



DUBLIN AIRPORT CHARGES Interim Price Review Progress Report

Commission for Aviation Regulation,
09 February 2007










Cathal Guiomard: Interim Review – Progress Report

Ian Alexander: T2 and R2 – Estimates of costs and benefits

Ian Rowson: DAA Investment Plans – Key issues

Consultancy reports will assist CAR and interested parties with analysis. CAR will consider contents in due course alongside submissions and responses received

Questions and Answers

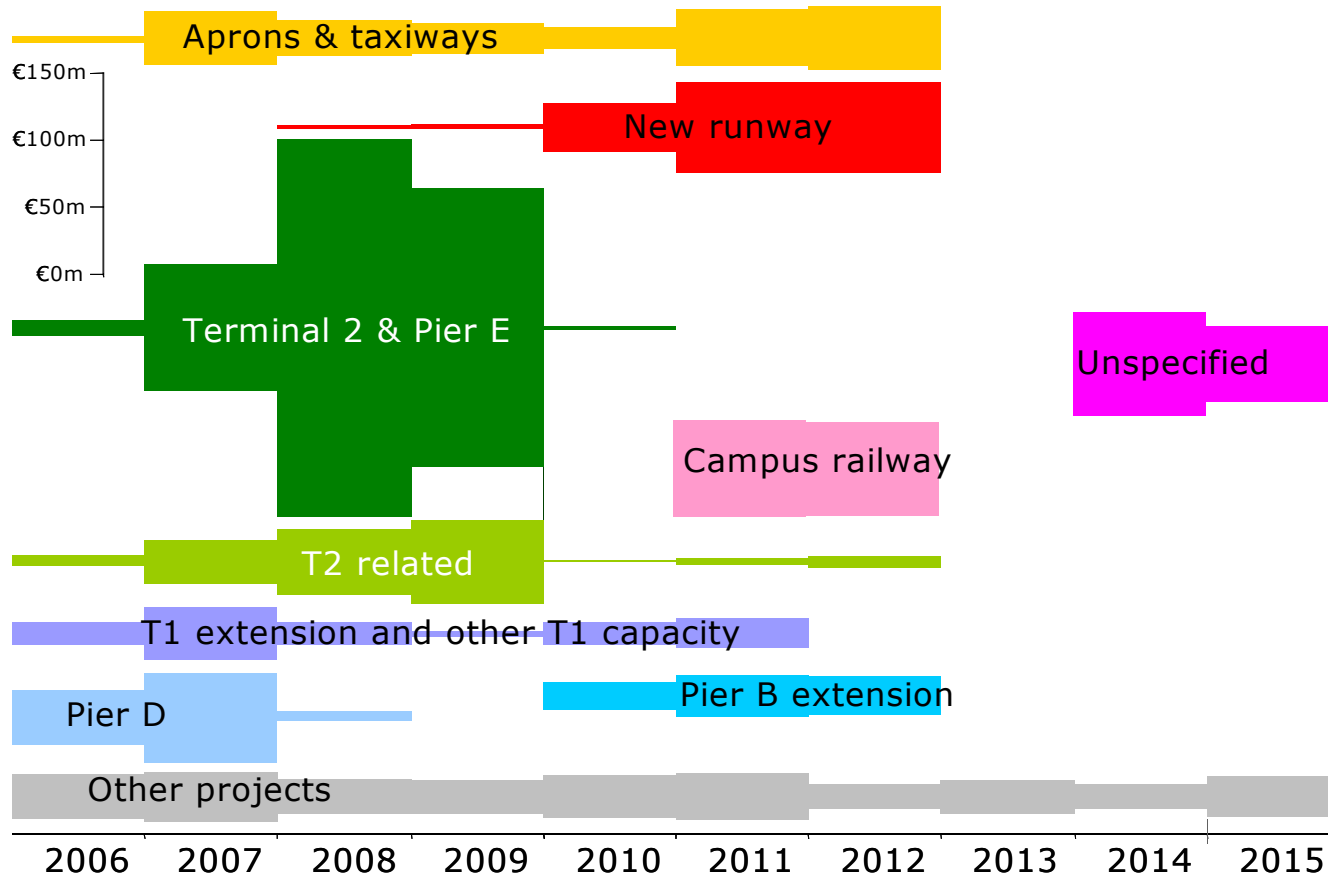
-  Process
-  Background
-  Incentive Regulation
-  Financial Risks
-  Time profile of charges
-  Other price profiling issues
 -  Peak and off-peak
 -  Higher and lower quality
-  Timetable for Interim Review

- Process of Interim Review is open & transparent
- Commission seeks to make a decision which best meets the requirements of the Act
- Commission encourages **evidence-based** engagement by all interested parties
- Commission papers and submissions placed on our website (www.aviationreg.ie)
- Price Cap 2006-2009 of **€6.34** per passenger.

CP6/2006: invited views on whether there were ‘substantial grounds’ to hold an Interim Review

CP9/2006: announced Interim Review arising from the circumstances surrounding the unavailability of a finalised CIP in 2005.

