

Limerick Chamber
96 O'Connell Street
Limerick

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Commission for Aviation Regulation
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Email: info@aviationreg.ie

RE: CP3/2022 Draft Decision on an Interim Review of the 2019 Determination in relation to 2023 to 2026 ("Draft Decision")

Dear Commission for Aviation Regulation,

Please find below Limerick Chamber's response to CP3/2022.

Introduction

Limerick Chamber has an inherent interest in the Commission's price determination for Dublin Airport ... *due to the potential impact on our members and those living and working in the Mid-West Region.* As the leading business group in the Mid-West region, we recognise the importance of the State's airport network in supporting economic growth and development. In 2019, Limerick Chamber commissioned Copenhagen Economics to complete an independent assessment on aviation policy as an economic driver for the Mid- West and West of Ireland. One of the specific recommendations from Copenhagen Economics was that: *"The Commission for Aviation Regulation should give due regard to the goals of Project Ireland 2040 when making its maximum airport charge determination for Dublin Airport".*

We note that Commission for Aviation Regulation (the "Commission") has considered a number of Government policies including the National Aviation Policy and Policy Statement on Airport Charges Regulation as part of the Review. The Commission has also undertaken a review of relevant policies as required under their updated statutory objectives in the Air Navigation and Transport Bill (ANTB) (Para. 5.58). However, in both cases, the Chamber believes that the Review has omitted key issues that need to be considered in setting its price determination for Dublin Airport.

Statutory Objectives and Remit

*"Regulation is the mechanism by which the consumer and their interests can be safeguarded to ensure fair, reliable and sustainable services are delivered"*¹. The Draft Decision assumes that the Commission's decision will be implemented under the amended Statutory Objectives of the ATNB. The Bill states that *"in making a determination, the principal objectives of the Commission shall be to*

¹ Government Policy Statement on Sectoral Economic Regulation 2013

protect and promote the reasonable interests of current and prospective users of Dublin Airport...” Limerick Chamber accepts that the principal objective of the Commission as set out in the Bill is consistent with the Government's focus on safeguarding the consumer and their interests as set out in the 2013 Policy Statement on Economic Regulation. The Bill also states that the Commission shall seek to *“take account of the policies of the Government on aviation, climate change and sustainable development”*.

However, it is the Chamber's view that the approach adopted by the Commission does not adequately assess the interests of prospective users, where these users include current users of all other airports in the State. Further, it is the Chamber's view that the Commission's approach does not adequately take account of Government Policy.

Government Policy

National Aviation Policy

The Commission's draft decision (Para. 5.54) refers to the goals of National Aviation Policy (NAP) to:

- *“enhance Ireland's connectivity by ensuring safe, secure and competitive access responsive to the needs of business, tourism and consumers;*
- *foster the growth of aviation enterprise in Ireland to support job creation and position Ireland as a recognised global leader in aviation; and,*
- *maximise the contribution of the aviation sector to Ireland's economic growth and development”*.

The Commission advocates that the goals of the NAP are consistent with its goal *“to maximise the value which Dublin Airport provides to current and future airport users”* (para 5.56).

The NAP also sets out a policy position that *“the three State airports will continue to provide essential strategic infrastructure and services that support the economic and social objectives of the State”*. The Policy further states that, *“within the overall context of sustainability, we also need to consider the long-term resilience and adaptive capacity of our airport infrastructure and aviation services against the likely impacts of climate change”*.

Limerick Chamber believes the Commission's position is at odds with the principal objective set out by the ANTB which is *“to protect and promote the reasonable interests of current and **prospective** users of Dublin Airport...”* rather than as suggested maximising the value of Dublin Airport.

Moreover, it is the Chambers view that there is a significant risk that the Draft Decision will hinder aspects of the National Aviation Policy, which is set out in more detail below, and this needs to be considered.

Ireland 2040

Project Ireland 2040 is the Government's long-term overarching strategy for a sustainable and regionally balanced country. Ireland 2040 is currently the cornerstone of Government Policy and specifically recognises that for the country to develop in a sustainable manner it is vital that there is balanced development of the economy.

Ireland 2040 has a specific objective of achieving 75% growth outside of Dublin and its suburbs. The policy specifically calls out how *“the effectiveness of our airport and port connections to our nearest neighbours in the UK, the EU and the wider global context is vital to our survival, our competitiveness and our future prospects”*. It is clear that Government strategy which The National Planning

Framework and the National Development Plan 2021-2030 combine to form, provide that *all* of the airports in the State have a critical role in driving economic development.

