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British Airways response to CAR
Methodology for DUB airport periodic review

Thank you for the opportunity to respond to Commission for Aviation Regulation's ("CAR") Methodological Consultation and Issues Paper (1/2022) for the Third Interim Review of the 2019 Determination of airport charges at Dublin Airport. We welcome the CAR's decision to seek stakeholder views on how to tackle the challenges of the next review.

For the avoidance of doubt, we have seen the submission to you from our colleagues at Aer Lingus and agree fully with their comments. Consequently, we limit our response to a number of high-level comments.

We agree with the CAR that covid has had a large impact upon our industry. However, we do not believe that it has changed the underlying fundamentals (with the possible exception of making Dublin Airport less risky). The key question the CAR should consider in our view is how quickly traffic at Dublin Airport will return to 'normal' levels? In line with the views of our parent – IAG Group – and our sister airlines, we expect passenger traffic at Dublin Airport to return to 2019 levels in 2024 or before, following which we would expect normal relationships to reassert themselves.

One area that may have changed, is that of risk, and specifically how risky Dublin Airport truly is. It is clear to us, that covid has shown that Dublin Airport is less risky. Covid has shown that unlike commercial businesses, Dublin Airport has a regulator that will go to great lengths to protect it from market forces.

We note the c€200m of relief that the CAR transferred from airlines and their passengers to Dublin Airport, and the support that the Government has given to help rebuild traffic. These are actions that have insulated Dublin Airport from events such as the pandemic, and incredibly, allowed it to turn a profit in 2021. It is clear that Dublin Airport is less risky and more protected now than the market may have perceived pre-covid, and this must be reflected in a reduced cost of capital at Dublin Airport going forward, with the asset beta measured appropriately to reflect this risk environment

Like our colleagues at Aer Lingus, we are bullish about recovery at Dublin. However, the recovery is likely to be compromised if charges are too high. This means that the CAR faces a choice – it can set an efficient price cap that promotes efficiency through appropriate, low charges at Dublin Airport. This will help the recovery of traffic and the further the national interest by developing Dublin as a hub. Or it can continue to allow Dublin Airport to be inefficient and further raise prices. This is likely to choke off demand and be detrimental to our passengers and Ireland. We urge the CAR to make the right choice.

In terms of the CAR's proposals towards risk sharing, whilst we are not opposed to risk sharing in principle, we do feel that it must be shown to be in our passengers' interests. Consequently, before imposing any risk share, the CAR should publish and consult on a business case for risk sharing. This proposal should include a quantification of the risks, and the benefits to our passengers of bearing the risk (e.g. if you take x risk, the per passenger charge reduces by €x). There is no case for risk sharing that is not reflected in reduced passenger charges as such mechanisms must result in a substantially lower cost of capital.

Whilst we support the Irish Government's plans to reduce emissions by 51% over the next 8 years, we believe that the CAR needs to provide more clarity on how it will give effect to its environmental duty, and how it will balance this duty with its other duties. The CAR should continue to ensure both that any environmental investments made by Dublin Airport are timely, efficient and in passengers' interests.

We are happy to discuss these comments, and to engage further with the CAR on points of detail, should that be useful.

Yours sincerely,

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