



Mr John Spicer  
Commission for Aviation Regulation  
3<sup>rd</sup> Floor Alexandra House,  
Earlsfort Terrace,  
Dublin 2

17 June 2010

**Re: Consultation on the decisions of the 2010 Aviation Appeal Panel**

Dear Mr. Spicer,

The provision of appropriate airport infrastructure is an important issue for Ireland and the connectivity that it provides is crucial for our economy and society. The efficient movement of people and goods will be a critical factor to support the new tourism, trade and investment strategy currently being prepared by Government. The timely delivery of enhanced airport infrastructure has a substantial contribution to make in this regard and is even more vital as we face the challenges of economic recovery.

In this context IBEC is concerned at recent decisions from the Appeal Panel that refer to the initiation of 'differential pricing' at Dublin airport. If CAR was to proceed on the basis of this referral it would not only distort competition in the marketplace but also have the potential to delay both the opening of Terminal 2 (T2) and the appropriate remuneration of mandated investment by the DAA.

From the outset key stakeholders were in support of an approach to the design of T2 which did not include a differentiation of price or service level. The following statements are evidence of this:

"CAR should set the cap for a standard level of service offered to all airlines. It should then be a matter of commercial negotiation between airport users and the DAA to agree the terms for any additional services...if CAR were to attempt to regulate not only the basic price but also the differential price ...this would almost certainly lead to distorted incentives and behaviour" (Aer Lingus response to CPI/2007, March 2006)

"We hold the view that it is imperative that Dublin Airport does not develop a two tier standard between the existing terminal and the proposed new terminal. The development of the new terminal should complement developments at the existing terminal, as the complete infrastructure and service offering of Dublin Airport is a critical element in attracting and retaining FDI in Ireland" (IDA response to CPI/2007, March 2006)

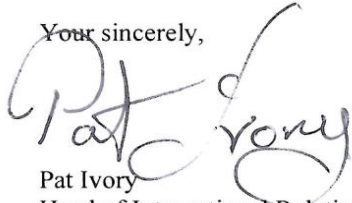
IBEC understand that both Terminal 1 (T1) and Terminal 2 (T2) are designed to IATA Level of Service C and that CAR itself has identified no differentiation between the terminals in applying your new service quality regime. We further understand that any additional services above this base level are paid for separately at both terminals e.g. executive lounges, CBP, check in desks. Therefore, the suggestion that one terminal is superior in terms of service quality, which is central to the differential pricing proposal, is not supported by the facts. Just because T2 is new surely does not mean that passengers who travel through T1, which has also been substantially upgraded, will receive a lesser level of service.

The initiation of differential pricing will undoubtedly delay the opening of T2, which has already been the subject of independent verification by Government; two ministerial directions, two determinations and two appeals. "Aer Lingus has stated that it will have 'no option but to remain in T1 should differential pricing be imposed as to do otherwise would put it at a significant competitive disadvantage with regard to the users of T1" (Aer Lingus response to CPI/2007, March 2006).

IBEC has consistently supported user charges that are fair, transparent and proportionate. The proposal for differential pricing clearly does not meet these criteria. The level of services being offered in existing and new terminals is to the same international standard. Any initiatives that might hamper the efficient opening of T 2 would deny passengers the benefits of using these new facilities, including the opportunity for business to further build connectivity with international markets for exports and investment.

Given the additional risk that such an action would entail for DAA, incentives to invest in a timely fashion for the future could also be irreparably damaged. It is vital, therefore, that commitments made by CAR regarding the remuneration of T2 be upheld and that the Commission does not pursue initiatives that would have a negative impact on the opening of T2 in November.

Your sincerely,

A handwritten signature in black ink, appearing to read 'Pat Ivory'. The signature is written in a cursive, flowing style with a large initial 'P' and 'I'.

Pat Ivory  
Head of International Relations, Trade and Transport Policy