IATA response to the Irish Commission for Aviation Regulation (CAR) consultation paper CP1/2012 on definition of the single-till

1. Introduction

The International Air Transport Association (IATA) welcomes the opportunity to respond to the Commission for Aviation Regulation (CAR), following on from the CP4/2010 consultation on defining the regulatory till for airport economic regulation in general and at Dublin Airport in particular.

In our response of 19 January 2011 to CP4/2010 we reiterated or full support for the single-till approach which we believe is the fairest mechanism of charging airline users. Under the single till principle airport activities, both aeronautical and commercial, are taken into consideration to determine the levels of airport charges. By contrast only aeronautical activities are taken into consideration under the dual till principle.

Airport charges derived using the single till approach are therefore likely to be lower than they would under a dual till because of the sharing of profits generated by commercial activities. Airports and their investors, particularly with privatisations, are increasingly aware that their commercial revenue profits are significantly enhanced through application of the dual till.

Application of the single till is a clear recognition that airlines, and the passenger customers they deliver to airports, are a key factor in the ability to develop commercial revenues at an airport.

As the CAR will be aware we believe there are strong and compelling reasons for retention of the single till, which were detailed in our 19 January 2011 response, and can be summarised:

- Single till is an acknowledgement of the symbiotic and essential relationship between airports and the airline users.
- Airlines bring passengers to the airport and as the primary users should share the benefits from the non-core activities.
- Lower fares as a result of lower charges increases the attractiveness and competitiveness of the airports
- Airports are built specifically for aviation purposes and priority must be given to airlines activity and passenger facilitation.

- Single till eliminates the need for difficult detailed cost and asset allocation between aeronautical and commercial tills.
- There is no evidence that dual till provides better incentives for airports to make more timely investments than under the single till.
- Dual till can incentivise airports to invest in potentially higher-return commercial activity rather than essential aeronautical infrastructure.
- Single till incentivises and allows airports to increase retail and commercial revenues while decreasing charges to airline users.
- Single till is supported by ICAO Charges Policies - Document 9082/8 paragraph 30 i)

We are therefore very pleased to see that following careful consideration of the responses to CP4/2010, the CAR has not been persuaded to adopt a dual-till approach to price cap regulation at Dublin Airport. In this regard we note that sections 2.8 to 2.12 of CP1/2012 provide a good rationale for not adopting the dual till.

We recognise however that the single till approach may not always present the DAA with the same incentives it would face if it were subject to competitive pressure, and that the CAR has previously adopted a flexible approach for projects on which the users do not share the DAA optimism about the commercial prospects. While we do not advocate a “cherry picking” approach we naturally would like to be protected from projects where we believe users would be faced with having to underwrite losses on the airport’s commercial investments.

The over-riding requirement is that there must be agreement between the airport and the users, under CAR-led oversight, on the services, facilities and investments to be included within the regulated asset base and the till.

We do not underestimate the difficulties in determining which projects should or should not be excluded in the single-till, some of which were summarised in our response to CP4/2010. Nevertheless we can support the CAR proposal to further consider how to address investment plans where the DAA and the users disagree on the commercial viability of the project.

Geneva 25 June 2012