

PRESS RELEASE, 09 May 2019



COMMISSION FOR AVIATION REGULATION PUBLISHES ITS DRAFT DETERMINATION ON DUBLIN AIRPORT CHARGES FOR 2020-2024, PROPOSING A 15% REDUCTION

Today (Thursday, 09 May 2019) the Commission for Aviation Regulation (CAR) publishes its Draft Determination on the maximum level of Airport Charges at Dublin Airport. CAR proposes a maximum price of €7.50 per passenger in each of the years from 2020 to 2024. This is 15% lower than the 2019 price cap of €8.81. This proposed reduction is in the best interests of passengers to ensure value for money, while providing a quality service.

Dublin Airport consulted extensively with airport users when developing its 2020-2024 capital investment plan to enable the airport deal with up to 40 million passengers each year. This is an ambitious €1.8 billion investment programme. In 2018, 31.5 million passengers used the airport.

CAR has reviewed Dublin Airport's submission in detail and proposes to support all capital projects.

Launching the proposal Cathy Mannion, Commissioner said:

"Our proposed price allows for the efficient operation of Dublin Airport in the period 2020-2024 and will enable a high-quality service for passengers. The reduction in price will benefit passengers, through lower air fares, but also by encouraging continued growth at the airport, offering passengers increased choice and connectivity.

The proposal also has more long-term consequences. It allows Dublin Airport to deliver key pieces of national infrastructure, which will facilitate a significant increase in the capacity of the airport. The cost of the investment plan is €1.8 billion and it will deliver an airport capable of serving 40m passengers per year at a level of service in line with international standards."

CAR's Draft Determination is consistent with the National Aviation Policy. It is also consistent with its legal obligation to facilitate the efficient and economic development and operation of Dublin Airport which meets the requirements of current and prospective users of Dublin Airport.

Main Reasons for the Lower Price Cap

There are two key downward pressures on price; the volume of passengers and the level of commercial revenues. The proposed increase in operating costs will increase the price. Within capital costs there are two elements, capital expenditure and the cost of capital, and they are moving in opposite directions. The significant capital investment plan is somewhat offset by a lower cost of capital.



[Arriving at the 2024 Price Cap](#)

[Passenger Numbers](#)

CAR is forecasting 3% annual growth in passenger numbers, which compares to 10% annual growth in the period 2015 to 2018. The proposed passenger volume target is 33.6m in 2020, increasing to 37.8m in 2024.

[Commercial Revenue](#)

The target for commercial revenue is €257 million in 2020, increasing to €296 million in 2024. CAR arrives at this forecast using econometric modelling, establishing relationships between categories of commercial revenue and the factors which drive them.

[Operating Costs](#)

CAR commissioned a bottom up assessment of Dublin Airport's operating costs. This is a comprehensive study which examines all aspects of the airport's business and establishes an achievable level of efficient costs for the period. CAR's targets for operating costs increase from €273 million in 2020 to €291 million in 2024. This is compared to actual expenditure of €268m in 2018.

[Cost of Capital](#)

CAR commissioned an external review of the cost of capital; an external review was last undertaken in 2005. The analysis uses a wide range of inputs including market data on how listed airports perform, market and forward-looking data on the risk-free rate, corporate bond yields, total market returns and Dublin Airport data on the cost of debt. CAR propose to set the cost of capital at 4%, which is lower than the 2014 value due to a lower risk-free rate and asset beta.

[Capital Expenditure](#)

Dublin Airport's €1.8 billion plan was developed following an extensive period of consultation with stakeholders, both bilateral and multilateral. This was a comprehensive and meaningful consultation resulting in a capital investment programme which in many respects is aligned to the needs of users. CAR has undertaken a detailed analysis of the need for the projects and proposes to allow all capital projects in the plan as they are in the interests of current and future users of Dublin Airport. We have commissioned simulation modelling of the future airport which indicated that the proposed plan will enable the airport to deal with 40m passengers per year. CAR has assessed the proposed costs for efficiency and reduced the total cost by €148.5 million.

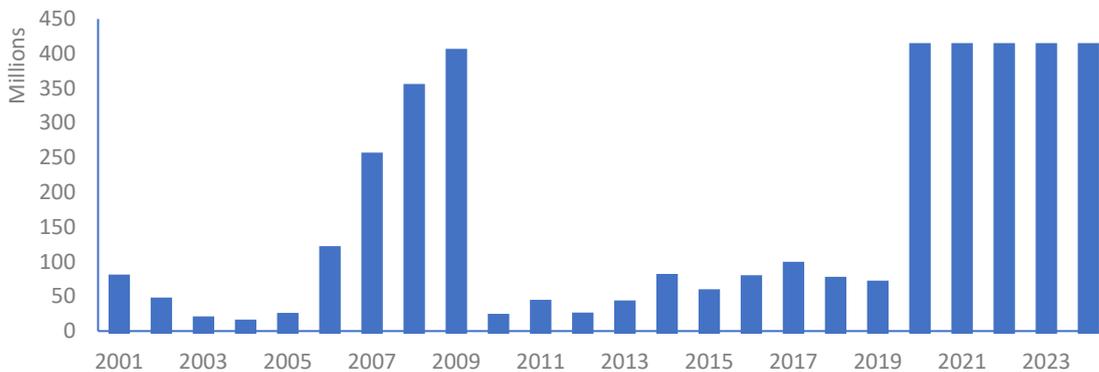
Dublin Airport's plans allow for large scale development throughout the airport. There will be a new Pier from Terminal 2, with an increased number of gates enabled for US Preclearance flights, new parking positions for aircraft and an expanded US Preclearance area. Near Terminal 1 there will be a significant increase in gate-served aircraft parking stands, through an extension to Pier 1 and a new Preboarding Zone (PBZ). The capacity of Terminal 1 itself will also be increased through a large-scale reorganisation of the check-in and central search areas, the departures lounge and the drop off kerbs area.

CAR has allowed for a vehicle underpass which will open up the west of the airfield for passenger and cargo operations. Additional improvements throughout the airport campus are also allowed for, including new security equipment throughout, necessary refurbishment of roads, carparks and other

core assets both airside and landside, reorganisation and improvements in retail and food and beverage offerings, and the modernisation of IT infrastructure.

This is an ambitious investment programme (see chart below). CAR estimates that the 2020 opening regulated asset base will be €1.8 billion, growing to €3.1 billion by the end of the period. Throughout the next period, we will monitor delivery of the plan against programme and budget.

[Outturn and Forecast Capital Expenditure, 2001-2024](#)



[Passenger Advisory Group](#)

In 2018, CAR established a Passenger Advisory Group composed of organisations representing the diversity of passengers at Dublin Airport. Based on the advice received, CAR proposes to modify the quality of service measures that have been in place since 2009. Other suggestions made by the Group will be progressed by the Commission outside of this price determination process.

[Where we differ from Dublin Airport](#)

Dublin Airport has proposed a higher price in the range of €9.05 to €9.94. There are two key drivers of the differences between our price proposals. CAR has set a lower cost of capital (our estimate of how much it will cost the airport to raise finance); and while CAR agrees with Dublin Airport that operating costs will grow in the period, CAR forecasts a more constrained level of growth.

[Consultation](#)

This is a consultation document. CAR invites evidence-based submissions on all aspects of these proposals. CAR expects that the proposed price will change between now and the Final Determination as it updates its proposals where new information and evidence is presented. CAR invites comments on all aspects of the draft determination by no later than **5.00pm, 8 July 2019**.

Ends

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