Irish Tourist Industry Confederation

Submission to the Commission for Aviation Regulation in response to Airport Charges Draft Decision Paper 3/2009

In several recent submissions I.T.I.C. has expressed its concerns that the Commission appears not to capture or represent the needs of the most important cohort of airport users, namely the passengers. Commission paper 3/2009 does little to dispel those concerns.

Airlines may claim that they pay for aviation infrastructure and as a consequence they should have an effective veto on investment decisions at airports. But as airport charges are passed on to passengers, along with a range of other charges imposed by the airlines, it is the travelling public who **actually** pay for investment at Dublin Airport. While I.T.I.C recognises that the statutory remit of the commission is limited in the sense that it is narrowly focused on making a determination of the maximum level of airport charges at Dublin Airport, it is critical that this wider context is properly understood and evaluated when principles such as "user pays" are being espoused.

Airlines are generally loath to support the capital investment required to increase airport capacity, as to do so will frequently enable extra competition. Allowing the short-term objectives of vested interests to dictate the future development of an airport may restrict the introduction of new routes and services, and ultimately reduce competition. This clearly runs counter to the interests of the tourism and business sectors, and of the wider travelling public and it would be incorrect to assume that airlines are representing the interests of passengers in this regard.

Official short sightedness and absence of coherent policy in the 80's and 90's led to serious under investment in Dublin Airport. This in turn led to the so-called "third world" facilities which had to be endured by our overseas visitors and the Irish travelling public alike for more than one horrible decade. A similar situation must never be allowed to reoccur. Yet there is every possibility that it will, if the airport is again denied adequate funding to provide the aviation infrastructure upon which the Irish economy will rely in the coming decades.

The proper development of airports is by the nature of the business best undertaken with a view to the longer term. In the current severe domestic and global economic recession, there is a danger that expedience or fear could lead to the cancellation or deferment of vital pieces of national infrastructure. Critical capital projects will pave the way for future economic growth and job opportunities, both direct and indirect. Their cancellation or deferment will undoubtedly delay recovery.

Ireland's return to economic growth will be primarily contingent upon a growing export industry (including tourism) and renewed Foreign Direct Investment.

As an open export-led economy, with no land link to continental Europe, Ireland relies on its aviation infrastructure to support the requirements of business. The decisions made now (or not made now) can have consequences for decades. The planning horizons for investment in airport infrastructure are significantly longer than those of airlines. Proper planning requires that investment decisions be made with a long-term perspective and the regulatory process must balance the differing needs of airport operators and airlines.

It appears to I.T.I.C. that the Commission's decision to arbitrarily cap the investment level allowed at Dublin Airport at less than €200m for the period up to 2014 is unwise, particularly given the acknowledgment that the DAA *appears to have provided reasonable estimates*.

On the other hand however I.T.I.C. is comfortable with the Commission's proposal that certain triggers are satisfied before costs for a new runway are approved. One of the main reasons why this second runway is likely to become necessary in time is to meet future demand for new long haul route development. The recently published FORFAS report, *Sharing our Future: Ireland 2025*, specifically highlights the need to, *"Develop the best possible international linkages from Ireland to key future trading hubs globally"*. The Irish tourism industry will be looking towards these New and Developing markets in Asia to provide valuable new growth opportunities in the decades ahead. Therefore it is essential that where new facilities are provided, such as the new runway, that they have the capability of servicing these markets. I.T.I.C. is concerned that the restrictions that the Commission is proposing with regard to runway length may negatively impact Ireland's ability to achieve direct services to these key markets or may result in higher costs being incurred at a later date to achieve an appropriate runway length.

I.T.I.C. wrote to the Commission in December 2008 and among other points said:

It is incumbent on Ireland to ensure that adequate facilities and quality service levels are in place at our airports which will meet the expectations of travellers, both domestic and international. The regulatory regime must support this by ensuring that incentives are in place for DAA to focus on the long-term as well as the short-term requirements of current and prospective users. This is particularly important in the context of the current level of uncertainty in the market, to ensure that the potential for future infrastructure deficits is minimised.

Now, more than ever, the Irish economy needs to project a professional image. Ireland needs to attract high value visitors and business prospects, and this requires quality airport facilities. Given that airport charges at Dublin are already at the lower end of the spectrum, the risk of delivering a substandard service and poor infrastructure as a result of the imposition of an unfeasibly low price is a far greater threat to the Irish economy than allowing for the delivery of a quality service at a somewhat higher but still competitive price. Airline claims that even the most minor increase in airport charges deters passenger growth, are at odds with their own practice of frequently increasing charges by multiples of the amount that is required by the DAA to deliver adequate and value based facilities.

Tourism will undoubtedly return to a period of sustained growth, but the pace and extent of that recovery will be contingent upon being able to offer a world class product, including a quality main airport.

July 30th 2009