

Office of the Minister

Transport House, Kildare Street, Dublin 2, Ireland.

Oifig an Aire

Teach Iompair, Sráid Chill Dara, Baile Átha Cliath 2, Éire.



Department of Transport
An Roinn Iompair



Tel: +353 1 670 7444 Locall: 1890 443311 Fax: +353 1 604 1183 Web: www.transport.ie Email: minister@transport.ie

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**Mr. Cathal Guiomard,
Commissioner for Aviation Regulation,
3rd Floor, Alexandra House,
Earlsfort Terrace
Dublin 2.**

COMMISSION FOR
AVIATION REGULATION

05 APR 2007

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Dear Mr. Guiomard,

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.

You will be aware of the direction I issued to your predecessor in August 2005 in advance of the Commission's Determination of 29th September 2005. I wish to advise you that I have decided that it is appropriate to issue a further direction under section 10, so as to ensure that in reaching your conclusions on the statutory review of the price cap at Dublin airport you take due and manifest account of relevant Government policy, allowing for developments over the past year.

In my direction of the 18th August 2005 I set out the objectives and priorities that guide Government policy in the aviation sector. The policy position remains as outlined in that direction but I would like to elaborate on a number of points given important developments that have taken place since the direction issued.

When the Government approved, in May 2005, the commissioning by the Dublin Airport Authority (DAA) of new capacity at Dublin airport an important element of the decision was the appointment of independent experts to verify the specification and cost of the 2nd terminal project. These experts were appointed in March 2006 and issued their report in September 2006. The verification team's report has been copied to you in the light of the statutory review of the September 2005 Charges Determination.

Conclusions in the report of particular note are:

- The approach to consultation taken by DAA follows the guidance within the IATA Airport Development Reference Manual for appropriate consultation between airport planners and stakeholders in the development of requirements for a passenger terminal facility, and therefore accords with best practice.
- The verification team considers that the methodology, approach and execution of the planning objectives and considerations for passengers adopted by the DAA and its consultants accords with best practice.

- The estimated cost of Terminal Two on a cost per square metre basis, lies at the mid point range of the UK terminal buildings benchmarking study carried out by the DAA's team of consultants. The verification team independently verified the benchmarking exercise and the cost plan and concluded that the estimated cost is within industry norms for this type of project in a European capital city.

I believe the conclusion on the cost benchmarking exercise is of particular significance as Dublin airport is the international gateway airport for the country and as such has a key strategic role in relation to air access, inward investment and economic development in Ireland.

This leads onto the second issue I would like to highlight and that is the emphasis the Government has placed in the recent National Development Plan 2007 to 2013 on the role of infrastructure investment in optimising national growth and development over the long term. Our population has increased by 17% over the last ten years to 4.2 million and by 2021 our population could be in excess of 5 million. The Plan states that investment in economic infrastructure to address existing infrastructure deficits is a key factor in the promotion of competitiveness and the generation of sustainable economic growth and employment. As part of this investment programme the development of world class airports is seen as crucial to Ireland's future economic competitiveness. The Plan makes specific reference to the fact that ensuring that infrastructural capacity increases in line with the growth in air services is particularly important for Dublin airport because of its international gateway status. In this regard the Plan includes provision for new pier, terminal and runway capacity in line with the schedule drawn up by the Dublin Airport Authority i.e. with the 2nd terminal operational by 2009.

As you will recall one of the objectives outlined in my Department's Statement of Strategy for the air transport sector is to facilitate and encourage as wide a range as possible of reliable, regular and competitive commercial air services for Irish tourism, trade and industry. The liberalisation of transatlantic services arising from the conclusion of an air services agreement between the US and the European Community will result in a significant expansion in transatlantic traffic and will present opportunities for the development of additional long haul services. In keeping with the overall thrust of aviation policy, it is very important that Dublin Airport is positioned to take full advantage of liberalisation to enhance air services.

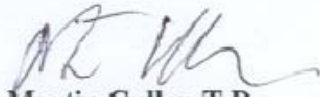
I see the developments outlined above as underlining further the importance of ensuring that the Government's commitment to the provision of new capacity at Dublin airport is implemented and the importance of the financial sustainability of the Dublin Airport Authority in that context, particularly in view of the fact that it is Government policy that Dublin Airport Authority operates on a commercial basis without recourse to Exchequer funding or an equity injection by the State.

In the context of the policy considerations outlined in my direction of 18th August 2005 and in this letter, I am directing that the Commission take due and manifest account of :

- (a) The importance Government has attached to implementation of its policies on infrastructure development at Dublin airport and the restructuring of the State airports;

- (b) The Government policy, in the public interest, that there be a 2nd terminal fully operational in 2009 so as to serve passenger growth needs and the requirements of a growing economy; and
- (c) The need to enable Dublin Airport Authority to operate and develop Dublin Airport in a sustainable and financially viable manner having regard to Government policy that the Dublin Airport Authority should operate on a commercial basis without recourse to Exchequer funding or an equity injection by the State.

Yours sincerely,



**Martin Cullen T.D.,
Minister for Transport**