

Mr. William Prasifka
Commissioner
Commission for Aviation Regulation
36 Upper Mount Street
Dublin 2

23th July 2001

Dear Bill ,

Draft Determination (CP6/2001)

We recognize the challenge faced by C.A.R. with regard to the determination of maximum levels of airport charges in view of the imposed time constraints. However, as a significant 'user' at Dublin Airport, we are naturally disappointed that C.A.R. has decided to take a narrow view in the Draft Determination (CP6/2001).

We agree in general with the views already expressed by other users in the interpretation of the powers of C.A.R. under Section 33 of the Aviation Regulation Act 2001 i.e. **“in making a determination the Commission shall aim to facilitate the development and operation of cost effective airports which meet the requirements of users”**.

We are particularly concerned with the following aspects of the Draft Determination (CP6/2001):

1. Details of the charges

It is our view that by only proposing a maximum permissible WLU yield, without specifying the elements of airport charges included, leaves the users as defined by C.A.R. exposed to significant increases in individual airport charges by Aer Rianta. We believe that all airport charges (including rentals) involved in the processing of the 'end user' (WLU as defined by C.A.R.) must be regulated in terms of its maximum levels.

The Commission has stated that the details of the charges are based on the definition of airport charges as per Section 2 of the Air Navigation and Transport (Amendment) Act 1998. As per our previous submission, we would argue that all direct and aeronautical related airport charges involved in the processing of the 'end user' (or WLU) are covered by this definition.

Therefore, we believe that in order to achieve the objectives in respect of airport charges as set out in Section 33 of the Aviation Regulation Act, 2001 the Commission must set maximum level of individual airport charges for Aer Rianta airports and not leave users only with the recourse to the lengthy, time consuming and costly competition rules legal process.

In our view, the end result would be increased costs for all users (very significant increases in rental costs of airports facilities are currently being sought by Aer Rianta in the region of 33% to 60% plus), continued inefficiencies and a possible reduction in service providers.

The proposed maximum permitted revenue per workload unit as set out in the Draft Determination for Dublin Airport must be significantly reduced. Otherwise the end user will be faced with significant increases as a result of the airport users having to

pass on increased costs, which have come about as a result of the Airport Authority's acknowledged historical inefficiencies and the winding down of the gross incentive scheme for passenger load factors.

2. Capital Expenditure Requirements/Rate of Return

Full consultation (and consensus) with the users at Dublin Airport has not taken place with regard to the proposed capital investment programme planned over the next ten years.

We totally reject the internal rail project allocation, as there is no apparent plan available at this stage. Aer Rianta planners are unable to provide us with any information on this project.

Also, Access/Egress/Roads should not be borne by Aer Rianta and their users. The development of a rail connection to the terminal building as soon as possible is critical and would reduce the level of car parking required as well as road congestion on the approach roads.

With regard to the terminal building, new piers and stands at Dublin Airport the consultation process is far from concluded at this stage. The majority of airport users are of the view that the most critical issue in the short term is to increase the number of contact stands at the lowest possible cost without hindering the medium / long term development of the airport. Possible regulatory constraints also need to be overcome if a cost effective development plan is to come to fruition.

We also oppose the construction of the proposed second runway as unnecessary in view of the latest traffic development forecasts and the current underutilization of the existing facilities.

We welcome the downwardly adjustment in the capital value of Pier C and as one of the major users of this facility we seek a reduction in the current level of operating costs associated with this facility. For example, we believe it is completely unreasonable for Aer Rianta to expect to yield the same rent from aeronautical users in this area as for prime air-conditioned top of the range commercial lettings in downtown Dublin.

With regard to the allowable rate of return, we think that in view of the existing shareholding and nature of the business anything above 6% is on the high side and should not be recoverable by users.

3. Additional Issues arising from the Draft Determination

- a- We believe that the Great Southern Hotel and Aer Rianta International revenues should be included in the single till in order to maximise the operating efficiency of Aer Rianta as an Airport Authority.
- b- In the benchmarking process recognition of Ireland's western peripheral geographical location and the importance of access transport particularly from an economic and tourism point of view in particular must be taken into account.
- c- The recognised inefficiency at Dublin Airport should be taken into consideration in the determination of the proposed maximum permitted

revenue per workload unit each year (CPI-X). The suggested scope for improvements at 15% over 5 years is too low in our view and should be further evaluated by C.A.R..

- d- Quality issues must be the concern of the Commission as they reflect the cost effectiveness operation of the airports in meeting the requirements of all users.
- e- We would be concerned at price discounts by pier (if the same range of facilities were being offered to the end users) as this could discriminate and create an uneven playing field and further operating inefficiencies.

In summary, we believe that the use of the full powers given by the Statutory Act to the Commission for Aviation Regulation are critical in the future economic welfare of the airports, users and in the cost effective development of air transportation and tourism development.

Yours sincerely,

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