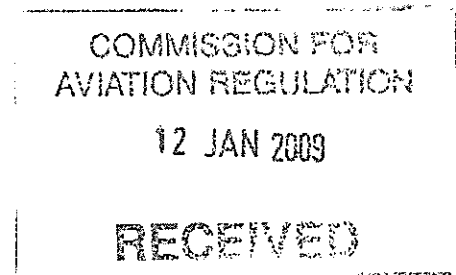




Commission for Aviation Regulation,
3rd Floor,
Alexandra House,
Earlsfort Terrace,
Dublin 2

5 January 2008



Response to Airport Charges Issues Paper

Dear Commissioner,

I am writing in response to the consultation on the Airport Charges Issues Paper. We are happy to avail of the opportunity to submit our opinion on this matter. This input comes, as you will be aware, at a time of great uncertainty, for those operating in the international aviation sector. In view of the current economic uncertainty in Ireland and internationally, it is likely that there will be a decline in passenger numbers in the coming years. In any event there will be a reduction in the rate of growth in passenger numbers.

Since Forfás' primary concern is with the enterprise sector, we have reviewed the document in the light of business needs for air services and also in the light of the wider business opportunities for Ireland that may be created by improved air services. Increased and improved connectivity is an important part of maintaining Ireland's competitiveness. In addition, air services should be seen as contributing to Ireland being a "hub" for trade and investment in a wider sense. The vision for DAA's development should be one where the airport should begin to play a more global role. Despite the likely decline in passenger growth in the next few years, there is an opportunity for Dublin Airport Authority to increase the the number of long



haul carriers serving Dublin, and to improve the services available to business travellers by, for example, encouraging short haul flights with appropriate departure times to allow same-day non-stop travel to more destinations.

General Approach

We believe that the CPI +/- X approach to the setting of the price cap is suitable. However, it may be appropriate to put in place a clawback clause for this determination period if forecast passenger numbers vary significantly from actual numbers. The threshold which prompts risk-sharing to commence should take account of the relationship between passenger numbers and operating expenditures. The risk-sharing should be positive and negative, to allow for the possibility of passenger numbers considerably exceeding pessimistic forecasts.

The duration of the determination at four years is sufficient. We would not propose lengthening the period in view of the economic uncertainty and its likely impact on passenger numbers in the short term.

Quality of Service

We welcome the inclusion of a quality of service term in the price-cap formula. We reiterate our earlier submission on quality of service and call for the explicit consideration of business users' needs within the array of service quality indicators. Spaces to read, use laptops, and make telephone calls are just some of the services business travellers require and expect.

The service targets should be at least on par with the industry standards set out in Table 1 of the Issues Paper. However, the standards of a selection of comparator airports may be more appropriate as Dublin Airport must compete with hub airports and the airports of other capital cities. As Dublin



Airport has scored less well than the industry standard within most categories it may be appropriate to set the service targets at Dublin

Airport's current standards initially, and then phase-in higher targets in subsequent periods.

Commercial Revenues

Where DAA has market power in the supply of non-regulated services, such as check-in desks, the Commission should alter its approach. However, any decline in passenger numbers will lead to a reduction in commercial revenues. There may be a lag effect with some services such as check-in desks and office space depending on the length of leases. Further, the demand for check-in desks and office space is discrete compared to the demand for parking.

Passenger Forecasts

Economic growth is a key driver of passenger forecasts. Given the likely decline in economic growth and the resulting slow-down in consumer spending in the next few years there is an opportunity for DAA to give more focus to business travel. The National Convention Centre is scheduled to open in September 2010. The Port Tunnel places the National Convention Centre minutes away from Dublin Airport. The Centre will provide a unique opportunity for DAA to benefit from an increase in demand for Dublin as a destination among non-leisure travellers. Business tourism currently attracts almost 300,000 visitors per annum, and is worth over €450 million per annum. There is a responsibility on DAA to provide the appropriate services for this market segment as previously outlined.

Destination choice

For the enterprise sector, a choice of destinations with early morning and evening services to allow same-day travel for Irish and international business travellers is of great importance. Symmetric flight times on short haul



flights are very important for business passengers, and DAA should be encouraged to develop these flights.

From a national perspective, it is vital that Dublin Airport increases its share of long haul destinations, particularly in Asia and the Far East. This will not only service Irish business and leisure travellers and those who wish to travel to Ireland, but will allow Dublin Airport to become a hub airport, further increasing passenger numbers. The pricing structure should be designed to provide incentives to DAA so that it may encourage long haul carriers, and increase symmetrical flight times for short haul carriers to allow same-day travel for business users. In this context, DAA capacity to handle large-scale long haul flights, such as will be provided by the Airbus A380, will be very important.

I hope that you find our comments useful. If you have any queries regarding the submission please do not hesitate to contact us.

With best wishes,

Yours sincerely

Eoin Gahan

Head, Regulation, Trade, and Policy Foresight
Forfás
Wilton Park House
Wilton Place
Dublin 2
Ireland

Tel: +353 1 6073239
Mobile: +353 85 72 72 157