There appears to be an oversight on the part of the Commission, that nowhere in the Draft Decision, is Ireland 2040 referred to which is clearly at odds with Government strategy. While the Commission does examine the National Development Plan, Limerick Chamber believes this is not sufficient in terms of ensuring that the Government focus on balanced development is captured. It is critical that the Commission’s draft decision adequately assesses the impact it will have on Government Policy not solely from the view of Dublin Airport but also for the country as a whole. Limerick Chamber is of the view that all regions should achieve their potential and that one region should not develop at the expense of others.

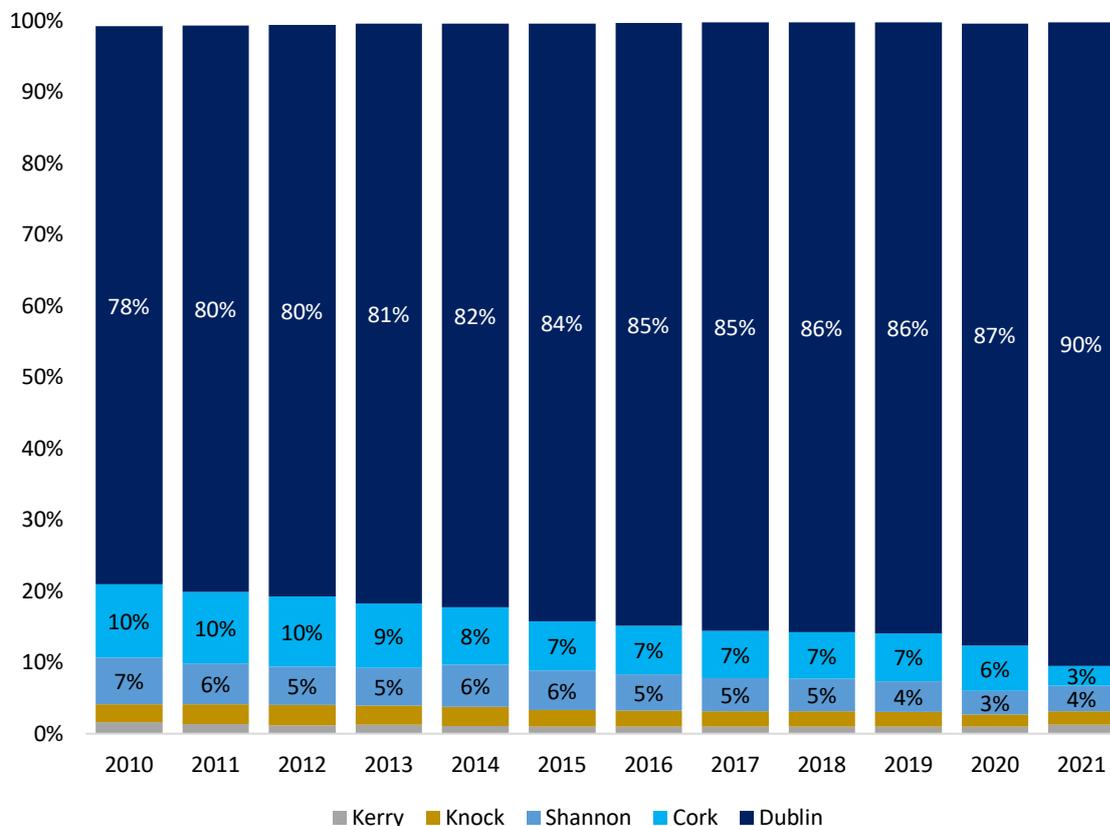
The following sections set out how the Draft Decision could negatively impact key aspects of Government Policy, and these must be considered.

Strengthen Dublin’s Market Power

The Commission in its draft decision have failed to consider how its actions, particularly in terms of supporting continued capacity expansion at Dublin Airport, is further fuelling Dublin’s market power.

Currently Dublin airport captures 90% of all travellers whilst the four other airports compete for the remaining 10%, as illustrated in Figure 1. If left unchecked, this trend will continue and will result in further strengthening of Dublin Airport’s market power and undermine customer choice, value and service.

