



Commission for Aviation Regulation,  
3<sup>rd</sup> Floor,  
Alexandra House,  
Earlsfort Terrace,  
Dublin 2

6 August 2009

### **Response to Airport Charges Draft Decision Paper**

Dear Commissioner,

I am writing in response to the consultation on the draft determination for the maximum levels of airport charges at Dublin Airport.

Forfás has reviewed the determination in light of the needs of business users, both general business travellers and airlines, and also in light of the role that Dublin Airport plays in trade and investment in Ireland, including tourism as a services export.

Forfás believes that DAA should market Dublin Airport as an international hub, which would increase transit traffic, and thus revenues. It would also improve the range of destinations and carriers. Improved international connectivity increases the access to markets for goods and services and also makes Ireland a more attractive destination for Foreign Direct Investment. The Commission for Aviation Regulation should design the pricing structure to provide incentives to DAA to encourage flights to a greater range of destinations.

In setting the maximum levels of charges CAR should be mindful of the price sensitivities of passengers, and the impact of falling passenger numbers on existing carriers in DAA. Carriers have already reduced services on some routes (e.g. Aer Lingus and Ryanair), and this reduces Ireland's accessibility, which impacts on its competitiveness as an open economy that is reliant on the ease of movement of people and goods. This impact has already been felt in the tourism sector and in enterprises engaged in international trade of goods and services.

All tourism numbers may be adversely impacted, but given the growing popularity of short-haul city weekend breaks it is likely that the impact of increased charges will be proportionately greater for short-haul flights than long-haul flights. Ireland has been a major beneficiary of 'short-hop' weekend city break tourism over the past decade. As many Irish and European airlines are currently in financial difficulty, higher charges could reduce passenger numbers further and could prove to be a tipping point into loss-making territory for some routes operated by carriers.

Increased charges will also have significant repercussions for air cargo movements as freight companies will be subject to increased runway and aircraft parking charges. This has particular importance given Ireland's reliance on air freight for the shipment of goods, with 64 percent of exports, by value, to non-EU destinations transported via air in 2008. Export-led growth is a key component of the framework for Ireland's economic recovery and in setting the proposed increase in charges CAR should be aware of the implications for the competitiveness of Irish exports.

Forfás welcomes the retention of the CPI-X framework for setting charges as an incentive-based measure. In addition, the inclusion of Quality of Service Indicators is a beneficial development from the perspective of all airport users. However, we are disappointed that the services levels will not be benchmarked explicitly against appropriate comparator airports. We agree that survey results will be dependent on respondents' experience in other airports. However, this may mean service standards will converge to the 'average' airport, rather than benchmarking Dublin Airport against airports in other capital cities or hub airports. Further, it is not clear why security staff are excluded from the quality of service indicators relating to 'courtesy/helpfulness of airport staff', particularly as all outbound passengers will interact with security staff.

Forfás is pleased to note the inclusion of communication and e-facilities in the service quality measurements as well as the comfort of waiting/gate areas. We wish to emphasise again the importance of reasonable space and tranquillity for the business traveller.

Overall, a balance needs to be struck between incentivising investment in much needed additional capacity at the airport and maintaining the competitiveness of Dublin airport charges. Forfás believes that users should be charged for the cost of building a modern, efficient and functional airport, the appearance of which is consistent with Ireland's status as a developed country. However, Forfás concurs with previous statements by CAR that only users benefiting from the service should pay for it, and only when that service is available. Costs related to the new facilities should only be incorporated into user charges when the facilities are operational – based on clear service level agreements – and over the lifetime of the asset. This sends strong signals on the scale of the investment needed and places the risks on the parties best able to manage the speedy delivery of the facilities.

Dublin Airport has played a crucial role in Ireland's economic development, and its significance will increase during the period of economic renewal as the focus on export performance will intensify. Dublin Airport plays an explicit role in Ireland's exports due to the level of cargo exported from Ireland by air and the contribution of tourism to Ireland's

services exports. The range of destinations and the cost-competitiveness of air transport have wider implications for access to markets for trade and investment.

I hope that you find our comments useful. If you have any queries regarding the submission please do not hesitate to contact us.

With best wishes,

Yours sincerely

Eoin Gahan

Head, Regulation, Trade, and Policy Foresight  
Forfás  
Wilton Park House  
Wilton Place  
Dublin 2  
Ireland

Tel: +353 1 6073239  
Mobile: +353 85 72 72 157