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Ms Cathy Mannion
Commissioner
Commission for Aviation Regulation
3rd Floor Alexandra House
Earlsfort Terrace
Dublin 2
Email: info@aviationreg.ie

By email only

Re: Consultation on the Scope of the Interim Review relating to the Northern Runway

Dear Ms Mannion,

Ryanair believes that the interim review relating to the northern runway needs to be expanded beyond a simple review of the runway trigger, as initially proposed by CAR. We have identified additional elements that should be included in the scope of this review, which we outline below.

1. Cost Allowance

The DAA monopoly has claimed that it will require an extra €70m to fund the development of the northern runway in addition to the €247m allowance in the 2014 Determination (i.e. a 30% cost over-run even before the project has commenced). This extra €70m capex was not considered in the context of the 2014 Determination, and the DAA monopoly has thus far failed to conduct a consultation with airport users on, or to justify, this additional €70m capex. If this capex is incurred by the DAA without an interim review, it would expose users to an extra cost of approx. €35m (based on the 50-50 risk "sharing" principle), undermine the original Determination, and erode the certainty of the regulatory process.

As such, Ryanair agrees with CAR that the DAA monopoly must consult "*with users on the reasons for the overrun and to give users the opportunity to reassess the project given the new cost*", and that the interim review should examine whether this new cost is required and justified, and whether the DAA should be allowed to recover any part of this overrun from users.

2. 50/50 Risk Sharing Mechanism

The 2014 Determination states that the 50/50 risk "sharing" mechanism is used "*to share the risk of over or under-spends between DAA and the users*". This is an artificial concept that does not exist in competitive markets. The DAA monopoly has already claimed that it will require an additional €70m in order to fund the development of the northern runway, before the tender process for the project has even commenced. On inclusion in the 2014 Determination, the 50/50 risk-"sharing" mechanism was not envisaged to be employed in situations where the cost overrun is such a significant proportion of the original allowance. As such, this mechanism is not applicable in the current instance, and should be subject to an interim review so as to disapply it.

3. Runway length

The current regulatory allowance, and rationale for all capex, stems from CAR's 2014 Determination. Any discussions that occurred in the context of previous Determinations regarding the rationale for Dublin airport's infrastructure are therefore irrelevant, and must be disregarded by CAR in the context of the northern runway review.

The DAA's 2014 "consultation" process was marked by a lack of transparency or business cases, as was noted to CAR throughout that process. For example, the DAA monopoly's 2014 Capital Investment Programme included only two and a half pages on the northern runway, in which its proposed length was mentioned only twice. Both Ryanair and Aer Lingus (together accounting for approx. 85% of DUB's traffic) rejected the need for a new runway, and accordingly nether airline made a specific submission on the runway length. In addition, the DAA monopoly failed to consult specifically on the length of the runway. Had DAA actually consulted on this point, it is evident that airport users would have rejected the need for a runway of 3.1 km in length, as all airport users can operate, today and in the foreseeable future, on a much shorter runway. As such, the claim that "*the length [of the northern runway] was examined and consulted on in detail as part of the 2009 Determination process and again in 2014*" is both irrelevant and untrue.

In addition, the DAA claimed that a runway of 3.1km was needed in order to "*accommodate direct non-stop services to destinations currently out-of-reach of the existing runway, namely to developing economises in Far East Asia and South America*". However, Boeing has confirmed to Ryanair that these destinations can be reached from the current Dublin runway. As such, the DAA's rationale for the northern runway to be 1,010m longer than users' requirements, has been fatally undermined, and the length of the runway must therefore be properly examined in the interim review, and the corresponding cost should be removed from the regulatory allowance.

If, however, the DAA monopoly wishes to build an excessively long runway against users' wishes, it should incur the entire risk of this investment itself, and recoup the cost of this unnecessary additional runway length from the imaginary future airport users that are claimed to require this additional length. This could be achieved if, for example, the costs and revenues resulting from this unnecessary additional runway length were included in a separate regulatory till, which would be funded by these future airport users. As these issues regarding the length of the northern runway were not considered in the 2014 Determination, we request that they be subject to an interim review.

Should you wish to discuss the above, please do not hesitate to contact me.

Yours sincerely,

Juliusz Komorek
Chief Legal & Regulatory Officer