Figure 1: Airport Market Share 2010-2021

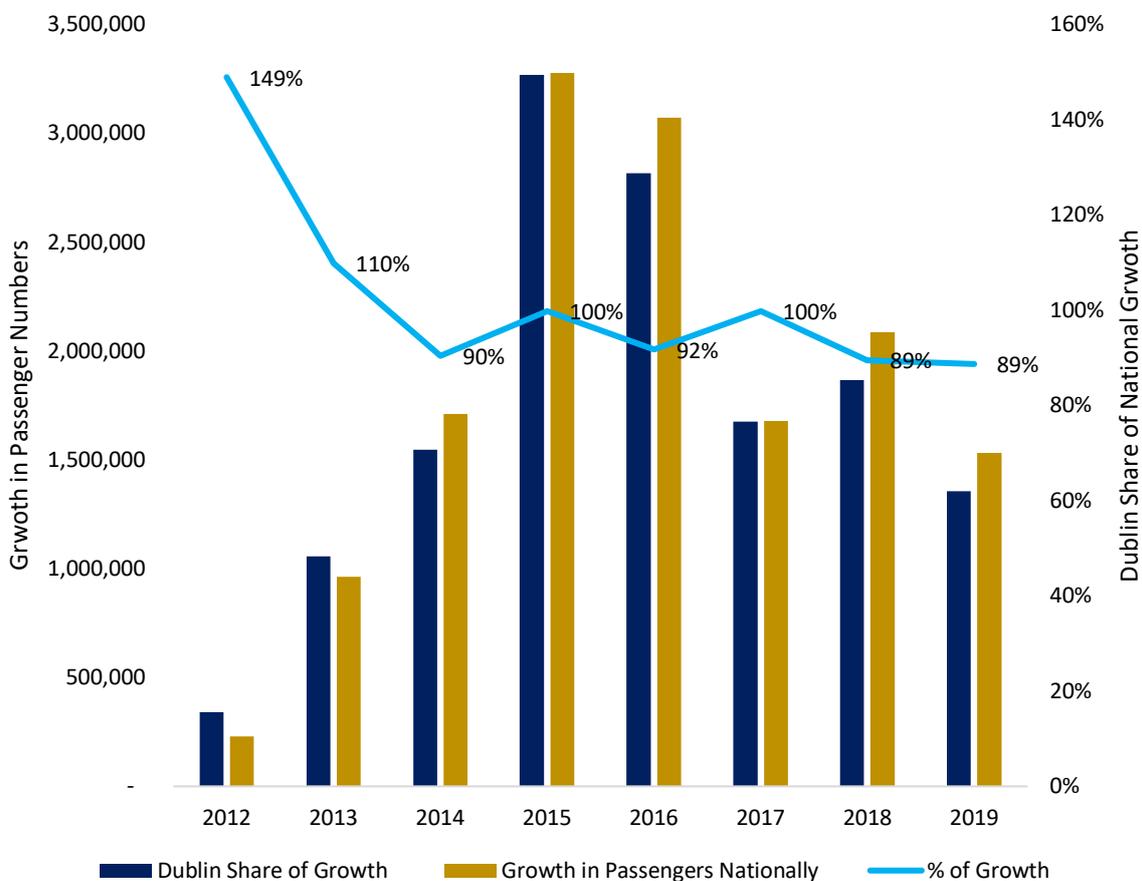


Source:CSO

Moreover, it appears that Dublin Airport’s share of the growth has in many cases been at the expense of growth in other airports. As evident in the Figure 2, in 2012 and 2013, Dublin airport accounted for 149% and 110% of the growth in passengers in the State. In those years, Dublin Airport increased its proportion of passengers whilst other Airports actually saw their passenger numbers fall. Likewise, in 2015 and 2017, Dublin Airport accounted for all the growth in passenger numbers. This is further evidence of the strengthening market dominance of Dublin and poses serious concerns regarding the role of other airports in the State if the current trend in market share continues.

It is Limerick Chamber’s view that the Commission has failed to consider these trends in the aviation market in Ireland. Whilst the statutory objective for the Commission focuses on current and prospective user of Dublin Airport, the Commission must consider who are prospective users and what is in their best interests. If trends in the market share are an indication, it would appear that prospective users are in fact users of other airports in the State who by virtue of Dublin’s dominance have no alternative but to utilise Dublin Airports services even when in some cases this may not be in their best interests. Whilst Limerick Chamber recognises that Dublin Airport because it is the capital airport will provide services other airports cannot provide, there is a real concern, that the growth of Dublin Airport is at the expense of growth of other airports in the State who will continue to decline or experience stagnation in growth. Limerick Chamber believe that it is incumbent on the Commission to give due consideration to these trends particularly in relation to the approach adopted for capacity expansion projects.

