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National Tourism Development Authority

COMMISSION FOR AVIATION REGULATION
RECEIVED 7 AUG 2009 @ 1.50.

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

6 August 2009

Re: Commission Paper 3/2009 dated 18 June 2009

Dear Commissioner

I refer to the above paper which sets out the Commission's draft determination capping the level of airport charges at Dublin Airport over the period from 1 January 2010 to 31 December 2014.

I believe all parties involved in the Irish travel and tourism industry recognise and acknowledge the particular importance of Dublin Airport as the main gateway into the country. Consequently the quality of the service experienced at Dublin Airport will greatly influence the perceptions formed by visitors to Ireland. Clearly therefore the effective operation of Dublin Airport is an important component within Ireland's wider economic performance. For most commentators, I think this is simply self-evident and so needs little further elaboration.

The paper in question is essentially a technical one, and I appreciate that it is the result of considerable expert deliberation. Not having access to much of this technical information, I do not propose to comment on particular points of detail. However, it would appear that much of the reasoning leading to the price cap determination is predicated upon the emergence of certain "triggers" which will in turn signal the implementation of certain actions. In this respect, I would like to offer three more general observations as follows:

- It is proposed that a price cap per passenger of €8.35 will be set for 2010. It is noted that if T2 opens on 1 January 2011, the annual price cap for the subsequent four years will be €8.37 plus an operating cost adjustment. A second consequence of the terminal opening will be the release of €672.4 million into the RAB. Presumably the Commission is satisfied that the price cap has been set at a level sufficient to cover operating costs and the continuing cost of servicing the capital invested in the new terminal?

- An increased uncertainty in the wider economic environment is acknowledged within the paper. Understandably, this leads to a tone of caution when considering the capital investment plan put forward by the DAA. A prominent element of this plan relates to the construction of a new runway with the capacity to service direct long haul traffic to new and emerging markets in Asia. As these new and emerging markets may prove quite significant in the further development of Irish tourism, this runway could emerge as a significant variable determining Ireland's capacity to capture these opportunities. It is noted that an investment of €337.8 million will be allowed if "certain triggers are satisfied". Presumably the mechanism through which these triggers become recognised are sufficiently sensitive to allow timely progress in this respect, and that the consequential implications for the price cap will be equally recognised.

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- The presentation within the paper of twelve service quality measures is particularly welcome. In this respect it is noted that failure to meet these targets could result in a reduction in the price cap of up to 4%. Implicit in this approach however appears to be a view that such a failure is a consequence of an operational inefficiency at the DAA. In other words, that the DAA is sitting at a point below its efficiency frontier. Presumably however the trigger mechanism behind this assessment might be equally sensitive to the possibility that the DAA is in fact sitting on its efficiency frontier and a service failure is actually evidence of a need to increase spending on service maintenance – in other words an increase in the price cap.

I would like to thank the Commission for the opportunity to make these comments on the Draft Determination, and I look forward to the publication of the final determination later this year.

Yours sincerely

Shaun Quinn
Chief Executive