

4th July 2019

Ms Cathy Mannion
Commissioner
Commission for Aviation Regulation
3rd Floor Alexandra House
Earlsfort Terrace
Dublin 2
D02 W773

Re: Draft Determination Maximum Level of Airport Charges at Dublin Airport 2020-2024

Dear Ms. Mannion,

Thank you for taking the time to meet with me on Monday 17th June, to discuss the recently published Draft Determination (“DD”) for Dublin Airport for 2020-2024, and for providing me with an opportunity to explain the severe impact the Would have on Cork Airport and the wider development of Ireland’s regional economies, if implemented in its current form.

The 2015 National Aviation Policy (NAP)¹ clearly states that State Airports are to be operated on a sustainable basis and all airports, including regional airports are required to provide infrastructure and services that support economic and social developments of the regions in which they operate. There are a number of references throughout the NAP to this overall policy objective:

“recent restructuring of the State airports sector – to which Exchequer funding is not provided - under the State Airports (Shannon Group) Act 2014 provides for the establishment of the three State airports on a sound footing with clear corporate structures that allow for, at a minimum, sustainable operation of those airports in the short to medium term (NAP, 2015, p.38).”

“The Department will encourage airportsto make a sustainable contribution to their respective local economies and communities monitor the business development of all airports for evidence that the prevailing network is operating at an optimum level (National Aviation (NAP, 2015, p.39).”

¹ <http://www.dttas.ie/sites/default/files/publications/aviation/english/national-aviation-policy-ireland/national-aviation-policy-ireland.pdf>

“Ireland recognises the important role that regional airports play in their areas and in regional Development” (NAP, 2015, p. 41).”

“the three State airports will continue to provide essential strategic infrastructure and services that support the economic and social objectives of the State (NAP, 2015, p.44).

As you know, during the recessionary period Cork Airport suffered significant year on year declines in passenger volumes and recovery was slow. With a focussed and integrated marketing and pricing strategy, Cork Airport has now returned to growth. I am particularly proud that 2019 will be Cork Airport’s fourth consecutive year of growth, making it Ireland’s fastest growing airport. The number of routes on offer is expanding, with 8 new routes introduced this summer and a total of 52 routes on offer over the course of the year. I am also acutely aware that these routes are hugely exposed to the vagaries of the market, airline strategies and tactics and above all pricing.

A key element of the airport’s success over the past number of years, is our policy on airport charges. As outlined during our meeting, Cork Airport operates in a highly competitive environment, with three competing airports within a 3-hour drive, the largest of which is obviously Dublin Airport. To retain and grow our aviation business into the future, Cork Airport’s charges must, by necessity, remain competitive relative to Dublin Airport’s already low charges. I personally manage costs very tightly at Cork and do not have scope to reduce costs significantly to fund price reductions. We know Cork Airport cannot compete with Dublin solely on the number of routes served so we place a strong and clear emphasis on the quality of customer service and competitive pricing. We work hard to have Cork recognised as a **high quality, low cost airport** and must continue to do so, if we are to attract airlines and passengers to use the airport. Currently charges at Cork are c. 15% lower than Dublin and this is around the level that sufficiently differentiates and gets airlines engaged.

As I outlined in my previous letter and during our meeting, Cork Airport feels threatened by the prospect that to compete with Dublin it will need to reduce prices to an uneconomic and unsustainable level. The impact of Dublin’s pricing on other airports has recently been acknowledged by a senior official in the Department of Transport, Tourism and Sport, speaking on 15th May 2019 at a Joint Oireachtas Committee on Transport, Tourism and Sport when he said:

“The price set for Dublin Airport essentially becomes a market price or reference point for other airports. There is no direct link between the price set for Dublin Airport and those set for other airports, but it represents a reference point.”²

The choices for Cork are stark – retain prices at the same or slightly higher levels than the proposed pricing for Dublin and inevitably lose traffic. or reduce prices and be loss making. In either scenario, Cork Airport’s sustainability will be fundamentally threatened, with the airport becoming a significantly negative cash flow enterprise, which would be unable to fund future growth, and with potential net losses of circa [REDACTED] per annum.

At our meeting on the 17th June you indicated that CAR had not considered the impacts of the DD on Cork or other regional airports to date and that these matters could be given appropriate consideration for your Final Determination, provided that the Commission’s legislative mandate enables this.

