



**Press Statement  
29 May 2014**

## **COMMISSION FOR AVIATION REGULATION PROPOSES 22% REDUCTION IN DUBLIN AIRPORT CHARGES BY 2019**

### **DRAFT DETERMINATION ON DUBLIN AIRPORT CHARGES FOR 2015 – 2019 PUBLISHED TODAY**

The Commission for Aviation Regulation has today published its draft Determination on airport charges at Dublin airport for the period 2015–2019.

The price cap represents the maximum amount that the DAA can charge on a per passenger basis for each year between 2015 and 2019. The draft Determination implies a significant decline of almost 5% per annum in real terms from the 2014 level €10.68 with further reductions each year thereafter.

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Price Cap (€)</b>	10.17	9.68	9.21	8.77	8.35
<b>Annual change (%)</b>		-4.8	-4.8	-4.8	-4.8

#### **Main reasons for lower proposed airport charges**

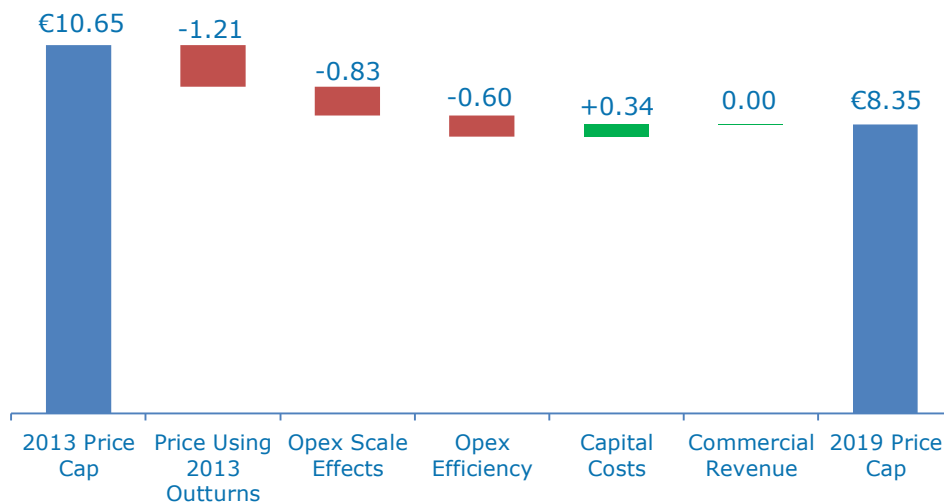
The main causes of that decline are that this Determination allows us to update the calculations to reflect actual DAA outturns on costs and revenues since we set the last Determination. There is no significant change in our general approach to regulation from past Determinations.

As the Chart below shows, most of the difference between the 2013 and 2019 price cap calculations can be explained by just two factors:

- Updating the 2013 price-cap calculations to reflect outturns at Dublin Airport, rather than what was forecast in 2009,

- And forecast higher passenger numbers expected in 2019 relative to 2013, which should allow DAA to realise some economies of scale.

### Getting from the 2013 to the 2019 Price Cap



Cathal Guiomard, the Commissioner, says:

*"Since the making of the 2009 Determination in 2009, the factors that put airport charges under upward pressure have moved into reverse: passenger traffic is increasing, along with commercial revenues; the operating costs of the airport have been below forecast; investment costs are lower than when T2 was under construction, and interest rates and financial market conditions generally have eased substantially. We propose to pass through the benefits of these developments to airport passengers beginning in 2015."*

*"Arguably, our proposals are an example of how incentive regulation is supposed to operate: a regulated firm is given an incentive to find efficiencies, it keeps the proceeds of any efficiency it achieves for a period, after which the benefit is transferred to customers."*

*"Responses to our proposals are now invited by the deadline of 31 July 2014."*

### Passenger traffic

Passenger numbers at Dublin airport we forecast to grow during the next five years by almost 3% per annum, reaching nearly 24 million by 2019. If correct, it will mean 2019 passenger numbers will break the record set in 2007.

### Commercial revenues

Commercial revenues at Dublin airport are expected to rise because of increasing passenger numbers: by 2019 we expect them to be close to the levels seen in 2007.

## Operating cost allowances for the next period

Our target for total operating costs at Dublin Airport remains broadly constant for the next five years, even though we forecast passenger numbers will increase by 18% in the same period.

## Capital costs: past and future investments and allowed returns

Capital costs for the next regulatory period are about 30% higher than in the last Determination. There are a number of reasons for this:

- The 2015 opening regulatory asset base (RAB) is €1,518m, significantly higher than the opening RAB of €882m in 2010 since it now includes costs associated with building Terminal 2. To derive the opening RAB we have disallowed €183m of outturn capital expenditure that DAA incurred building Terminal 2 and during the period 2010-2014.
- We have allowed new capital expenditure by DAA of €308m in the next five years, with a further allowance to construct a parallel northern runway of €296m if passenger numbers reach 25 million. These sums should be more than sufficient to facilitate the efficient and economic development of the airport.
- We have brought forward about €90m of depreciation charges, to permit a smooth price path that falls by 4.8% per annum.
- The return on investment is 5.8%. This is 1.2% lower than the rate allowed in 2009, and is consistent with evidence from the financial markets.

## Service quality

The quality of service regime from the last Determination has been retained, but with higher targets in most cases to reflect the generally better level of service now being offered at Dublin airport. The overall financial incentive means that up to 4.5% of DAA's revenues from airport charges are at risk if it fails to meet service quality targets. There are 12 separate targets in the scheme, one relating to security queue length, two to baggage-belt availability and nine relating to passenger survey data. The target for security queues continues to attract the biggest weighting, accounting for one-third of the total penalties in place.

## Responses

The Commission for Aviation Regulation invites comments on all aspects of this Draft Determination by no later than **5pm on 31 July 2014**. Details on how to respond are set out in the Determination. All comments received by this deadline will be considered prior to making our Final Determination, which is currently due to be published in September 2014. The Determination will come into effect on 1 January 2015.

A number of related documents including two consultancy reports for the Commission and the DAA's regulatory proposition are also on the website [www.aviationreg.ie](http://www.aviationreg.ie).

**ENDS**

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