



IAA Submission on the Commission for Aviation Regulation's Draft 2014 Determination of Maximum Level of Charges at Dublin Airport

In its draft 2014 determination of the maximum level of charges at Dublin Airport, the Commission for Aviation Regulation (CAR) proposes a 4.8% cut in the price cap on per passenger charges each year from 2015 to 2019 inclusive. Included in the calculations made to arrive at this level of reduction, CAR has disallowed planned expenditure on a number of key projects in the areas of security and overall airport efficiency. CAR has also delayed or disallowed expenditure on infrastructure projects which are consistent with the Government's draft aviation policy. The projects concerned and the safety, security and efficiency impact of their exclusion from Dublin Airport's determined cost base are outlined below.

Security

An average of just over 55,000 passengers travel through Dublin Airport each day and this number is expected to grow by at least 3% per annum during the period covered by this determination. All of these passengers must be security screened effectively to minimise the threat of a criminal or terrorist event that might put the lives of passengers and staff at risk.

Serious security issues arising from the European Commission Article 15 failures at Dublin Airport have driven a requirement to increase the human and technological resources requirement at the airport. Expenditure to overcome these issues has been disallowed completely, including:

- Technology for Liquids and Gels (LAGs) and Explosive Trace Detection (ETD) (€11.6 Million)

Following terrorist threats involving liquid explosives, a limit on the carriage of LAGs in cabin luggage was introduced. After years of operational experience and to increase levels of safety and efficiency, the European Commission has developed a road map leading to a stepped approach for replacing the restriction on the carriage of LAGs with technological screening. The cost of the technology to enable this screening take place has been disallowed by CAR.

Changes to EU Regulation 185/2010 in the area of ETD require Dublin Airport to increase its capability in this security critical area. The cost of the technology to increase this capability has been disallowed by CAR.

- Hold Baggage Screening (HBS) is necessary to ensure that no prohibited articles are contained, either intentionally or unintentionally, in baggage loaded into the hold of an aircraft. This is a critical part in the aviation security chain. An upgrade to Standard 3 HBS capability for Terminal 2 is required to comply with European regulations. The upgrade must be complete by 1st September 2020 but expenditure will be necessary from 2019 (€13 Million). The cost of the technology to enable this enhanced level of screening take place has been disallowed by CAR.
- The effect of the increased screening requirements as set out above is likely to reduce the processing rate at security.
- Relocating the T1 security screening area to a larger facility on 1st floor in order to enhance capacity (€38.3 Million). There is a limited number of screening lanes which can be located in the current security screening location; once passenger demand exceeds what can be accommodated through 15 lanes then a relocation is required. The DAA proposed a trigger of 11.5 Million passengers per annum at T1 for this development. We support the allowance of this project in order to ensure security capacity grows in line with passenger demand.

CAR proposes that Dublin Airport should reduce the number of FTEs employed in its security search areas. There are currently 550 employed in this area but CAR suggests that this should be cut to 500. Furthermore, as traffic grows through to 2019 and in line with the expected increase in security requirements across the EU, Dublin Airport predicts an FTE requirement in security of 600 in order to cope with the level of screening required by European Regulation. CAR believes that 500 is the correct level and has disallowed the cost of additional staff. This does not take account of any new or amended security requirements which may be required from time to time by US security authorities for passengers departing to the United States and, consequently, could jeopardise DAA's ability to meet new, more stringent requirements, damaging Dublin Airport's position as a preclearance airport to the United States. It should be clearly understood that considerable extra resources were committed to security following the European Union (EU) Article 15 findings, these cannot simply be withdrawn.

Future security requirements are likely to be more stringent, not less. The aforementioned expenditure in the area of security is critical to Dublin Airport's drive to maintain and enhance the security of passengers, air crew and staff, in line with European legislation and

industry best practice. Accordingly, it should be allowed in full. This is a security issue and may impact on the licensing of the airport by the IAA if not implemented.

Airport Efficiency and Improved Safety

Dublin Airport is a critical piece of national infrastructure. As Ireland's largest international airport, it provides most of the air access to support a tourism industry worth some €5.3 billion to the State. It also facilitates international trade which can deliver the economic growth necessary for Ireland to create employment and emerge from the period of economic crisis.

Dublin Airport is again experiencing growth with passengers up by 6% (so far in 2014) and commercial flights up by 4.5% in 2013 over 2012. This is putting pressure on capacity at peak times of the day and this is expected to continue as traffic grows in line with forecasts. Having capacity at peak times is important for an airport's ability to attract new business as peak time is when there is most demand for the services provided by those airlines. In many cases, particularly where an airline intends to operate a business focussed schedule, off peak capacity is of no interest to them.

