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Commission for Aviation Regulation
3rd Floor - Alexandra House
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**Re: Response to Airports Charges Draft Decision Paper**

Dear Sir/Madam,

Ibec welcomes the opportunity to comment on the Commission's draft determination on the proposed maximum level of airport charges that will apply at Dublin Airport over the period from 2015 to 2019. Following the impact of the falloff in economic activity during the recession, future demand for infrastructure and how to meet that demand must remain a key medium-term priority for Ireland's economic recovery. The experience from the 1980s should serve as a reminder of the long-term effects of a lack of infrastructural investment. Cuts in capital expenditure during that period left Ireland with a large infrastructure deficit. Notwithstanding significant infrastructure investment in the years preceding the recession there remains a relatively poor perception of Irish infrastructure internationally.

The World Economic Forum's competitiveness report for 2013 ranked Ireland 35th in the world and 22nd out of the 34 OECD members in terms of quality of infrastructure. Ireland is now only 21st out of 28 EU countries when it comes to Government capital spending on infrastructure relative to the size of its economy. This represents a fall of 17 places in just five years. This lack of infrastructural development relative to other countries risks Ireland being surpassed by competitors and relinquishing previously hard earned gains in closing the infrastructure gap. While many of the cuts in capital expenditure over recent years were part of a necessary fiscal adjustment, continued subdued levels will substantially harm Ireland's economic recovery and attractiveness to investors.

The efficient movement of people and goods will be central to Ireland's economic recovery and the timely delivery of enhanced airport infrastructure has a major contribution to make in this regard. As an island nation that does not benefit from a land connection to continental Europe, Ireland relies heavily on the aviation sector and Dublin Airport in particular. Aviation fulfils an indispensable economic and social role by facilitating inward and outward tourism and business travel while also enabling the international trade of high value and time sensitive cargo. These sentiments are reaffirmed in the Government's recently published draft national aviation policy which states "the strategic importance of Dublin Airport extends far beyond its geographic catchment area and its future is critically bound up with the Irish economy e.g. inward investment, tourism, trade etc."

As the State's key international passenger gateway, it is of fundamental importance that the Commission's determination enables Dublin airport to continue to develop sustainably into the future. In this context the development of Terminal 2 should not be viewed as a panacea for all future infrastructure needs at Dublin Airport. For this reason Ibec is concerned that the Commission is proposing to reduce airport charges to such an extent that the airport operator's ability to facilitate continued sustainable growth is undermined. Ibec urges the Commission to revisit its draft determination, particularly in regard to the following key issues:

Cost Projections

The scale of recent pay reductions, redundancies and changes to work practices that have already been implemented by DAA to deliver efficiencies should be acknowledged. It is important that CAR's approach does not lead to deterioration in the passenger experience at the airport with longer queues, greater delays and fewer route options for passengers. In particular, security as a core airport activity must be adequately resourced through both capex and opex. The scale of CAR's proposed reductions will pose significant challenges to maintaining processing capability. Ibec would be keen that any further efficiencies sought are achieved while maintaining existing security service quality and compliance standards. These should also be achieved within a framework that will minimise the potential of costly industrial action with a consequent negative impact for the wider economy.

Infrastructure Requirements

In order to be able to drive growth and deliver a high quality passenger experience the DAA needs to be able to make prudent and targeted investment in necessary capital projects. However the Commission has disallowed a series of proposed investments. Terminal 1 has the potential to facilitate substantially increased passenger numbers however the facility is almost 50 years old and requires an upgrade in order to realise its full potential and to ensure a good passenger experience into the future. Investment in the modernisation of Terminal 1 would also release capacity in Terminal 2, which in turn would drive growth in passenger numbers. Failure to invest in upgrading Terminal 1 will not only restrict the potential of existing assets but will hinder the Government's objective to see Dublin develop into an international secondary hub for transfer traffic. Such transfer connectivity underpins the viability of routes that otherwise could not be sustained by the Irish market alone e.g. connectivity to the west coast of the United States. CAR's draft determination proposes that an expanded transfer facility, that would facilitate such connectivity, be disallowed.

The main runway at the Airport suffers from congestion at peak times. The DAA proposed modest improvements to the airfield to improve aircraft movements and to realise maximum efficiencies from the existing infrastructure. The case for these works is supported by the Irish Aviation Authority. CAR's draft determination has disallowed this investment and as a result curtailed DAA's ability to attract additional traffic and new routes to the airport. Facilitating such growth is a key tenet of the Government's draft national aviation policy.

CAR has also disallowed investment in security facilities that the DAA will be legally obliged to have in place over the span of the regulatory period. These relate to whole baggage screening, explosive trace detection and screening for liquid aerosols and gels. Failure to invest sufficiently in security systems will add to delays leading to a reduction in passenger satisfaction with the airport experience and creating logistics problems for airlines.

Conclusion

Ibec is anxious that the CAR determination should be compatible with the aviation policy objectives of the Government as set down in the draft national aviation policy and will facilitate its implementation. With this objective in mind the Commission should revisit its draft determination with a view to supporting Government policy and assisting Ireland's economic recovery. It is important that the Regulator's determination supports the growth of Dublin Airport, the long term needs of airline passengers and the best interests of the Irish economy.

Yours sincerely

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