To this end, I have examined CAR’s legislative mandate and, the Aviation Regulation Act, 2001 (as amended) (the Act), provides the Commission with a statutory mandate and remit to fully consider national and regional airport policy in determining its price-cap for Dublin Airport. For example, the Act states that:

“(2) In making a determination, the Commission shall have due regard to:

...

(f) policy statements, published by or on behalf of the Government or a Minister of the Government and notified to the Commission by the Minister, in relation to the economic and social development of the State.” (Section 33 (2) (f))³

It is my understanding that the State has formally notified the Commission of its policy objectives as set out in the 2015 National Aviation Policy (“NAP”). Indeed, I note that at the Oireachtas Committee referred to earlier, the same senior official stated “that we require that the CAR has full regard to national aviation policy.”⁴ I, with key stakeholders am operating to a very clear commercial mandate as set out in the NAP to “exploit all opportunities for growth and to continue to develop [a] network of services” (NAP, 2015 p.44).

² https://www.oireachtas.ie/en/debates/debate/joint_committee_on_transport_tourism_and_sport/2019-05-15/3/

³ Section 33 of Aviation Regulation Act, 2001 was amended by State Airports Act 2004 and the former act was updated on 19th March 2019.

⁴ https://www.oireachtas.ie/en/debates/debate/joint_committee_on_transport_tourism_and_sport/2019-05-15/3/

In addition, Section 33 subsection 2 (i) of the Aviation Regulation Act states that the Commission

“shall have regard to such national and international obligations as are relevant to the functions of daa.” (Section 33 (2) (i))

The Commission should be aware that in carrying out its functions, daa shall have regard to the development of air transport and any policy or other guidelines given by the Minister to the company. The NAP is key Government policy and Cork Airport is an intrinsic part of the aviation section of that policy. I am of the view that the Commission has the statutory mandate and indeed the obligation to ensure that through the Determination, Cork’s role *“as a key tourism and business gateway for [the] regionis supported”* (NAP, 2015 p. 44).

The theme of promoting regional development is reiterated in the National Planning Framework (NPF, 2018)⁵ underpinning Project Ireland 2040 which inter alia states that:

“the main airports including Dublin, Cork, Shannon and Ireland West - Knock, together with smaller regional airports, are a key infrastructure for national and regional development” (NPF, 2018, p. 147)

The NPF acknowledges that in terms of economic prosperity

“International connectivity isimportant, where short travel times to an airport with a good choice of destinations is a critical factor. (NPF, 2018 p. 58)

I suggest that the DD does not take due regard to key aspects of Government policy for the following reasons:

- the inevitable outcome of the DD (if it remains unchanged) is a significant decrease in revenues in Cork – either from reduced headline pricing and/or reduced services; if prices at Cork remain unchanged in the face of a 20%+ drop in Dublin, airlines will strategically or tactically place aircraft on different routes (and these may not necessarily be in Dublin – airlines could choose to operate alternative intra EU routes);
- Cork Airport is required to grow and has an ambitious capital master plan to support that growth. However, capacity and infrastructure cannot be delivered if operating profits are insufficient to fund necessary capital expenditure. The DD does not have due regard to the policy objective of ensuring ‘timely planning to enable expansion of air service connections’ (NAP, 2015, p. 50) at Cork;

⁵ <http://npf.ie/wp-content/uploads/Project-Ireland-2040-NPF.pdf>

- there appears to be no consideration given in the DD to the impacts for the wider airports market in Ireland or for Ireland's regional communities;
 - the DD does not appear to have regard to the single island aviation market for airlines and consumers;
 - the DD will significantly undermine Cork's ability to 'attract new business', to deliver on 'service and value for passengers and airlines', and 'to make a sustainable contribution' to its local economy and community (NAP, 2015, p. 39);
 - the DD does not put Cork on a 'sound footing... that allow(s) for... at a minimum, sustainable operation... in the short to medium term.' (NAP, 2015, p. 38)
 - the DD creates very significant downside for Cork Airport, and effectively delivers an unsustainable financial position for the short to medium term;
 - unlike other regional airports Cork Airport does not have access to any exchequer intervention
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- any review/monitoring of Cork Airport (as provided for in the NAP) would conclude that the regulatory outcome in Dublin hinders Cork Airport from 'operating at an optimum level' (NAP, 2015, p. 39).

