Response to Airports Charges Draft Decision Paper
July 2014

Balancing the costs for airlines and passengers with the need for capital improvements for the benefit of users is an important consideration. Dublin Chamber believes that any additional costs placed on airlines and passengers should be reviewed to ensure that short-term impact is minor and the long term benefit is maximised for the benefit of users as well as national and city region stakeholders dependent on it.

Passenger fees, unlike general taxes (e.g. Air Travel Tax), are directed back into capital improvements, which makes them the preferable mechanism for such funding. Recent upgrades to the facilities at Dublin Airport have been significant and, through the development of Terminal 2, achieved a necessary improvement of services for domestic and international users.

However, improvements are required to bring Terminal 1 in-to-line with the modern Terminal 2. These improvements would include a revamp of check-in and security facilities, an overhaul of the departure and arrival areas, a redevelopment of Pier 3 to include new lounges, and also work on the out-dated facade of the building.

Based on the CAR's Draft Determination, the Dublin Airport Authority concluded that Terminal 1 would remain 'as is' for another seven years due to funding limitations. Dublin Chamber is concerned that this could mean Dublin Airport's potential to attract new airlines would be limited.

While our ultimate preference would be to see passenger fees as low as possible, reductions must not come at the expense of essential redevelopment and improvement works at Dublin Airport. Dublin Chamber welcomes the opportunity to provide input on the Draft Determination and recommends that CAR considers a more conservative reduction in the maximum price cap.

Importance of Dublin Airport

Dublin Airport handles 80% of Irish air traffic and is the most critical access for air transport in the country. Dublin Airport is essential to the continued development of the economic, business and tourism life both for Dublin and the country as a whole.

If Dublin, and the Greater Dublin Area, is to realise its potential as the engine of national growth, it is important that it has an airport with the necessary infrastructure that supports the long run requirements of businesses, tourists and international workers.

Passenger numbers have grown at Dublin Airport in each of the past three years. In 2013, Dublin Airport handled 20.2 million - a 6% year-on-year increase. Dublin Airport is out-performing its peers and in every month during 2013, passenger growth was faster at Dublin Airport than the Euro average.

Strong growth has continued in the opening months of 2014, with 7% year-on-year growth in the January-April period. A string of new routes have been announced already in 2014, as well as service expansions.

Significant scope exists for further improvement in the services provided by Dublin Airport, including strengthening connectivity with emerging markets.

Dublin Airport Versus its Competitors

In determining how comparable charges at Dublin Airport are with other airports, the selection of the peer group is important. Airport Council International ranks the airports operating in Europe into three Categories:

- Category I includes airports with in excess of 25 million annual passengers;
- Category II includes airports with between 10 and 25 million passengers; and
- Category III is airports with less than 10 million.

Dublin falls into Category II in which airport charges per passenger are 11% below the average charge, but it is worth noting that Dublin Airport is 24% lower than the combined average for categories I and II.

Consultation with our members operating in the aviation space tells us that the current level of passenger fees is not a major problem. While airlines would obviously like to see passenger fees as low as possible, they contend that reductions must not come at the expense of essential redevelopment and improvement works at Dublin Airport.

Draft Determination – Price Cap Drop

The Commission for Aviation Regulation (CAR) proposes decreasing the price cap from €10.17 in 2015 by -4.8% per annum in each year until 2019, at which time the price cap will stand at €8.35. CAR's reasoning behind the drop is that an expected rise in passenger numbers will mean that DAA's total intake will remain broadly unchanged. It is important to note that an increase in passenger numbers will put further pressure on existing infrastructure at Dublin Airport and increase the need for improvements and redevelopment.

CAR estimates that passenger numbers at Dublin Airport will grow during the next five years by around 3% per annum, reaching nearly 24 million by 2019. CAR claims that this prediction is "very similar to what DAA forecasts".

However, CAR's figures relate to the DAA's 'High Scenario' for passenger growth of 24.5 million passengers by 2019. The DAA's more conservative 'Low Scenario' is for 21.8 million passengers. If the 'Low Scenario' was to prove correct, in order to maintain the DAA's current intake, a max cap of €9.23 would be required.

Conclusion

Dublin Chamber is concerned that CAR's model does not take into account the potential for shocks. Should Dublin Airport's growth come in lower than expected, DAA will not be able to make the capital investment required. This will potentially reduce Dublin Airport's chances of: attracting new airlines; increasing transfer passenger numbers; being able to cater for larger aircraft; and limit peak-time departures.

Dublin Chamber recommends that CAR considers a more conservative reduction in the maximum price cap. The Chamber recommends that this reduction would be aligned with the 'Low Scenario' (worst case) rather than the 'High Scenario' (best case), as the former would be too risky a position to take on such a critical piece of national infrastructure.