



Eamonn Brennan  
Chief Executive

*Príomhfhéidhmeannach*

16<sup>th</sup> September, 2016

Ms Cathy Mannion  
Commissioner for Aviation Regulation  
3rd Floor, Alexandra House  
Earlsfort Terrace  
Dublin D02 W773

**Re: Response to Consultation on the Process for Consideration of Supplementary Capex Allowance**

Dear Cathy

The IAA welcomes the opportunity to respond to the CAR's consultation on the above matter. The IAA has a central role in the aviation sector in Ireland, including the provision of a safe and efficient terminal air traffic management (ATM) service at the three state airports (Dublin, Shannon, Cork) and responsibility for safety regulation and security oversight of the aviation sector. Accordingly, we have a critical interest in ensuring that the infrastructure at Dublin Airport is fit for purpose and facilitates the delivery by the IAA of its statutory obligations.

**Requirement for Supplementary Process**

The IAA agrees with the CAR that there are circumstances within the existing regulatory structures where Capex flexibility is not sufficient enough to ensure appropriate investments are made. In particular, we have highlighted to the CAR on previous occasions our concerns regarding the ability of the daa to make critical investments required to meet safety and/or security requirements or regulatory changes. We are of the view that the existing regulatory structures and the current price determination for the daa are inflexible and look backward at past expenditure instead of forward. The regime is overly focussed on financial restraint and does not allow the daa sufficient flexibility to modify its investment plans in order to prioritise safety and/or security investments, when the safety or security regulatory requirement unexpectedly arises. We concur with the view that a supplementary process should be developed to allow for improved flexibility and we cautiously welcome this consultation as the first step in that process.

**CAR's Proposed Process**

The IAA broadly supports the CAR's proposed process for consideration of a supplementary Capex allowance for Dublin Airport to fast track and prioritise safety and security related projects. We note that there are some existing flexibilities within the five year determination as set out in Section 1.7 to 1.11 of your consultation paper. However, the level of flexibility is not sufficient and is too easily exhausted. When this occurs there is neither the ability or the

incentive for the daa to make a required investment. In particular, this is an issue for safety and security based investments, which are regulatory driven rather than market driven (and accordingly no commercial incentive for the daa to pursue these investments). Accordingly, we are of the view that there is a strong need for the proposed flexibility to be developed as soon as possible. In addition, we propose the following enhancements to the process outlined in the consultation paper:

- There is a need to fast track and prioritise safety and security related projects, particularly those that are required to meet National and/or European regulatory requirements. Where an investment is required by safety or security regulation, the mechanism should allow this investment to be accelerated, i.e. "jump the queue";
- The consultation process outlined in Para. 2.3 should include the opportunity for key stakeholders (such as the IAA) to propose amendments to the infrastructure investment plan being put forward by the daa. This will allow for the plans to be enhanced to take account of anticipated regulatory requirements;
- As well as meeting safety and security requirements, priority in this supplementary process should also be given to projects which will deliver enhanced safety, additional capacity or reduce delays at the aerodrome. The process needs to be fast and efficient and not a rerun of a full regulatory review.

### Conclusion

The IAA welcomes this consultation and the proposals put forward by the CAR. Dublin Airport is one of the critical gateways for the Irish economy and the demand for its services is likely to increase significantly over the next decade. Given the importance of Dublin Airport to the economy, its development must not be overly restricted by the cyclical nature of the regulatory process. In addition to this, safety and security of passengers must be the number one priority of all stakeholders in the aviation sector and the CAR should take appropriate steps to remove any obstacles to necessary safety/security investments. Accordingly, we welcome the enhanced flexibility that would be brought about by the CAR's proposed process.

We are also available to discuss this submission with you at your convenience. The IAA will also be emphasising these points regarding the importance of Capex flexibility as part of our submission to the Government (DTTaS) on the Independent Review of Airport Charging Regulation (Indecon Review), which also closes today (16<sup>th</sup> September, 2016).

With kind regards,

Yours sincerely



Eamonn Brennan  
Chief Executive