For these reasons it is considered that the DD does not have regard to the stated Government policy.

Therefore, I strongly recommend that CAR, in making its Final Determination gives due recognition to (i) the 'important role' of Cork and other regional airports, (ii) the impact of its decision on this role, and the development of Cork as a 'key tourism and business gateway..', and (iii) the impact of its decision on Cork's ability 'to support the economic and social objectives of the State'. As I outlined during our meeting on 17th June, the DD in my view, fails to support these fundamental Government policy positions and actions.

In conclusion, the Government's NAP and the NPF are clearly focused on developing Ireland's regions in order to enable continued growth and development across the country. In this respect, single elements of the aviation market cannot be, and are not, considered in isolation to the rest of the market.

My position is that the significant issues I have raised should be given due regard by you and your team in reaching the Final Determination. As indicated, I remain ready and available for further engagement as needed. I will contact your office to arrange a meeting at your convenience in late July or early August.

Thank you for your time and attention on this critical matter. I am hopeful of an appropriate balancing of objectives in arriving at a Final Determination.

Yours sincerely



Niall MacCarthy
Managing Director
Cork Airport

4th June 2019

Ms Cathy Mannion
Commissioner
Commission for Aviation Regulation
3rd Floor Alexandra House
Earlsfort Terrace
Dublin 2
D02 W773

Re: Draft Determination Maximum Level of Airport Charges at Dublin Airport 2020-2024 and the effect on Cork Airport/Other Irish Airports

Dear Ms. Mannion,

I am writing to you in relation to the Commission for Aviation Regulation's Draft Determination for Dublin Airport 2020-2024, which was published on May 9, 2019.

I am the Managing Director of Cork Airport which is the second largest airport in the Republic of Ireland, and the fastest growing airport in Ireland this year. In 2019, Cork Airport will handle 2.6m passengers, on over 50 routes, served by nine airlines. We are one of four commercial business units in daa, alongside Dublin Airport, ARI, which is daa's retail subsidiary, and daa International, which specialises in international airport operations management. Cork Airport operates on a standalone basis, with its own Profit and Loss account and management team based here in Cork, which reports into the daa plc group CEO and Board monthly.

In recent years, Cork Airport has faced significant operational and business challenges – it experienced seven consecutive years of traffic decline between 2009 and 2015, creating a situation whereby the airport was essentially insolvent and significant questions were being raised as to its future status.

However, through a robust and focussed growth-led commercial strategy, underpinned by a strengthened locally recruited and based management team, the airport has successfully addressed the challenges it faced, and has delivered a sustained return to traffic growth (2019 marks our fourth consecutive year of growth). Our stakeholders have been central in this turnaround at Cork as has significant business support from daa plc. In 2014, the Cork Airport Development Council - a representative body comprising key senior local stakeholders – was established to provide regional input and support to Cork Airport's strategy and the Council has been very active in this role.

Cork Airport operates in a highly competitive environment, with three strong competitors in an overlapping catchment area, with Dublin Airport being the most significant competitor followed by Shannon Airport to the West.

A central element of Cork's return to growth, and our continuing success with our airline customers, has therefore been our ability to offer competitive airport charges pricing relative to other Irish airports, particularly Dublin Airport. Currently airport charges at Cork are ██████ per passenger vs. a price-cap of €9.30 in Dublin in 2019. To retain and grow our aviation business into the future, Cork Airport's charges must, by necessity, remain competitive relative to Dublin Airport's already low charges. Furthermore, the buying power (negotiating leverage) of the major airlines in Ireland is significant at Dublin but even more significant at Irish Airports outside of Dublin due to the level of competition in the marketplace, the volume of airports and the ability of airlines to move routes and aircraft between airports.

In this respect, I am extremely concerned with the decision that has been made in the recent Draft Determination on Airport Charges for Dublin Airport, which seeks to reduce Dublin Airport's price cap per passenger to just €7.50 in 2020 – a 20% reduction (and remaining flat until 2024). Pricing at this level would effectively represent below-cost selling for regional airports who would be very severely challenged in their ability to compete. Cork Airport receives no subvention or financial support from the State unlike certain other airports on the island of Ireland. We believe this proposal is likely to increase the burden on the exchequer for those airports who receive State operating support.

