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Re: DAA Application for Review of 2014 Determination (CPI / 2015)

Dear David,

We refer to the above.


While Aer Lingus is opposed to any increase in charges in 2016, we are concerned that this should be achieved by the DAA strategically under-recovering in 2016 with the intention that they would increase charges in later years over and above the 5% cap incorporated in the 2014 Determination.

It is apparent from the DAA's regulatory accounts that there was a 2014 under-recovery at the 5% limit and it is possible that this will be repeated in 2015 (for recovery in 2017) although this information has not yet been made available. We believe that there is a legitimate strategic rationale for the DAA to price below the regulatory cap, namely to stimulate growth and increase passenger numbers to the mutual benefit of the airport and airlines, without recovery through increased airport charges in subsequent years. We do not therefore accept the premise of the DAA's letter to you of 6th November that "an increase in the general level of airport charges will be necessary" if the 5% cap is not removed. This would lead to a situation where the DAA is being doubly rewarded both through the incremental revenue (arising from the resulting passenger growth) and the subsequent recovery through higher airport charges.

We note your position that interim reviews should only be conducted in exceptional circumstances. While we are doubtful of the rationale put forward by the DAA for the removal of the 5% cap, we acknowledge that there have been very significant changes to the economic landscape since the 2014 Determination. For example, while it was considered highly unlikely in 2014 that the runway trigger of 25mppa would be met during the current regulatory period, it now appears very likely that this will be met in the short term and possibly before the end of 2015. Given that passenger numbers are significantly exceeding all expectations and expected to continue to do so, there may well be merit in carrying out an interim review of certain elements of the Determination, including if appropriate the 5% cap. The recent acquisition of Aer Lingus by IAG and the expected growth of operations at Dublin that will follow is also a significant development which was not anticipated in 2014.

Insofar as the recent and projected passenger growth may constitute exceptional circumstances warranting an interim review, it is necessary for the DAA to set out its projected airport charges for the balance of the current regulatory period if the 5% is removed as requested. In order to verify the extent of any change in circumstances and whether this should be considered exceptional, we would also request that you request from the DAA details of its projected aeronautical revenues and passenger numbers for the balance of the current regulatory period. On receipt of this information, we will be able to assess the merits or otherwise of the request for an interim review.

Yours sincerely,


Laurence Gourley
Director of Legal