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26 July 2001

A Chara

This submission is in relation to **Commission Paper CP6/2001 on the Maximum Level of AIRPORT CHARGES Draft Determination and Explanatory Memorandum, 26 June 2001.**

1) The submission I made at the public meeting in the Great Southern Hotel, Dublin Airport on 17-18 July went unchallenged, except in one respect relating to the Freedom of Information Act. I believe the remaining points are valid and should be the subject of your further consideration.

They can be summarised as follows:

The information available concerning the benchmarking exercise was quite restricted. Errors and omissions in relation to easily ascertainable facts and the simplistic treatment of cargo are telling indications that it is seriously deficient as a basis for any determination.

Much of the logic and calculation in reaching the draft determination was unclear - for example:

- what was included or not included in the regulatory asset base and in the recoverable capex programme and how those decisions were reached,
- the point of time at which particular projects should become included in the base (e.g. before or after they become operational and users enjoy the benefits),
- the volume forecasts used in establishing the maximum aeronautical revenue yield,
- the target of (only) a 50% closure, over five years, of the (dubious) efficiency gap identified relative to other airports,
- not taking into account any economics of scale or other expected changes in unit costs in other airports when setting the draft determination,
- the actual method and arithmetic of calculation of the proposed maximum average yield allowed to Aer Rianta in the draft determination.

There was no sensitivity analysis to help identify which facts/assumptions were critical or of minor importance.

Aspects of the draft determination were unclear, including what was meant by "an annual CPI adjustment" [CPI, CPI-X?]

2) Since the Commission does not appear to have, or has not published, data which would allow it to reach sound conclusions based on cost levels of the Aer Rianta airports compared to others, it may be safer, at least pending adequate cost benchmarking, to regulate the maximum published tariff(s) for Dublin airport relative to the distribution of such tariff(s) in a nominated list of other comparable European airlines (e.g. the median of such a list).

Section 33(h) of the Aviation Regulation Act 2001 requires the Commission to take due account of the cost competitiveness of airport services with respect to international practice. Since the users are more

directly interested in Aer Rianta's prices than in their costs, price competitiveness must be relevant to the Commission's determination.

It is highly implausible to suggest that higher charges at Cork or Shannon than at Dublin would be sensible, either commercially or in terms of public policy. It therefore seems pointless for the Commission to permit higher levels of charge in its determination. On the basis of comments made by the Commission at the public meeting, it might be worth considering relating maximum charges at Cork and Shannon to off-peak charges at Dublin.

3) I accept that I was incorrect in stating that the Commission is exempt from the Freedom of Information Act and that the Commission has not yet been designated under the Act.

I understand from the Department of Public Enterprise that it is intended that it will be so designated on the next opportunity that arises. I would therefore expect the Commission to act as if this reform was already in place and to be more responsive to the questions asked in my letter of 3 July last.

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