Consequently, the proposed reduction in Dublin will have extremely negative and immediate impacts for Cork Airport, and its ongoing sustainability - as well as other regional Irish Airports. This will have significant implications for our pricing and competitiveness, and in turn for our traffic, financing, our operating and employment model, and our future development. Indeed, in a scenario where the proposed level of reduction of this scale was introduced with respect to Dublin Airport pricing, Cork Airport's sustainability would be fundamentally threatened – with the current operating profits of ██████ per annum essentially wiped out by the proposed competitive change and leaving no room to fund ongoing and planned capital expenditure in the balance sheet or depreciation in the profit and loss account.

The significant negative impact that this proposal will have on Cork Airport and other regional airports, is in stark contrast to the view expressed that the proposal is good news for consumers. We understand that our position may be an unintended consequence of the draft determination, but this consequence could lead to a potentially unsustainable regional airport sector within the State. Further, this development is coming at a time when our industry is potentially facing into the risks and uncertainty associated with Brexit, and the very significant impacts that it would have for regional airports such as Cork.

Given the importance of this issue, I would like to request a meeting with you urgently – within the next 7 days – to discuss our concerns in more detail. I am available to meet at your office, or at Cork Airport, whichever suits better. I look forward to your response on this important issue.

Yours sincerely



Niall MacCarthy
Managing Director
Cork Airport

31st May 2019

Ms Cathy Mannion
Commissioner
Commission for Aviation Regulation
3rd Floor Alexandra House
Earlsfort Terrace
Dublin 2
D02 W773

Dear Ms. Mannion,

I am writing to you on behalf of the Cork Airport Development Council (CADC). The CADC was formed in 2014, at the behest of the Minister for Transport, Tourism and Sport, to provide regional input and support to Cork Airport on its business strategy, and comprises representatives from local management and daa Board, regional and tourism businesses, and policy groups.

In fulfilling its role, the CADC's focus is on ensuring common understanding of the issues, opportunities and operating performance of Cork Airport, and driving coordinated action to further develop the airport, and deliver sustainable traffic growth.

Over the last four years, the CADC has engaged strongly with Cork Airport to achieve a turnaround in its traffic and financial position. We are extremely concerned that the recently published Draft Determination on Airport Charges for Dublin, which is proposing more than a 20% reduction in airport charges at Dublin Airport in 2020, will have a significant effect on the market price of airport charges at Cork and other airports throughout Ireland. In turn, this would have detrimental implications for Cork with respect to its traffic, future development, and its finances. Indeed, such a decision would potentially reduce annual revenues at Cork Airport by over €4m per annum, undermining Cork's recent recovery, with significant negative impacts for the entire region.

We have requested the Managing Director of Cork Airport to seek an urgent meeting with you, to explain the effect of these proposals on the financial viability of Cork Airport, including its comparative position with Dublin Airport. We acknowledge and understand that the negative effects of this Determination on Cork Airport are likely inadvertent – however, it is critical to note that this is a very real unintended consequence of your draft proposal and is a serious matter for us at a time when we are all striving to turn a corner from the setbacks experienced by Cork Airport in recent years. We ask that our concerns be fully addressed during the consultation period to ensure that all airports in Ireland continue to grow on an economically viable basis for the benefit of tourism and business in the regions.

Issued on behalf of the members of the Cork Airport Development Council:

Conor Healy	CEO, Cork Chamber
Philip Gillivan	President, Cork Business Association
Ann Doherty	CEO, Cork City Council
Tim Lucey	CEO, Cork County Council
John Mullins	CEO, Amarenco Solar, Chairman Port of Cork
Joe O'Flynn	General Secretary, SIPTU
Claire Nash	Nash 19 Restaurant
Annmarie O'Sullivan	AM O'Sullivan PR
Bob Savage	Vice President, Dell EMC
Aaron Mansworth	Trigon Hotel Group
Emma O'Brien	Partner, Collins, Brooks Solicitors
Jim Woulfe	CEO Dairygold
Prof Patrick O'Shea	President, UCC
Niall MacCarthy	Managing Director, Cork Airport
Eric Nolan	daa Worker Director
Dalton Philips	CEO, daa Group plc.
Gerry Walsh	Non-Exec Director-daa, Director Vermilion Oil & Gas, Chairman CADC