

Irish Tourist Industry Confederation

Submission to the Commission for Aviation Regulation in response to Commission Paper CP6/2006

The Irish Tourist Industry Confederation (ITIC) representing all sectors of the Tourist Industry wishes to respond to the questions raised in the Commission Paper CP6/2006, and to add some more general views of the Tourist Industry in relation to the development of Dublin Airport.

1. ITIC agrees that the circumstances necessary to justify holding an interim review exist. Two airlines presently provide some two thirds of the passenger throughput at Dublin Airport. Both have very substantially revised upwards their medium and long term growth plans at Dublin Airport, beyond what was included in the provisional C.I.P. submitted by the Airport Authority in May 2005, and upon which the September 2005 determination was based.

The circumstances therefore are exceptional in that the DAA could only determine the scale of the Airport development when they had been advised by the Airlines of their new expansion plans, and when they (the DAA) had satisfied themselves as to the robustness of these plans.

After the submission the Government launched their Aviation Action Plan. This together with the airlines more aggressive expansion plans dictated that the scale of the C.I.P. at Dublin Airport would have to be substantially enhanced. The scale of the present development is 75,000 square metres and this has been reached only after thorough consultation with the users of Dublin Airport.

2. It is known to ITIC that were the DAA to propose a development which would have met ALL the requirements of the users of Dublin Airport, then the scale of that new development would be larger than the 75,000 square metres proposed. Given that the Regulator believed as recently as September 2005 that a 29,000 square metres facility would be adequate, it is demonstrably clear that the proposed 75,000 square metres facility “provides the basis for exceptional circumstances”.
3. It seems apparent that the scale of the new proposed development by the DAA would not be met by the determination proposed in September 2005. That determination, in ITIC’s view, was itself flawed. As outlined in the ITIC submission of April 18th 2006.

“Such a direction, were it to be adopted, would do nothing more than condemn Dublin Airport to become a permanent building site, in a state of constant failure to meet its users needs. It would furthermore add substantial cost and development inefficiency to the project itself. It would be an unconscionable act to proceed with development on a scale which would be likely to ensure the inadequate capacity of the terminal from its opening day. Indeed, ITIC contends that, in keeping with international norms, capacity should be provided with at least five years headroom for projected medium term growth.”

Were an interim review not to take place it seems apparent that the additional capacity regarded as essential by the DAA and Airlines would not be delivered on time. This clearly will lead to even greater congestion, discomfort and possibly safety issues which can only lead to significant inefficiencies in the economic development of the Airport. This would clearly be damaging to the best interests of the ultimate shareholders (the public) and to the narrower interests of the Airport Authority and the Airlines.

4. The circumstances surrounding the unavailability of a finalised C.I.P. at the time of the 2005 determination were exceptional. The DAA had just come into place as the new owning entity of Aer Rianta in October 2004. A new Board and senior management team were put in place. Major changes in direction happened almost simultaneously in the two airlines which produce the lion's share of Dublin Airport's passengers.
 - (a) The then Senior Management Team resigned from Aer Lingus, and its successors were successful in gaining Government approval for flotation. This process is based on a business plan which calls for substantially enhanced passenger throughput at Dublin Airport.
 - (b) Ryanair decided to abandon its non-expansion policy at Dublin Airport and added 18 new routes which, they claim, will result in an additional two million passengers through the airport annually.

More recently, Delta Airlines added more capacity to their trans-Atlantic routes, and it is understood that a number of other US carriers plan to do likewise especially after the introduction of the EU/US Open Skies agreement.

5. Aviation is one of the most dynamic yet unpredictable businesses in the world. It cannot be boxed into simple timeframes which will always meet regulatory deadlines. When opportunities arise, time does not wait. When the airport's main customers decided on a fundamental review of their own business strategies, then the DAA were correct in assessing that their then C.I.P. was inadequate to handle future demand. While allowing for the fact that the underlying trend for international air travel is upwards, the level suggested by the Carriers new strategies could not reasonably have been predicted by the DAA.
6. The scope of the review should be comprehensive, in so far as it is incumbent on the Regulator to arrive at a determination which allows the DAA to proceed quickly with the proposals outlined in the 2006 C.I.P.

ITIC holds the view that it is for the DAA to decide on the appropriate location, timing and scale of investment in new facilities, subject to the granting of planning permission for any such development. It is a given that such development decisions should be arrived at following extensive consultation with Airport users, and general consensus on the necessity, scale and cost. It is improbable that total agreement will ever be feasible on all developments, given the diverse interests of the airlines.

ITIC is further of the view that the Commission is more likely to achieve its statutory obligations to encourage timely and incentivised investment by imposing minimum restrictions, and setting a price cap which is most likely to meet reasonable user needs.

The language used by the Commission in all of its documentation speaks of “Airport users”, meaning in the main Airlines, and other Airport concessionaires. This is understandable, and it is within the meaning of this definition of “Airport users” that the Commission should largely arrive at its determination. But there is another set of “Airport users” that have very largely been ignored in the acrimonious debate about efficient Airport development, and that is Airport passengers. The general public using Dublin Airport, both overseas visitors and domestic users, have been the big losers in the so far woefully inadequate facilities which have been provided.

The Commission’s paper CP6/2006 speaks of “congestion” “crowding” and “discomfort”. In reality the conditions which are endured daily at peak times by airport passengers are demeaning, intolerable, unacceptable, and for older passengers frightening. Given that over half of the Airport passengers are Irish originating, and effectively shareholders, the situation can reasonably be described as bizarre.

It is essential for the travelling public, for Irish Tourism and business generally that the facilities and infrastructure required for the Nation’s main airport are put in place effectively, efficiently and absolutely no later than the dates already announced.

The Irish Tourist Industry has enjoyed a decade of strong growth with overseas visitor numbers increasing from 4 million in 1995 to almost 7 million in 2005. In the same period, foreign exchange earnings have grown from €2 billion to over €4 billion. Employment in the sector has grown by over 7% in the past five years.

In the period 2001-2005, €2.7 billion has been invested in the Tourism Industry expanding the capacity and quality of the sector to attract increased visitor numbers. ¹

It is fair to say that much of this growth has been due to aggressive development by the air carriers which serve Ireland, and in particular to their route expansion into and out of Dublin Airport. About two thirds of all overseas visitors now use the Dublin gateway. Further substantial investment is planned in the tourism industry, and that investment is dependent upon adequate capacity being available at the principle point of entry for visitors, Dublin Airport.

The airlines will continue to play a key role in the future sustainability of the Tourism sector. Lack of capacity at Dublin Airport will limit future growth especially in the long haul sector. This sector is particularly important for Tourism as long haul visitors stay longer, spend more and visit more regions while here. And while tourism growth has been strong for a decade, the principal areas of growth have been in the short haul markets. These visitors stay for shorter periods, spend less, and visit fewer regions. This is evidenced by the fact that in

the period 1999 to 2005 overseas holiday bed nights in Dublin grew by 67% to 7.5 million, while bed nights spent in the rest of the country DECLINED by 13% to 16 million.

There is an urgent need to expand and improve facilities at Dublin Airport to accommodate new services, and to reverse the increasing dissatisfaction of visitors, their agents, and carriers, with the current inadequate facilities. Which facilities are causing delays and consequent inconvenience leading to bad ‘word of mouth’ publicity.

The Tourism Industry plans and investment for continued growth will be jeopardised, if investment by the DAA is thwarted by the inability of the operator to receive a reasonable return on essential and overdue investment at Dublin Airport.

¹ Source: Fitzpatrick Associates for Failte Ireland