

Office of the Minister

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Oifig an Aire

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Department of Transport
An Roinn Iompair



18 August, 2005

Mr. William Prasifka,
Commission for Aviation Regulation,
3rd Floor, Alexandra House,
Dublin 2.



Dear Mr. Prasifka,

I refer to Section 10 of the Aviation Regulation Act 2001 which provides that the Minister may give such general policy directions to the Commission as he or she considers appropriate to be followed by the Commission in the exercise of its functions.

I wish to advise you that I have decided that it is appropriate to issue a direction under section 10, so as to ensure that in reaching your conclusions on the proposed price cap to apply at Dublin airport you take into account the purpose and intent of relevant Government policy.

As the Minister responsible for air transport policy my aim is to ensure that the development of the aviation sector supports the national economy. In this context the objectives identified in my Department's Statement of Strategy, which has already been notified to you for the purpose of section 33(2)(f) of the Aviation Regulation Act 2001, as amended, for the air transport sector include:

- To ensure that the State airports respond in a sustainable way to the needs of their full range of customers and to facilitate the contribution of the regional airports to balanced regional development;
- To facilitate and encourage as wide a range as possible of reliable, regular and competitive commercial air services for Irish tourism, trade and industry;
- To ensure that Irish aviation safety and security policies and practices comply with or exceed best international standards.

The forthcoming charges determination for Dublin airport will be the first determination by the Commission in accordance with its mandate as amended by the provisions of the State Airports Act 2004. Under the 2004 Act, both the Commission's primary regulatory objectives and the criteria the Commission must take into account in making a determination on airport charges under Section 33 of the Aviation Regulation Act 2001 were amended. As my predecessor outlined to the Oireachtas in the course of the consideration of this legislation, the policy intention in amending the remit was to require the Commission to balance economic efficiency, the reasonable interests of existing and future users and to ensure the Airport Authority's financial sustainability in a way that

would promote the long term development of Dublin Airport having regard to its contribution to the Irish economy.

The amendments made to the Commission's remit were in keeping with overall Government policy in relation to the development needs of the aviation sector and in particular reflected the importance attached to a strong network of air links and modern infrastructure as essential requirements for developing our trade and tourism sectors particularly having regard to our island status and peripheral location. Ireland's island status creates a greater dependency on air links and a greater requirement for adequate infrastructure than in the case of other European countries with significant land borders.

In terms of access, inward investment and economic development, Dublin airport is and will remain a key strategic element of national air infrastructure. The increase in traffic through Dublin airport means that there is now a clear need for investment in additional capacity. The studies you have commissioned have confirmed this.

As you know, the Government decided in May that the Dublin Airport Authority, in accordance with its statutory mandate, should proceed with the development of additional infrastructure at Dublin airport as quickly as possible i.e. the building of a new pier for aircraft parking stands and the building of a new terminal. While I have already notified you of this decision, I consider that I should at this point draw your attention to the importance that I, as the Minister with overall responsibility for ensuring the provision of state airport infrastructure, attach to the implementation of this decision and the financial sustainability of the Dublin Airport Authority in that context. I consider the implications of increasing congestion at Dublin airport are such that priority has to be given to ensuring that the Government's policy decision is implemented on schedule.

I would also like to draw your attention to another important pillar of Government aviation policy - the restructuring of the State airports. The State Airports Act, 2004 sets out the statutory framework for the restructuring of the three State Airports at Dublin, Cork and Shannon. This framework provides the basis for a phased distribution of assets subject to conditions relating to the operational and financial readiness of the three airports. Pending implementation of the restructuring, the Dublin Airport Authority has specific obligations under the Act and retains overall responsibility for the finances of Cork and Shannon airports, including costs and liabilities associated with those airports.

In the context of the policy considerations outlined above, I am directing that the Commission make every reasonable effort to ensure that its final determination reflects the importance Government has attached to implementation of its policies on infrastructure development at Dublin airport and the restructuring of the State airports.

Yours sincerely,



Martin Cullen T.D.,
Minister for Transport