



# **PRESENTATION TO MEDIA ON THE DRAFT DETERMINATION**

**The Commission for Aviation Regulation  
31<sup>st</sup> MAY 2005**

# Background to the Office

## Commission Established - Feb 2001

Principal function: setting of price cap on airport charges and aviation terminal service charges

First Price Cap set to run Sept 2001 – Sept 2006

## ➤ **Administrative Appeal Feb 2002**

## ➤ **Judicial Review**

- **Instituted October 2001**
- **Supreme Court Appeal Withdrawn October 2004**

## ➤ **Mid term Review March 2004**

- **Amended Aviation Regulation Act**
- **Enabled the Restructuring of Aer Rianta into DAA, CAA, SAA**
- **Required a New Price Cap by 1 Oct 2005**

## PRICE CAPS DURING THE FIRST REGULATORY PERIOD \*

➤	09/01 – 09/02	5.58
➤	09/02 – 09/03	5.30
➤	09/03 – 12/03	5.12
➤	01/04 – 12/04	5.26
➤	01/05 – 12/05	5.09

\* At December 2004 prices, without correction (K&W) factors

## MAIN BUILDING BLOCKS OF THE DRAFT DETERMINATION

- Projection of Operational Expenditure
- Projection of Commercial Revenue
- Projection of Capital Expenditure
- Financial sustainability and viability issues

# OPERATIONAL EXPENDITURE BAH REPORT



**DAA has identified significant savings possible during regulatory period**



**BAH have identified additional savings of approx 1%**



**more efficient rostering of staff**



**alignment of certain wage growth to average wage growth**



**reduction in staff numbers in certain areas achieved over time**



**BAH Report has been used by CAR in computing draft price caps**

**CAR retained TRL and ATRS to Benchmark  
cost competitiveness of DAA against  
European peer airports**



## 2002 COST PER PASSENGER According to the TRL dataset

	2002				
	Dublin	TRL 7 Average	TRL European Average	TRL Total Average	Best European Performer
<b>Total Costs per Pax</b>	5.77	9.69	9.36	8.62	4.04
<b>Total Non-pay Opex per Pax</b>	2.68	3.92	3.71	3.61	1.55
<b>Total Staff Costs per Pax</b>	2.11	2.77	3.01	2.36	1.09
<b>Total Other Costs per Pax</b>	0.98	3.00	2.64	2.65	1.4

**NB: All prices are in SDRs**



### TRL found (2002 data)

- DAA outperformed the European average in “total core passenger costs” by circa 40%
- In same category, DAA underperformed most efficient European airport by circa 40%

## COST COMPETITIVENESS % DIFFERENCE FROM COPENHAGEN According to the ATRS dataset

Variables	Cost Competitiveness %Above or below CPH
Best Performer	0.000
7 Airports Average	-0.241
Dublin	-0.245
European Airports Average	-0.275
European Authorities Average	-0.435

### ATRS found (2003 data)

- across a range of indexes, close to European average
- On some circa 25% less efficient than “best performer”

# COMMERCIAL REVENUE

## ASA Report Findings

- ≡≡≡ **DAA underperformed UK airports on commercial revenue per passenger by 20% +**
- ≡≡≡ **Identified opportunities to improve commercial performance of DAA and close gap with performance of UK peers**
- ≡≡≡ **Industry wide trend of static or declining growth in per passenger commercial revenue**

**CAR received Capital Investment Programme (CIP)  
from DAA on 9 May 2005**

**€632M 2005 – 2010; €1B 2005 – 2014**

**No decision taken on DAA CIP**

**CAR undertaken capacity assessment of Dublin Airport**

- **Second runway needed 2013/14**
- **Additional terminal capacity required 2006/2007**
- **Aircraft stands at/nearing capacity**
- **landside access and car parking require additional capacity in short/medium term**

## **New requirement – in 2004 State Airports Act**

## **CAR invite submissions on implementation of this statutory objective**

## **One Approach highlighted in draft determination - S&P**

- S & P prefer airports to have Funds from Operation (FFO)/Debt cover of 20%
- DAA with full capex programme would have FFO/Debt cover fall to 15%
- Draft determination sets out scenarios giving magnitude of adjustment in price cap to meet S & P FFO/Debt cover

## ==== Average Price Cap over 5 years \*

- **Current Price Cap:** **5.09**
- **New Cap, DAA capex without major capacity projects (€240m)** **5.12**
- **New Cap, full DAA capex** **5.94**
- **New Cap, full DAA capex, 18% FFO/D** **6.57**
- **New Cap, full DAA capex, 20% FFO/D** **7.05**

\* At December 2004 prices, without correction (K&W) factors

## PROCESS GOING FORWARD

- **Submissions due by 1 July**
- **Final Determination by 1 October**