CP1/2007: consult **now** on CIP2006 with a view to Interim Review decision and subsequent 2009 Determination



Incentive regulation seeks to operate indirectly by setting a framework for a firm to manage its business efficiently

A price cap acts as a financial target. CAR aims, as far as possible, to provide firms such financial incentives, rather than seeking directly to decide matters that are better resolved by the firms.

Do Dublin Airport and users broadly agree on investments (and projected costs) to meet their infrastructure needs?

A major concern is that all parties understand the risks.

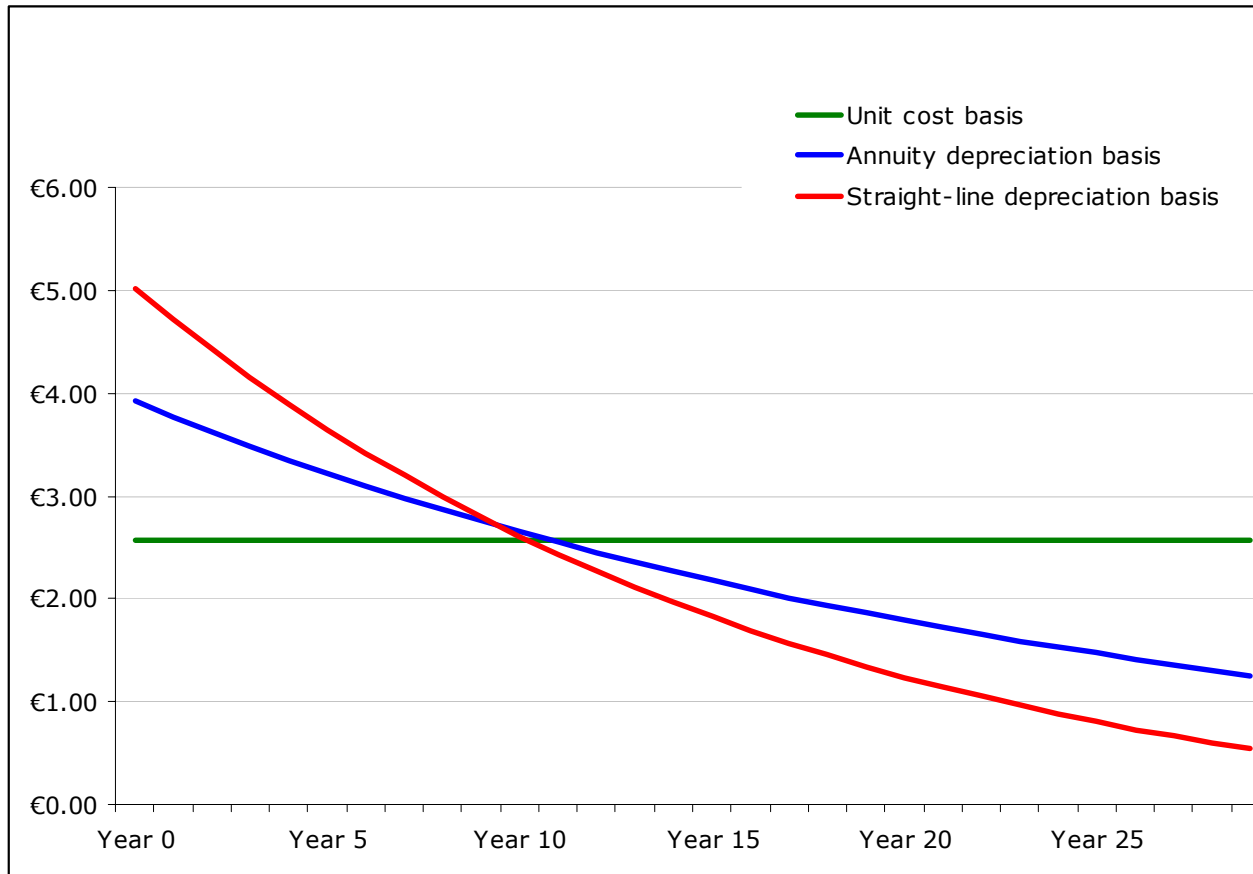
- ≡≡≡≡≡ Are (prospective) users willing to pay the charges necessary to fund CIP2006?
- ≡≡≡≡≡ Are (prospective) users willing to commit to using Dublin Airport?
- ≡≡≡≡≡ Is the DAA willing to carry the risk that passenger demand is lower than forecast?
- ≡≡≡≡≡ Is the DAA willing to commit to airport charges based on the traffic forecast used to develop CIP2006?

