



Consultation on the Decisions of the 2010 Aviation Appeal Panel in Commission for Aviation Regulation (CAR) Paper 1/2010 of 8 June 2010

As an interested party IATA submitted to the CAR third determination on the maximum level of airport charges at Dublin Airport (DAA) published on 4 December 2009. We therefore welcome the opportunity to respond on two of the Appeal Panel's decisions to assist the CAR decision on whether to reaffirm or vary the Determination:

- The over-specification of T2
- Differential pricing

1. The over-specification of T2

1.1 IATA strongly supports the single till principle under which airports commercial revenues are used to offset the charges cost base. Application of the single till is a clear recognition that airlines and the passengers they deliver to airports are a key factor in the ability to develop commercial revenues. This is acknowledgement of the symbiotic and essential relationship between airports and airline users and is confirmed in paragraph 30 (I) of ICAO Document 9082/8 on policies for airport charges.

1.2 Airlines should only pay for agreed investments on an "as and when required" basis. Pre-financing through user charges is more expensive for airlines, users and the wider economy when airlines and their passengers are paying for facilities that are not yet in use. It is also unfair as there is no guarantee that airlines paying for future facilities today will be the same using the service.

1.3 Our understanding is that the CAR itself has estimated the excess retail space in T2 is some 40% greater than the international and European averages. Development of significant excess retail space in advance of it being needed clearly results in the users providing unacceptable pre-financing.

1.4 Where an airport operator undertakes the design and construction of a new terminal meant to be used by multiple airline tenants we believe it is incumbent on that operator to rationalize, to the extent commercially and legally possible, the utilisation of all terminal facilities in line with their intended purpose to maximize the retail revenue and per passenger spend at each terminal.

1.5 Against both our support for single-till and our opposition to pre-financing, in addition to the significant traffic downturn and economic recession, we believe the recovery of increased overheads associated with the over-specification of retail space in T2 should be postponed until commercially justified.

2. Differential pricing

2.1 IATA believes that all airlines should have access to the same level of minimum costs of facilities and services. In line with ICAO charging policies there must be no discrimination between different groups of users with regard to charges. In our view all airports should offer a generic level of low cost facilities and services to all airlines to show their strong commitment to cost reduction, cost-efficiency and continual improvement.

2.2 Premium charges are only acceptable where additional facilities or services are specifically requested by and provided to individual airlines. Airport charges should be the same throughout each airport with no differential charging between airport terminal buildings to maintain a level playing field and fair competition.

2.3 In general terms we are supportive of airport authorities providing facilities that cost less, given that reduced capital expenditure and associated operational cost spend should in theory translate into lower charges. We recognize nevertheless this is a complicated debate as lower charges can be brought about in many ways, such as lower specification of materials used (e.g. floor finishes) but these in turn may require more frequent replacement due to higher rates of wear & tear.

2.4 Simplified buildings or non-grandiose architectural statements (gold plating) are another way of reducing building costs and our preferred norm. However, where good looking and excessive designs are selected airlines should not be asked to pick up the price regardless.

2.5 We would agree with the statement within section 8.4.2 of the Appeal Panel's reasoning "If the Commission made a determination that required a particular structure of charges, there is a risk that all airlines will want to use a particular pier (for example)". Any form of differential pricing at Dublin would inevitably encourage airlines to remain in T1 and resist moves to T2. Differential charging thereby creates an undesirable imbalance of demand between the terminals which also hampers flexibility and longer-term airport development.

2.6 It should also be underlined that throughout the airlines negotiations and interaction with DAA regarding their possible relocation to T2 there has never been any mention of differential pricing. While some airlines have considered potential marketing and operational advantages in balance with relocation and

inconvenience costs, discussions have always been against the understanding of a common cost structure for services and facilities in T2 as for those they would have continued to use in T1. We believe it would be unfair and unreasonable for CAR to now consider differential pricing, which would also create significant distrust for the airlines on any future CAR or DAA decision process.

2.7 In this regard it should be noted that similar calls for differential charging have sometimes arisen where new terminals have opened at airports (e.g. Heathrow and Madrid) generally motivated largely by a call for compensation for perceived competitive equivalence. Such calls are not generally supported by the majority of users or the airport authorities on the basis that flexibility and future planning would be inhibited and that there continues to be a basic common level of service.

2.8 With regard the claim referred to in 8.4.6 that longer-haul passengers drive the requirement for check-in desks and kiosks it should be considered that all airlines successfully strive within the on-going IATA "Simplifying the Business" initiative to reduce costs and improve the passenger experience through on-line check-in and reduced use of check-in desks. It should also be noted that airlines customers have an ever-increasing preference for this facility.

2.9 It should be noted that the growth of self-tagging and automated document checking will also drive greater efficiency at traditional desk facilities and in many cases, the requirement to build additional desks to meet growth should be challenged, due to these real process changes and customer behaviour.

2.10 For the reasons outlined and in particular to maintain the essential competitive level playing-field and avoid potential discrimination, we cannot support differential pricing at Dublin that we strongly believe would also be contrary to the CAR statutory objective to meet the requirements of current and prospective users.

Geneva 21 June 2010