



Dr Adrian Corcoran,
Director of Economic Regulation,
Commission for Aviation Regulation,
Alexandra House,
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By email: AdrianCorcoran@aviationreg.ie

5th October 2020

Dear Adrian,

As previously discussed, please find below, the information you requested to support the current COVID consultation (CP3/2020). Thank you again for the opportunity to discuss this issue further.

Airport Charges 2021

As previously submitted, Dublin Airport proposes to hold charges flat out to Summer 2022. The current menu of charges in place at Dublin Airport were designed to be price cap compliant with a level of c.€7.50.

This is on the basis that Summer 2020 charges already reduced by 20-30% and charges for this forthcoming Winter season will be reduced by 30-50% on the prior year.

We propose that a reasonable balance needs to be struck during these exceptional times. Transferring further financial damage from one stakeholder to another should be avoided. Hence, why we are suggesting that the current level of airport charges should be fixed until Summer 2022. A reduction in charges at this difficult time will further damage the airport's precarious cashflows, with no guarantees that the savings will be passed onto consumers or have any potential for stimulating additional demand. Conversely, it would be perverse to increase charges at a time when demand is so depressed.

Ahead of the forthcoming Interim Review consultation, for your consideration, we set out a number of high-level issues pertaining to 2021 price cap compliance.

- a) The unprecedented collapse in passenger traffic at Dublin Airport is now expected to extend throughout 2021. Our ability to accurately forecast the key inputs for 2021 pricing are severely compromised; i.e. we are not in a position to accurately provide the usual passenger composition and tonnage estimates to support the calculation of the charges menu for 2021/22. At present, we are working with a profoundly varied forecast range of between [REDACTED] million passengers. Therefore, there is a high risk that the charges designed from any activity forecast will not deliver the desired average aero revenue per passenger outcome.
- b) Throughout 2020, we have experienced circumstances (particularly with long-haul operations) where airlines have chosen to fly with extremely low passenger volumes based on the yield that can be earned from belly-cargo and we expect this trend to continue through 2021. The past few months have demonstrated a significant variation in aircraft movement and passenger numbers when compared to 2019 actuals or the 2019 Final Determination forecast. At a high-level 2020 movements are down 65% year on year, while passengers are down 90%, hence the significant distortion in per pax revenue.
- c) Many European airports are either pushing 2020 charges into 2021 with no changes to the charging menu or increasing charges to reflect severe revenue declines coupled with the need for COVID-19 cost recovery. To date, ISAs throughout Europe have accepted this as a rational position, given the adversarial nature of evolving pricing during the pandemic. Below is an indicative summary of peer European airport's pricing proposals for 2021;

EUROPEAN AIRPORTS 2021 PRICING POSITIONS

Airport	Proposed Charges 2021
[REDACTED]	Proposing to increase charges
[REDACTED]	Proposing marginal price increase to reflect C-19 costs
[REDACTED]	Extension of the current regulatory pricing from 2020 to 2021
[REDACTED]	Charges increase to facilitate C-19 cost recovery
[REDACTED]	Any losses incurred in 2020 will be carried forward and applied in future years
[REDACTED]	No change to 2020 prices with ISA agreement

Airport	Proposed Charges 2021
██████████	Prices increasing by 10-20% to facilitate C-19 cost recovery
██████████	No change to 2020 prices with ISA agreement
██████████	Pricing to be updated to reflect RPI only
██████████	No change to 2020 prices with ISA agreement
██████████	No change to 2020 prices
██████████	No change to 2020 prices with ISA agreement

Source: ACI and Individual Airports

Potential Outcomes

Similar to 2020, the collapse in passenger traffic, under the current menu of chares, is likely to deliver a distorted average aero revenue per passenger that is higher than a €7.50 cap, but total aero revenue will obviously be substantially lower than that envisaged by the 2019 Determination. This per pax outcome is not deliberate, rather an inadvertent function of the ratio between higher aircraft movements and lower passenger volumes.

The alternative approach, i.e. altering charges further to support price cap compliance of €7.50 ██████████ with limited accuracy that the revised menu would even deliver price cap compliance. If the volume or composition of activity proved higher than the expected range, then the revised menu could deliver an outcome even lower than the allowed 5% under-recovery.

We therefore propose holding the current charges as is, primarily to provide stability and cost certainty for all operators over the next 18 months.

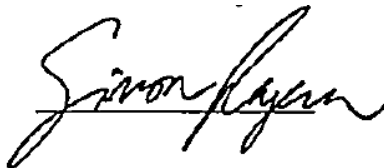
We fully appreciate that our airline customers are similarly experiencing substantial challenges due to the impact of COVID-19. Throughout the pandemic, in response to requests, we introduced emergency relief for the long-term parking of aircraft and support for emergency PPE cargo operations. We propose extending the parking supports through the winter.

Conclusion

In line with many of our European counterparts, we recommend the continuation of existing charges throughout 2021 and request that the Commission accept this approach as equivalent to price cap compliance (similar to 2020). We have genuine concerns around further reducing charges to deliver price cap compliance at this difficult and uncertain time, notwithstanding, we would question the consumer benefits of doing so; i.e. demand is so depressed and air travel is advised against, that the conventional economic wisdom of lowering prices to stimulate volume is currently not performing. We strongly believe that our proposal will provide a fair stability for the broader aviation ecosystem.

As ever, we are open to further clarification or discussion on any of the points detailed herein.

Thank you and regards,

A handwritten signature in black ink, appearing to read "Simon Fagan". The signature is written in a cursive style with a horizontal line underneath the name.

Simon Fagan
Head of Planning and Economic Regulation - Dublin Airport