enactment of the Air Navigation and Transport Bill, 2020 (ANTB). At the time of publication, the ANTB is at committee stage in the Seanad.

Consultation

CAR is conducting a public consultation on its proposals. Before the Final Decision, CAR will update its proposals to include relevant changes in markets and forecasts, and where new information and evidence is presented by stakeholders. CAR expects to make a final decision towards the end of the year. CAR invites comments on all aspects of the draft decision by no later than **5.00pm, 16 September 2022,** by email to info@aviationreg.ie.

The price cap is based on the following components:

- **Passenger Forecasts**: CAR is forecasting 30.1m passengers will use the airport next year, and that growth will continue, exceed 2019 levels by 2025, and reaching 35.2m by 2026.
- **Operating Costs**: CAR is proposing to allow operating costs ranging from €295m to €327m per year. The objective is to ensure Dublin Airport is operated efficiently, with sufficient resources to deliver high-quality airport services.
- **Commercial Revenue**: CAR expects passengers to return to pre-pandemic behaviour in relation to retail, food and beverage, and car parking, with revenues of between €259m and €319m expected per year.
- **Cost of Capital**: CAR have assessed that investors in Dublin Airport should get a return of 4.22% (before inflation), this is the same as in 2019, with increases in the cost of equity offset by decreases in the real cost of debt.
- **Capital Projects allowances**: CAR have allowed €2.9bn in capital investment, €360m of which is in sustainable projects. The investment programme will increase capacity of the airport to 40 million passengers per annum.
- **Financeability**: CAR has made adjustments to the settlement to enable the financeability of the investment programme.
- **Quality of Service:** To incentivise a return to pre-pandemic levels of service for passengers, CAR proposes a comprehensive set of quality of service measures and associated rebates and bonuses. €0.36 of the price cap is at risk with rebates, and a bonus of up to €0.15 is available for exceptional performance. The overall objective of the Quality of Service targets is to return to 2019 levels of service quality from 1 January 2023.

The price cap can change in the period for:

- Inflation: The price cap is set in real prices, meaning it excludes inflation. The price cap will be updated each year to reflect actual inflation in the period, thus insulating Dublin Airport from inflation risk.
- Almost €800m of capacity related capital investment projects are triggered – meaning they are only added to the price cap when the project has received planning permission and is on site – based on planned timelines CAR expect these will add €1.03 by 2026. There are also Northern Runway related triggers of approximately €0.32.
- Quality of service rebates and bonus - €0.36 at risk, €0.15 potential bonus

Ends

For media queries please contact;

Johnny Fallon, johnny@carrcommunications.ie / 085 889 5103