

Ms. Cathy Mannion
Commissioner
Commission for Economic Regulation
Alexandra House
Earlsfort Terrace
Dublin 2



04 May 2016

re: Interim Review of 2014 Determination relating to Northern Parallel Runway

Dear Cathy,

Thank you for facilitating the meeting of the 22nd April at your offices. I hope it was useful in appraising you of aspects of the runway project which we publically announced in recent weeks. I am writing to you to ensure that there are no areas of uncertainty around either the confidentiality of cost information or our view of the appropriateness of the timing and scope of the proposed interim review of the 2014 Determination relating to the Northern Parallel Runway.

Cost Estimate

We have provided a breakdown of the €320m cost estimate of the Northern Parallel Runway (NPR) based on a construction start date of Q4 2016. We have explained the reason for changes to the design relating inter alia to requirements to maintain existing operations during the construction period, when we have a different profile of use of the airfield than expected at construction start date, and to comply with EASA guidelines. We have also provided evidence of the impact of construction price inflation on the project from the Q4 2013 cost estimate of €245m. As you have requested a further detailed cost breakdown for the runway project we ask that you confirm that any such cost detail will remain confidential, and not subject to Freedom of Information request, in advance. As we stated in the meeting we are concerned with the sequencing of information release through various fora and this is the reason for requesting that further cost breakdown be considered commercially sensitive and confidential.

Planning Conditions for NPR

While daa is committed to delivering runway capacity to address demand across the totality of our operating hours, we consider certain of the conditions of use attaching to the existing planning to be unwarranted and disproportionate. There are two key points at issue:

- The limitation on the number of aircraft movements permissible airport-wide between 11pm and 7am after the new runway is brought into operation, and
- The prohibition on the use of the new runway during those hours.

We have indicated from the time that the permission was first granted that we would seek alteration of the conditions pertaining to the use of the new and existing runway infrastructure – either through a change to the existing permission or through a new planning application. We are working with our planning consultants and relevant authorities to develop the approach to changing the conditions. In this context we will be considering issues

such as ability to meet demand now and in the future, the nature of the traffic, the ability to maintain and grow Ireland's connectivity, mitigation measures, risk and impact on local communities. We do not wish to prejudice or pre-judge the outcome of the process, a risk which could arise depending on the timing and scope of the proposed Interim Review of the 2014 Determination.

Scope & Timing of the Interim Review

daa does not believe that any substantial grounds have been demonstrated, nor exist, for a review of the trigger condition for the Northern Parallel Runway and reserves all its rights in this respect.

Given your current position on an interim review, in the meeting we discussed two options that should be given consideration in advance of any decision as to the scope and commencement date of the Interim Review:

- a) An early (Q2/Q3 2016) consultation process on the timing of when the 59c total price cap addition (as per the 2014 Determination) from the Northern Parallel Runway will enter the annual price cap formula – this may be in multiple stages but the ultimate total of 59c (2014 prices) remains unchanged. The principle that all efficiently incurred capital spend be entered into the RAB should also underpin the scope of the review. In this regard, it would be appropriate to review whether the treatment, as set out in the 2014 Determination, of any over/ under spend against the existing €245m allowance at project completion (50/50 entry to the RAB) would provide an economically efficient regulatory outcome
or
- b) A later consultation process (Q4 2016/Q1 2017) which will take place at a time of greater certainty on both the planning conditions and cost that will pertain to the runway project. This later consultation could then consider the appropriate value of the runway allowance as well as principles for the treatment of any subsequent overspend and would also take place at a time when the process seeking amendment of the planning conditions would be expected to have completed.

We reiterate that we do not believe that any substantial grounds exist for a review of the trigger condition for the Northern Parallel Runway. The runway trigger set in the 2014 Determination (and previously in the 2009 Determination) was a demand trigger and was set at a time when the operational restrictions contained within the planning permission conditions were known; even if a new planning permission were to be sought there could be no reasonable expectation that any such alternative grant of planning permission would lead to unrestricted operation of the NPR or airport as a whole. It is therefore our view that there is therefore no unforeseen event which would give rise to substantial grounds for a re-examination of the trigger condition to now include a capacity element in addition to the demand element.

We ask that you consider the above concerns in arriving at your decision on the final timing and scope of the proposed Interim Review of the 2014 Determination. We consider the delivery and remuneration of the NPR project to be of significant strategic importance to the future development of Dublin Airport and attainment of the goals set out in the NAP, as well as the future financial sustainability of Dublin Airport. We request that we be kept informed of your thinking in regard to the scope and timing of the Interim Review in advance of any formal commencement of the process, and remain available to meet with you at your convenience to engage further on this issue in advance of any decision.

Yours sincerely,



Vincent Harrison

Managing Director – Dublin Airport