



Eamonn Brennan
Chief Executive

Príomhfheidhmeannach

26th August, 2016

Ms Cathy Mannion
Commissioner for Aviation Regulation
3rd Floor, Alexandra House
Earlsfort Terrace
Dublin D02 W773

Re: Response to Consultation on the Scope of the Interim Review

Dear Cathy

The IAA welcomes the opportunity to respond to the CAR's consultation on the above matter. The IAA has a central role in the aviation sector in Ireland¹, including the provision of a safe and efficient terminal air traffic management (ATM) service at the three state airports (Dublin, Shannon, Cork). Accordingly we have a critical interest in ensuring that all runway and associated infrastructure at Dublin airport is fit for purpose and facilitates the delivery by the IAA of its statutory obligations.

New Runway

The proposed new Northern Parallel Runway at Dublin airport is a vital piece of infrastructure, necessary to allow Dublin airport to handle growing passenger demand, to avoid delays and to provide for future growth and expansion at the airport. The benefits associated with the new runway are well documented and include opportunities to grow the tourism sector and develop Dublin airport as a transatlantic hub. The IAA has supported the daa in its plans for a new runway, noting the significant increase in traffic volumes which the IAA has managed at Dublin since 2013 and the continued increases projected for the remainder of this decade. Traffic is growing at record levels in Dublin and for long periods of the day the airport is effectively full.

It is in this context that we believe that the CAR's consultation on the scope of its interim review of its 2014 determination is timely and we urge the CAR to ensure that clarity can be brought to the matters contained in this consultation as soon as possible. Achieving regulatory certainty for cost recovery for the new runway will be an important milestone for the daa as they embark on such a major capital project. It is our view that any delays to this certainty may cause delays to the development of the new runway. This should not be allowed to happen as there is a urgent need for the additional capacity that the new runway will provide and indeed Dublin airport is already operating at full capacity² for long periods of the day.

¹ A full description of the IAA roles can be found on our website, www.iaa.ie

² 45 movements per hour

Cost Allowance

The IAA notes the CAR's commentary on the daa's additional €70m. cost estimate for the new runway. A significant portion of this appears to be simple building inflation due to the elapsed time since planning. The IAA does not have a view on the appropriate approach for the CAR to consider this additional €70 million. The IAA's view is that a sufficient allowance should be provided to the daa to develop an appropriately specified runway which will comply with all relevant international, European and national standards and legislative requirements. Whatever process is decided upon by the CAR, should be designed to facilitate the process to commence development of the new runway as soon as possible. The proposed enhanced monitoring of capital expenditure plans and reporting on milestones (para. 4.7) is welcome. These updates should be published by the CAR or the daa in order provide clarity to all stakeholders around the delivery of the new runway.

Risk Sharing

The IAA is of the view that the 50:50 risk sharing mechanism remains a strong incentive on the daa to contain costs. However it may not be an appropriate approach for such a large figure (€70m.) particularly as the figure has been identified in advance of commencement of construction. An over-zealous drive to contain costs may put risks on the quality or life-time of the new runway or could result in design modifications which impact on the ability of the IAA to operate the runway to its full potential. This would not be a satisfactory outcome for either the IAA or for the air carriers, if such "short-cuts" result in delays or additional costs in years to come.

The IAA considers that there may be value in developing an incentive for the daa against the timely delivery of the new runway to avoid the risk of project delays.

Cost Efficiencies - Tendering Process

The IAA agrees that there is merit in the suggestion that users or stakeholders could be included in the preparation of terms of reference for the tender for construction of the new runway. The IAA as operator of the runway and its associated taxiways and aprons will have an important perspective in this process. Accordingly the IAA requests that it should be included in any such stakeholder group. Notwithstanding this, there will be a need for very clear governance around this group and it is important that discussions at this group do not delay the overall programme for the development of the new runway. We would request clear and detailed clarification of how this would work in practice. How can we all be sure that it is binding on all parties? Otherwise it will be ineffective. This proposal has merit but it should be tightly timelined and results binding with a pre-commitment by all parties to accept the outcomes.

Length of Runway

The IAA favours the longer runway as it future proofs the airport. The ability in the future to have 787 type operations direct to Beijing and the Far East will be important. Notwithstanding that, we believe it is of paramount importance that the construction of the new runway starts immediately. Consequently, the daa should stick to the existing planning and start work as soon as possible. Any delays in construction the new runway will have significant effects on passenger delays, tourism and growth.

Capacity Assessments

The IAA welcomes the separate consultation on flexibility for capital expenditure for the daa between determinations; we intend to comment on this consultation in due course. Regulation should work to ensure that the daa operates, to an appropriate extent, as a competitive commercial entity would and accordingly can make appropriate decisions and investments as demand levels or economic factors change. The ability of Dublin airport to handle increases in capacity and its ability to handle certain larger aircraft (e.g. Airbus A380, Boeing 777X) have all suffered as a result of some poor infrastructure decisions over the past 10 -15 years. There is a need for improvements/ widening of taxiways and stand facilities in some locations on the aerodrome as well as development of rapid exit taxiways. The IAA is of the view that improved regulatory flexibility should focus on ensuring that appropriate capital investments can be made around the aerodrome in order to enhance safety, maximise capacity and minimise the risk of delays. Dublin is the main airport gateway to Ireland and our economic bridge to major markets. Facilities should be efficient, cost effective and modern.

Conclusion

The IAA is broadly supportive of the current consultation by the CAR. The scope of the interim review should be wide enough to cover all substantive issues associated with the new runway, in particular where new information is available or where changes have occurred since 2014. Dublin airport is entering an exciting and dynamic phase of its development; the regulatory structures must facilitate this development, taking account of the needs of those key airport stakeholders who will operate and utilise the new infrastructure. Finally it is important that the CAR's decision making process on these issues is completed by the end of 2016 (as outlined in para. 1.7 of the consultation paper). This will ensure that the daa is provided with timely regulatory certainty in order to proceed to the construction phase of the new runway.

CAR must appreciate that the current traffic growth at Dublin Airport will severely impact on delays, tourism etc. unless the daa quickly constructs a second runway as per the existing planning and EU regulations.

With kind regards,

Yours sincerely



Eamonn Brennan
Chief Executive