Dear Sir

I make a number of observations on your proposal to reduce airport charges per passenger by 15% to €7.50 per passenger in your draft determination 2020-2024.

General Comment:

In the normal commercial world, there is no way that a company with approx €800 million debts, or one with a very high debt /equity ratio such as the DAA has, would consider an unprompted price reduction.

It should be noted that the impetus for the reduction in charges is almost exclusively based on increasing passenger numbers; increasing numbers that will in turn generate incremental revenue in airport charges, but also incremental revenue in ancillary services. It may be one thing to have challenging targets for passenger growth, and confidence in those targets. However it is a stretch of a different kind to base an entire operating strategy on the incremental business of future years. It seems imprudent to say the least.

While air commuters may not all be in the ABC economic categories, they are, by and large, better off than the general population. Reductions in charges may be welcome to such commuters, but are they necessary? In particular, are they more necessary than providing reserves and contingencies for the rainy days, when passengers numbers may fall, with commercial income falling in tandem. And what guarantees are there that the reductions in airport charges will be passed on to the travelling public at all? The reality is that, just like the vat reduction for hotels, the money will go directly to the airlines to enhance their profits.

Capital Plan for the airport:

I also note that the CAA has decided to cut the capital expenditure plan proposed by the DAA by €148.5 million. This is a very significant reduction, and quite at variance with very recent high profile experience in capital projects in the state. In most commercial organizations, or indeed in private small build projects, the necessity for budget reserves in capital projects is well understood and planned for. Over optimism should not trump prudence.

In addition, my understanding is that the airport Metro-link is scheduled for completion in 2027. I find it surprising that there no associated capital expenditure in respect of the Metro-link in the draft determination report. As the Metro-link is designed primarily to facilitate airport passengers, I assume the DAA will be required to bear a good percentage of the cost of the project. At a minimum, a sensible government would require the DAA to fund the Ballymun-Swords portion of the Metro-link costs. Again, it would be imprudent to leave such a large and looming capital expenditure not provided for the period 2020-2024, while allowing airport charge reductions for passengers.

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The DAA Revenue Stream.

While I no familiarity with airport revenue streams, it does seem that the ratio of non-airport charges (other revenue) to airport charges is very high in the case of the DAA. Yet not only is this taken for granted in the calculations, but large increases in commercial income streams are forecast in the period 2020-2024, increases that give rise to the airport charge reduction proposal.

In addition, I note that some DAA revenues derive from activities overseas, and DAA costs are therefore subsidised to some degree by the profitability of overseas activities. To some extent, the gains from such activities are no different from windfalls from investment activities. Is it reasonable, or logical, to have such activities help reduce costs per passenger at Dublin airport? From my perspective, any contributions from outside of Dublin airport, or certainly outside of Ireland, should not form the basis for a reduction of charges at Dublin airport, by virtue of being extraneous to and virtually unconnected with activity at that airport.

Cost escalation in the period 2020-2024

I note that you have allowed for some cost increases in the period 2020-2024. In that context you might note that the government has proposed the introduction of a 'mandatory' pension arrangement, that will involve employer contributions to pension funds by 2022. This will probably affect payroll costs for all employers who are currently not contributing to employee pension schemes, which may be the case with some DAA suppliers. Therefore the cost increases allowed for may be somewhat conservative.

Summary:

While I acknowledge the role of the CAR, and the professionalism of the draft determination report, I believe that a more prudent approach is required in relation spending or giving away money that has not yet arrived. In addition, in times of plenty, we need a DAA less burdened by debt, with deeper reserves to enable it to provide for long term infrastructure projects that we all know are needed.

Yours Sincerely

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Joseph (Joe) Ryan