Runway capacity is the current major capacity bottleneck at Dublin Airport. It is currently capped at 47 movements per hour. Recent airspace changes have resulted in an airspace capacity of close to 80 movements per hour which is adequate to cater for parallel runway operations at Dublin. Work is already underway with UK NATS to increase airspace capacity ahead of demand, and will continue as part of the FAB Performance Plan jointly submitted in June 2014 to the European Commission by the Department of Transport, Tourism and Sport and its UK counterpart, the Department for Transport. This is in addition to works to assist the UK in implementing increased airspace capacities through support of the UK Future Airspace Strategy and UK development of free route airspace. This has already resulted in additional capacity being provided at peak times through the provision of an additional route from Dublin Airport to the east, known as Y124. Based on recent traffic growth, the IAA is preparing for the build of a New Tower at Dublin Airport to cater for the parallel runway. The IAA has outline planning permission for a New Tower. The IAA's Capital Investment Plans include the building of a new Tower in the timeframe 2018-2022.

Additionally, from 1st January 2015, Terminal Air Traffic Services will be subject to the European Commission's Single European Sky Performance Scheme. Included in this scheme are Commission expectations that the length of time an aircraft spends taxiing at an airport is reduced. In order to deliver such a reduction, improvements must be made to the runway/taxiway infrastructure at Dublin Airport. These infrastructural improvements are

not only necessary for efficiency but also to ensure that the infrastructure is fit for purpose and safe for use.

New capacity and infrastructural upgrades necessary to allow Dublin Airport continue to attract new customers who will deliver passengers that will fuel the growth of the Irish economy, have been delayed or disallowed. These projects include:

- A new northern parallel runway. There is no obvious reason for increasing the passenger trigger to 25 Million passengers per annum, thereby delaying the commencement of the project by at least 2 years. Now is a good time to build it as construction pricing is low. Delays in building this new runway pose a significant threat to the efficiency of Dublin Airport with forecast growth in traffic. This will mean more pressure on a single runway and increased holding and delays for passengers. Holding in poor weather poses safety risks.
- Existing infrastructure enhancements (e.g. additional line up points at €30 Million) are needed to boost existing RWY capacity but CAR has disallowed this expenditure. The IAA had recommended these as an efficiency enabler through the Runway Capacity Group. The enhancements would reduce airfield congestion and allow greater peak time capacity. The existing infrastructure and its associated operating requirements will not be sufficient to meet the growing air traffic demand.

Congestion due to a single runway operation and an inability to upgrade existing infrastructure has the potential to generate significant air traffic management safety issues, in what is already a complicated airport for the ground movement of aircraft.

- The Single European Sky (SES) performance scheme requires that the level of delay at airports is monitored. One of the performance indicators used to measure this delay is the additional taxi-out time. This is a proxy for the average departure runway queuing time on the outbound traffic flow, during congestion periods at airports. The measurement uses a baseline of an unimpeded taxi, which is the time taken when there is no congestion. Dublin Operations have identified that, in order to minimise the effects of congestion and to ensure that Ireland continues to meet SES performance expectations, the existing access to the main runway at Dublin requires a number of enhancements. The disallowance of the upgrade of the Taxiways will almost certainly have a negative impact on Ireland's SES performance, which, in time will become the subject of SES penalties.
- In addition to the above, some of the existing taxiway alignments, including taxiway intersection areas and those used during low visibility operations, were designed

based on the needs of the much more manoeuvrable Boeing 747-400 aircraft. More recent aircraft types which currently operate at Dublin airport e.g. Boeing 777-300ER are required to 'oversteer' or use on-board cameras to negotiate these taxiways. When an aircraft deviates from the centre line, the risks of inadvertently straying off the taxiway concrete or, when in low visibility conditions, straying onto the incorrect taxiway, are increased.

Additionally, the widening of these taxiways would also facilitate the more expeditious exiting of the Runway 28 by aircraft. This would have a positive effect on another of the SES performance indicators, arrival sequencing and metering area (ASMA) delay. This indicator is based on the average arrival runway queuing time on the inbound traffic flow, during congestion periods at airports. The disallowance of the Upgrade of the Taxiways (c €1.5 Million) will more than likely negatively impact on ASMA time and have an effect on Ireland's SES performance.

Whilst improved efficiency and capacity as outlined in the foregoing is important, the improvement of existing infrastructure in order to ensure safety of ground taxiing by aircraft is critical. A realignment of taxiways F1 and F2 are infrastructural changes which are crucial for enhanced safety in an area of the airfield which is contained in what is known as a Runway Hotspot zone. This runway hotspot zone is an area of the airfield where there is heightened risk of aircraft or vehicles unintentionally entering a runway thereby presenting a significant safety risk. The Air Accident Investigation Unit of Ireland, in their Report 2012-017, specifically recommended that the Dublin Airport Authority "considers aligning taxiways F1 and F2 in order to reduce complexity at their intersection". Eurocontrol, in its European Plan for the prevention of Runway Incursions requires airport authorities to improve airport infrastructure so as to reduce or prevent the occurrence of runway incursions.