Figure 2: Growth in Passenger Numbers and Share of Growth



Source:CSO

Optimising Airport Capacity

The Commission's draft decision has included nearly all of Dublin Airport's proposed capital investment programme into the regulatory asset base. Dublin Airports Capital Investment Programme (CIP) clearly states that capacity projects "represents the investments intended to deliver infrastructure to provide airport services to an increased volume of passengers". The CIP goes on to state that "*the main objective of the capacity projects in the updated CIP is to develop the airport such that it can handle 40 million passengers per annum*". Moreover, many of the projects are identified as part of a broader plan of 55 million passengers per annum. Current planning constraints limit passenger numbers at the airport to 32 million passengers per annum. Limerick Chamber recognises that the Commission operates a trigger system for renumeration projects with Trigger A coming into play when planning permission is granted. Nevertheless, there still needs to be consideration of how fuelling this level of passenger growth to one airport will impact on policy objectives of the State.

It appears that the Commission has not undertaken any analysis to assess what the impact of continued capacity expansion at Dublin Airport will be on the other airports in the State. The NAP clearly sets out a role for all the State Airports in the future. However, trends in the market share of the airports raise concerns as to the long-term viability of the State's other airports, which would have serious implications for the economic development of the State and the Government's ambition to obtain balanced regional development

In addition, Dublin Airport claim in the CIP that developing this level of airport capacity is in the "*interests of future airport users*". However, it does not appear that the Commission has comprehensively considered if this is the case. This is particularly pertinent in the case where expansion is at the expense of other airports in the State with the results that future airport users are forced to travel to Dublin to avail of air services which have been displaced from an airport closer to them. Such an outcome would clearly not be in the interests of prospective users of the airport given the additional time and cost associated with such an outcome and this should be assessed.

Limerick Chamber recognises that there is a need for investment in Dublin Airport, however this must not be unlimited capacity expansion. Unfettered expansion of Dublin Airport without considering airport capacity from a holistic perspective would be contrary to objectives of Ireland 2040 and to the NAP. The NAP Position (4.5) stated that '*existing capacity at State airports should be optimised.....to enable expansion of air service connections in all relevant markets...*'. While the State's 2018 airport capacity review considered each airport's capacity on a standalone rather than overall basis, it is clear that an all-airport review would have been more consistent with the 2015 aviation policy statement, and this should be the basis for analysis for the Commission's price determination. Failure to consider the capacity available in other airports to meet growing aviation demand could result in existential concerns for Ireland's other airports and result in a situation where Ireland will be faced with having one commercial airport in the country, with detrimental impacts on any prospect of achieving balanced regional development. Instead, the capital expenditure proposals which are submitted to the Commission for the determination of a price cap should be evaluated in the context of optimising the operation of the national airport network.

Environmental Sustainability

Optimising the Airport Capacity in the State would also have environmental benefits. Limerick Chamber recognises that Dublin Airport should be allowed to improve the energy efficiency of its operations from a retrofitting perspective which would be aligned with Government Policy. It is

welcome that the Commission in its determination is enabling Dublin Airport to meet its Climate Action Plan targets by allowing for the Airport's proposed Sustainability Capex projects. However, the Commission has failed to consider the sustainability of new capacity developments at Dublin Airport from an overall national perspective. As already noted, new capacity developments at the airport will have sustainability risks for other airports in the State if these developments result in the displacement of passenger traffic along with its associated increase in travel to and from Dublin Airport. Moreover, it would also be associated with additional challenges for transport infrastructure (e.g. M1 and M50) around the airport which would not be in the interest of current or prospective users, whilst also having a negative impact on the environment and our overall climate goal targets.

Separately, the Commission have failed to consider the embodied carbon² that currently exists within infrastructure in the State. With increasing pressure on Government to decarbonise the built environment and deliver carbon neutral buildings ahead of the 2050 deadline, it is critical that alternative infrastructure within the state is considered first. It is well documented that all the other airports in the State have spare capacity, and this raises the question, why is the Commission approving continued expansion of capacity at one airport without taking a holistic view of the infrastructure available in the State. It would be far more environmentally friendly to utilise State assets elsewhere as well as ensuring value for money for the exchequer.

Summary

Limerick Chamber is calling on the Commission to take account of the aforementioned issues in making its determination for Dublin Airport as there is a real concern that continued uncontrolled expansion of Dublin Airport will have negative impacts on the objectives of Government policy and on other airports in the State.

² Embodied carbon refers to the emissions during the construction of a building rather than when it is in use – or the carbon footprint of a material