The Irish Exporters Association

Submission

to the

Commission for Aviation Regulation

in response to

Draft Determination on Airport Charges

For implementation in 2010

IRISH exporters association

Dated 7th August 2009

INRODUCTION

The Irish Exporters Association is appreciative of the facilitation offered by the commission for aviation regulation (CAR), to make this submission on its recently published proposals on the maximum level of airport charges that should be allowed at Dublin airport for the next five years.

The current economic climate presents huge challenges to Irish exporters. Falling international demand for our goods and services and reduced access to credit have created an extremely difficult trading environment. However, there are already signs that we have reached the bottom of the recession and that international trade growth has recommenced, albeit at a very low level.

A critical component to any recovery of the Irish economy will be a re–invigorated export industry and resurgence in foreign direct investment. Neither of these sectors can prosper without adequate airport infrastructure at the country's main gateway.

It is therefore vital that the Dublin airport authority (DAA) is in a position to deliver services and facilities that will facilitate growth, thereby positioning the country to capitalise on a global economic recovery at the earliest possible juncture.

It is also important that the DAA as with all public and semi-state bodies continues to focus on maintaining efficiency in the current climate, and to ensure it institutes a vigorous cost recovery programme on its day to day spending which is geared to improving the Dublin Airport competitive position on an international bench-marking basis.

Our main recommendations to the CAR in relation to the Initial Determination on Maximum airport charges, is against this general background and the need to ensure that the passengers, who are currently paying airport charges and providing the DAA with its commercial revenue steams such as the car-parking and retail purchases, which subsidise the airport charges, will benefit from the development at Dublin Airport and any new services arising.

Recommendations from the Irish Exporters Association

National Interest

As an open export –led economy, with no land link to continental Europe, Ireland relies on its aviation infrastructure to support the requirements of business. The decisions made now can have consequences for decades.

A good transport infrastructure is crucial to the promotion of Ireland as a base from which to trade internationally. It is critical that enterprises are able to efficiently move goods and services both internally and to international markets. It is also vital that the workforce has access to reliable and efficient means of transport. International access to Ireland is of key importance to exporters, general industry and tourism.

A considerable amount of damage has been inflicted upon the export industry over the past decade by failure to install infrastructure facilities ahead of demand. Ireland's manufacturing sector is under severe pressure, particularly as a result of our poor infrastructure. If the necessary infrastructure is not put in place in the short to medium term, we will see the smaller firms collapse, and the stronger firms will simply re-locate to any one of the lower cost economies, many of which have a more sophisticated infrastructure than Ireland. These realities must be borne in mind in planning and providing for Ireland's infrastructural needs into the future.

Ireland has been, and to a large degree continues to be, planning in arrears. The National Development Plan 2007 - 2013 was seen as a seismic shift, away from that policy towards a forward-thinking, future-needs focused approach to the development of Ireland's infrastructure. The Government recognised this in the development of the NDP 2007-2013 and stated in relation to airports;

'Also crucial to future economic competitiveness will be the development of world class airport and ports.' The NDP document also stated that 'the success of the National Development Plan 2007 – 2013 will be contingent upon two factors, firstly, planning, and secondly, delivery.'

However, the NDP also stipulated that the €1.9 billion of investment in the Airports would be funded by and large, by passenger charges, not the Exchequer.

CAR DRAFT DETERMINATION

The IEA note that Booz & Co capex analysis suggests that it would be difficult to implement any significant cost saving at the operational level of the new infrastructural rollout.

The IEA also note the due consideration by CAR to the 'lender confidence 'issue to fund future development .In the current economic climate, this is particularly relevant. And we also acknowledge the reality of quoting 7% as the potential cost of funds.

The IEA further note the 12 measures of Service Quality which the CAR recommends for introduction and associating this with the price cap.

IEA Recommendation

The IEA therefore recommend that the CAR do not re allow themselves to be dissuaded from ensuring adequate income stream is made available to the DAA, because of the current economic downturn. The Exchequer is in no position to meet any funding shortfall. Previous under-investment led to Dublin Airport experiencing severe congestion and a significant reduction in service quality over the past decade. This compromised Ireland's international competitiveness and damaged its ability to attract business from abroad.

The IEA commend the CAR on its Service Quality measurement scheme, but suggest it takes a carrot and stick; offering a 4% increase of the max CAP if the Service Quality standards are met, as well as the 4% decrease it is suggesting, if the standards are not met.

The IEA believe that the time frame for planning and the cost of regulation review is consistent with maintaining the 5 year determination period for the new max cap.

End