If users give their agreement to the new investments:

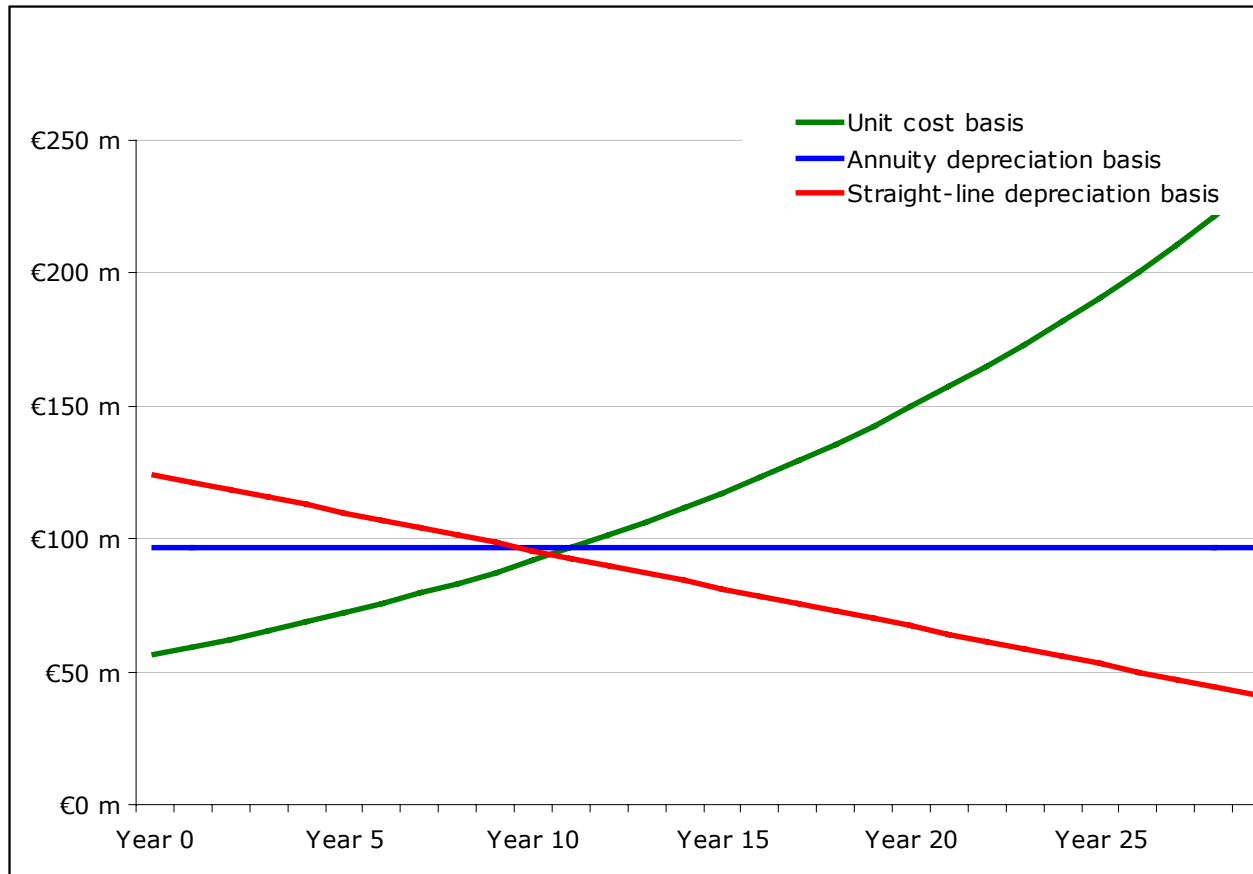
- ==== What share of total costs should **current** users pay?
- ==== What share of the costs of extra capacity should **peak-period** users pay?
- ==== What share of the cost of improved quality should users who value **higher quality** pay?

CP1/2007 includes illustrative calculations – not to be relied upon as guides to actual future charges c.2010.

Cost Recovery Charging: Flat, front and back-loaded



Cost Recovery Revenues: Flat, front and back-loaded



The purpose of CP1 is to provoke discussion in order to establish whether there is

===== a structure, and

===== a level of airport charges

that would be acceptable to all parties – the Airport and its (prospective) users – and that would be consistent with the Regulator’s statutory objectives.

Industry views are invited by **10 March 2007**.

<i>Stage</i>	<i>Activity</i>	<i>Dates</i>
1	CP6/2006 published; consultation starts	4 September 2006
2	Capital Investment Plan (CIP) received	12 October 2006
3	Interim Review commences	30 November 2006
4	CP1/2007, consultancy papers published	9 February 2007
5	Responses due	10 March 2007
6	Draft Determination	April 2007
7	Consultation on Draft Determination	+ 1 month
8	Final 2007 Decision	approx + 1 month
8	2009 Determination	

The Commission's website is at www.aviationreg.ie

All the Commission's papers and decisions, along with the reports prepared by its consultants, and the submissions made as part of its frequent public consultation exercises, may be found there.

This presentations draws on work of the staff of the Commission and its consultants. In particular, the Commission is grateful to Ian Rowson of IMR Solutions and to Ian Alexander and his Cambridge Economic Policy Associates (CEPA) colleagues.