- Constraints on the availability of contact aircraft parking stands at Dublin Airport mean that additional, easily accessible remote parking stands are required. While the allowance for remote stands at 5G is an important addition to parking capacity, bussing from T2 gates to stands north of Pier 1 (5G) is not an optimum proposition from a passenger perspective. Given the long journey from the south of Pier 4 to the north side of Pier 1, the DAA proposed to build 5 narrow body stands at 300R, just west of Pier 3 (€8.2 Million). These have been disallowed by CAR.
- A modest investment in pier adjustments (€15 Million) is needed to allow for existing and future large aircraft (A380 / 777X etc.) but this has been disallowed. If Ireland does not have the facilities, the aircraft cannot come to Dublin and they are the aircraft that airlines serving the high growth economies, either directly or through

hubs (e.g. Emirates and Etihad) are currently ordering. Incidentally, Dublin Airport reports that one customer is considering using the A380 on their Dublin route if their passenger load factor continues to increase. This expenditure has been disallowed by CAR – which means that Dublin Airport can never have Airbus A380 aircraft, limiting the introduction of new services to new destinations such as Beijing, clearly this is nonsensical.

- The segregation of passenger flows in Pier 2 (€18 Million) is necessary to comply with Customs requirement while at the same time providing the flexibility necessary to simultaneously accommodate traffic from a variety of countries. Arriving and departing passengers from many destinations must be segregated to comply with Customs and Security requirements. This restricts flexibility of stand planning and scheduling. CAR has disallowed this expenditure. This should be allowed.

Clearly the draft economic determination is predominantly focussed on applying appropriate economic regulation, it is neither possible nor appropriate to do this without taking adequate account of the potential reduction in safety which may arise as a result of the airport operator not having sufficient funding for infrastructure improvements and changes. Inherent in any of the infrastructure changes proposed are up to date safety improvements for the airfield as a whole. Many of these are underpinned by European requirements such as the European Action Plan for the Prevention of Runway Incursions, others are as a result of previous safety events.

Draft Aviation Policy

The Irish Government's draft National Aviation Policy published in May 2014, commits inter alia, to the development of new routes and services, particularly to new and emerging markets and to the development of Dublin Airport as a secondary hub. To meet these commitments, some infrastructural upgrades are needed and Dublin Airport has plans to deliver these over the next 5 years. The CAR draft determination disallows expenditure on some of these and is not therefore consistent with a number of Draft Aviation Policy objectives:

- Improving Ireland's connectivity – The trigger for the development of the northern parallel runway has been increased to 25 Million passengers in a year, thereby delaying its construction by at least 2 years. The Government's objectives of attracting direct flights from China and elsewhere in Asia to Dublin requires a runway longer than the existing runway 10/28 so the DAA's ability to attract Far Eastern carriers will be hampered by this delay.

- Development of Dublin as a secondary hub – Opportunities for growth at Dublin are at T1. This terminal is 50 years old and needs to be upgraded to meet customer demands and compete with other airports in Europe (€9.5 Million). It is also needed to provide a T2 level of service to allow for interoperability between the piers (e.g. moving UAE airlines from congested Pier 4 (T2) to Pier 3). These carriers use Pier 4 but do not currently use the US Customs and Immigration pre-clearance facility located there.

Pre-clearance is a key enabler in attracting new airlines to Dublin. In addition to new US carriers for whom pre-clearance is important, carriers from other countries will be attracted to operate services to the US via Dublin. Ireland is unique in Europe in having this facility available and it will allow Dublin Airport to compete with other larger cities in Europe for this business, provided the carriers can gain access to it. CAR has disallowed the expenditure necessary to conduct this upgrade.

- Facilitating Transfer Growth – Transfer traffic is rapidly growing (+36% in 2013 and +40% YTD 2014). This traffic underpins the US market and other long haul routes. Upgraded facilities (€21.5 Million) are needed if Dublin hopes to become a successful secondary hub. Efficient and passenger friendly facilities are a requirement if Dublin is to compete with other larger hubs across Europe for this connecting traffic. The required expenditure has been disallowed by CAR.

Miscellaneous

- The CAR's draft determination includes a reduced rate of return on capital allowance. Currently CAR allows 7% but in the 2014 draft determination, the rate drops to 5.8%. This will cost DAA an estimated €13 Million per annum, further reducing the monies available to fund enhancement in safety and efficiency. In calculating the rate for the period 2015 to 2019, CAR has allowed a risk free rate of 1.5%. COMREG has recently allowed a risk free rate of 2.3%. CAR should allow a risk free rate that is in line with other regulators in Ireland.

Summary

The CAR draft determination should be amended to include the expenditure mentioned above. International terrorism continues to pose a great threat to aviation and Ireland must not be placed in a position where our airports do not have up to date security screening

equipment and facilities, in line with European Commission and FAA regulations and expectations.

Dublin Airport is a significant driver of economic growth throughout Ireland and it should be allowed the monies necessary to upgrade its infrastructure to meet passenger and airline expectations. Sufficient funding for projects that are aligned with Government policy should also be allowed. Dublin Airport is the nation's main air access point and it should be flexible and able to manage all types of likely operations.

The projects mentioned above are necessary to allow Dublin Airport continue to safely develop and grow air traffic to and from Ireland in support of Ireland's economic recovery. They are aligned with the Government's draft National Aviation Policy and will assist with enhancing Dublin's competitive position in an increasingly well-funded airport sector, as it works to attract new services. The expenditure on the aforementioned projects is necessary and should be allowed by CAR in their final determination on the maximum level of charges at Dublin Airport.

31st July 2014