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**Re: Consultation on Guidelines, Incentives and Ad hoc Advisory Panel for Passenger Representation in Regulatory Decision Making for Dublin Airport (CP 16/2017)**

Dear Maria,

Aer Lingus welcomes the opportunity to respond to the above consultation on Passenger Representation in Regulatory Decision Making for Dublin Airport. We are also grateful to have had the opportunity to express our views during the recent workshop on this matter held on 29 January 2018.

General comments

The regulatory process to set a price cap for Dublin Airport takes place in the context of a monopoly provider of airport services to an airline market which is highly competitive. Airlines compete for passengers and, as in any competitive market, those suppliers which best satisfy the requirements of customers (both current and future) will succeed. Therefore, airlines already have an inherent incentive to ensure that the regulatory outcome at the airport satisfies the widest pool of passenger requirements. However, it is also clear that under price cap regulation, with volume risk borne by the airport, that the airport is incentivised to grow passenger volumes. In this way, the airport too is incentivised to engage with current and potential passengers so as to increase passenger numbers through the satisfaction of passenger requirements and ultimately increase revenues. In this respect, we consider that all parties to the current regulatory processes are already adequately incentivised to accurately reflect the requirements of passengers in their respective submissions to the CAR.

Aer Lingus invests considerable time and resources on engagement with passengers as meeting the requirements of our customers is at the core of our value carrier business model. We seek to understand the priorities and service requirements of our guests and we assess their level of satisfaction with the product offerings of both our airline and the

airports at which we operate. Our Net Promoter Score is among the highest in the industry. It would be counter-intuitive that we would disregard this information, collected at significant expense, in the preparation of our regulatory submissions. Indeed this information coupled with the application of our fare yield management methodologies, enables us to make informed submissions to the CAR that encapsulate the services levels passengers want and at the price point they are willing to pay. Other airlines and the airport are also incentivised to understand and deliver to the requirements of passengers as outlined above.

### Replies to consultation questions

Our responses to the specific questions contained in the Consultation Paper are set out below:

Question 1:- We suggest that in framing this question the CAR has not taken into account the fact that stakeholders are continuously responding to the requirements, demands and wishes of their respective current and future passengers.

Question 2:- As stated above, it is already a key objective of Aer Lingus to use passenger engagement to inform our regulatory submissions such that the views of passengers are communicated to the CAR. In addition, we draw the CAR's attention to the fact that Aer Lingus and other airlines utilise complex yield management systems that determine the actual amount a passenger is willing to pay rather than the hypothetical assessment of theoretical willingness to pay. We believe that any proposal by stakeholders should be assessed based on sound economic analysis as part of a business case rather than being complicated by a less rigorous and more theoretical process.

Question 3:- Dublin Airport is already very much incentivised to take the views of passengers into account. We do not believe that Dublin Airport should be further incentivised to do something that it already should be doing and that is in its best interest to do.

Question 4:- We do not support a potential outcome of this consultative process that the stakeholder (i.e. the airport) who has the most resources to invest in providing 'quality' passenger representation data to support their position is the most likely to convince the CAR of the merit of their proposal. We do not therefore support the proposed criteria.

Question 5:- We submit that the principles as described are already very much part of the status quo.

Questions 6, 7, 8 and 9:- We are concerned that the proposed consultation approach will lead to significant and unnecessary expenditure by the airport and airlines. At present, where stakeholders are in agreement on a proposal there is no need for the complexities

of a formal process. Where there is disagreement, then the stakeholder who is advancing the proposal is free to engage whatever means it deems fit to use passenger representation information to influence the other stakeholders and the CAR. Therefore, the suggested process adds no value.

Question 10:- Aer Lingus is completely supportive of any measure to enhance the design of Dublin Airport to meet the needs of PRMs and disabled passengers in line with its legal obligations under Regulation (EC) No 1107/2006. However believe this objective can be achieved under the existing regulatory framework.

Question 11:- We feel there is a fundamental risk of perceived and/or actual bias with the suggestion of CAR making its own submissions and then assessing a proposal based on those submissions. We consider that the CAR already has the ability to introduce independent evidence into the current regulatory process (e.g. the CAR has previously produced its own assessment of operational efficiency at Dublin Airport and capital expenditure efficiency of proposed investments). If the CAR is minded to produce its own independent evidence of passenger requirements we believe they are currently free to do so.

### Conclusion

Throughout this consultation process Aer Lingus has been keen to understand how the regulatory processes undertaken to date have failed to deliver for passengers or indeed the change to the outcome of the next regulatory process which could be expected to occur as a result of the formal passenger representation process of regulatory engagement proposed by the CAR. Both of these issues still remain unclear to us and we are concerned that there could be a significant increase in the workload and resourcing required to participate fully in the regulatory process without any resulting proportional improvement to the outcome.

We therefore suggest that if the CAR should nevertheless proceed to implement a process of passenger engagement as proposed in CP16/2017, that it should do so on a pilot basis. A review of the process could then be undertaken to determine whether there is any evidence to support this process having improved the regulatory outcome.

Yours sincerely,



Ken Millar  
In-House Lawyer