

Dr. Adrian Corcoran
Director of Economics
Commission for Aviation Regulation
Earlsfort Terrace
Dublin 2.

18th August 2020

Dear Adrian,

Thank you for the opportunity to respond to the Commission for Aviation Regulation's consultation on appropriate regulatory response to the impact of Covid-19 on Dublin Airport and, in particular, on options in relation to varying the current price determination.

The Commission's consultation document, CP3/2020, sets out several options for an interim review or reviews of the 2019 Determination. Aer Lingus considers option 3 – full building blocks review – to be the most appropriate response to the current circumstances.

Full Building Blocks Review

Aer Lingus considers that the impact of Covid-19 on the aviation industry is of such unprecedented magnitude that an interim review of the component building blocks underpinning the 2019 Determination is appropriate.

However, there are a number of important factors that require clarity in order to determine the appropriate timing of such a review:

In the first instance, clarity on the State's implementation of the specific recommendations of the Aviation Recovery Task Force Final Report, published on 10th July, and which specifically included:

- **“Dublin Airport:** The regulatory regime as overseen by the Commission for Aviation. Regulation (CAR) should continue to apply to Dublin Airport, with a planned Interim Review of the current price-cap determination to be held in the coming months. Airlines should continue to pay all airport and air navigation charges relating to Dublin. The Government should provide a rebate directly to the airlines of all Dublin Airport charges and air navigation charges as paid by the airlines”
- **“Sustainable Development:** The Government should enhance investment in the aviation sector in response to Covid-19. It is important that airport infrastructures have operational flexibility to meet market demands at the times required, including delivery of planned infrastructure programmes in full and on time.”

In addition to the above, Aer Lingus believes that any review must be predicated on greater certainty and broader consensus in respect of revised passenger forecasts. The volatility of travel restrictions being imposed, removed and re-imposed makes an accurate forecast of passenger demand impossible. Aer Lingus expects that it will potentially be H2 2021 before appreciable certainty on traffic volumes would allow a building blocks review to commence.

Narrow Focus Review

Aer Lingus considers that the 3 items identified by the Commission for a Q4 2020 interim review of the 2019 Determination – T2 Box 2 remuneration, mechanism for return of any over-recovery to the 2020 price cap to airlines, and the commercial revenues rolling incentive scheme – are not of an order of magnitude, in terms of possible price cap impact, to merit an interim review. As most airlines and daa are operating with fewer resources during this downturn, it would be difficult to justify dedicating scarce resources to such a process with likely only marginal impact, if any, on the 2019 Determination.

Aer Lingus would be pleased to organise a conference call if you wish to discuss any aspects of our response in greater detail.

Regards,



Reid Moody
Chief Strategy and Planning Officer