

Ab/MOL/2008

PAC-R-296

Correspondence 3.18
Meeting – 09/02/2012

2nd February, 2012

STRICTLY PRIVATE AND CONFIDENTIAL

Mr Cathal Guiomard
Commission for Aviation Regulation
Alexandra House
Earlsfort Terrace
Dublin 2

Dear Cathal,

Your letter of 26th January refers, but as usual fails to answer the questions raised in my 13th January letter, by instead answering questions which we didn't raise.

1. DAA price increases and traffic declines

I didn't ask why the CAR increased the price cap at Dublin Airport in 2009. Your report to the Minister has already explained that you increased Dublin's charges to pay for its traffic falls as follows:

"In 2009 the Commission allowed a significant increase in charges once T2 was ready to open, due more to the substantial fall in passenger traffic after 2008 than to the increase in capital costs, given the commitments made in 2007".

I asked you instead to explain why you granted the DAA airport monopoly with "a significant increase in charges" to reward it for the substantial fall in passenger traffic which it presided over even as Ryanair (Ireland's largest airline) continued to grow strongly. Please explain why your office is rewarding and incentivising the DAA's failure, when in non regulated airports in Ireland and the UK they have responded to declining traffic by cutting charges, not "significantly increasing them"?

Pax (m)	2007	2008	2009	2010	*2011	Change
Dublin	23.3	23.5	20.5	18.4	18.8	-20%
Cork	3.2	3.3	2.8	2.4	2.4	-25%
Shannon	3.6	3.2	2.8	1.8	1.6	-56%
Total DAA	30.0	29.9	26.1	22.6	22.8	-24%
Ryanair*	50.9	58.6	66.5	72.1	75.2	+50%

* Ryanair figures are to March year end

Having failed to replicate the effects of competition under your inadequate regulatory regime, Dublin Airport's fees have also been criticised recently as "too excessive" by Etihad's CEO, and as "insane" by Aer Lingus' CEO. Why have you failed to address these excessive charges, which are responsible for record traffic declines?



As the 20% collapse in Dublin Airport's traffic over the past five years confirms, the CAR has abysmally failed to meet its statutory objectives to meet the requirements of users, or protect the reasonable interests of users in relation to Dublin Airport. I note your statement that *"the price cap is not due to be reviewed until 2014"* which presumably means that you intend to sit on your bureaucratic backside for the next three years, while traffic and tourism in this country continues to suffer under your inadequate regulatory regime and the DAA's high charges.

2. Over-staffing

I note your failure to explain what your 18 overpaid staff actually do on a daily basis. The CAR's last price determination for Dublin Airport took place in 2009, not in 2010 or 2011 either. You have repeatedly failed to attend consultation meetings between the DAA monopoly and airline users (most recently on 14 Dec) and even John Spicer who did at least attend the 14 Dec meeting then disappeared on holidays until 16 January (one month later), which was two days before the deadline for user submissions.

Your licensing activities take less than a couple of days given that they are confined to just 8 airlines who operate aircraft of greater than 20 seats, and you couldn't even manage this process successfully in the case of Aer Arann who went bust in 2010, despite your licensing of them as financially fit to operate. Licensing 13 airlines and just 37 other operators for ground handling is not an activity that would occupy even 1 labour unit for more than 1 week. Your travel trade licensing, which comprises just 280 travel agents and tour operators (a figure which has fallen from 304 in 2009), is again not a full-time occupation for even 1 part qualified accountant.

Your letter makes much play of your Air Passenger Rights work, yet your report to the Minister shows that your staff addressed a total of 241 complaints, which is less than 5 complaints a week, or less than 1 complaint a day. Clearly your 18 people (earning an average of €100,000 each) weren't occupied dealing with this tiny trickle of passenger rights complaints in 2010, despite the extraordinary events of the volcanic ash airspace closures in April/May and the weather closures in December.

Having conclusively established that your 18 staff had very little, if any, work to do in 2010, and even that work was mal-administered and inadequate, please now provide an analysis of how these 18 staff are allocated and stop hiding behind meaningless waffle about *"work flows"*. The only work flow which emerges from your report is your fondness for conferences, foreign travel and training/recruitment, on which your office wasted over €1,000 a week in 2010.

3. Excessive staff costs

Your letter fails to explain why the 18 staff employed by the CAR in 2010 cost an average of over €100,000 each, despite the fact that there was no airport price regulation, you couldn't properly license 8 scheduled airlines and you continue to stand idly by while traffic at the regulated Dublin Airport has declined by 20%, as you rubber-stamped up to 40% price increases, when inflation was 0%.

Your nonsensical claim that *"our average salary level reflects the fact that a high proportion of our staff are qualified to an advance level in an area such as economics, law and accountant and act in those capacities"* is dishonest and absurd. Ryanair employs and pays fully qualified accountants, economists and lawyers at less than €50,000 each. Please explain why each of

your staff including your secretaries, receptionists and other admin headcount have an average cost of over €100,000 each. Please now provide a breakdown of these 18 staff by reference to the five areas of "work" your office claims to undertake and explain precisely what "advanced level qualifications" each of these people purports to have, which justifies average pay of over €100,000 p.a. The Irish airlines should not be funding the excessive cost of your inadequate, inefficient and vastly overpaid office.

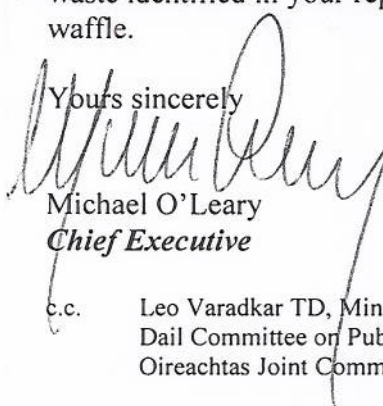
4. Other waste

I note your failure to address or explain the other areas of waste identified in our letter. Accordingly:

- a. Please provide a detailed breakdown of the €120,000 wasted by your office on consultancy in 2010. Who precisely were these consultants, and what exactly were they consulting on that couldn't have been done by your 18 €100,000 p.a. staff members?
- b. If advertising accounted for some €20,000 of your €82,000 expenditure, can you please explain why €60,000 appears to have been wasted by you on PR. Given the tiny volume of work undertaken by the CAR why do you need any PR expenditure at all?
- c. You failed to explain why you are wasting over €283,000 on offices at St Stephen's Green in Dublin 2, when your airline and handling companies are located at Dublin Airport, and your travel agency licensing is largely done online. Please explain why you are not moving your office to considerably lower cost office facilities in and around Dublin Airport.
- d. Finally, you have failed to explain why your office wasted €300,000 on Dublin Airport's schedules facilitation, when Dublin Airport doesn't operate at peak capacity and requires no schedules facilitation. Please now do so.

Since the information provided in your letter of 26th January abjectly fails to answer the questions raised in our 13 Jan letter or the glaring inadequacies of your regulatory regime, your extraordinary over-staffing, your excessive salaries which average over €100,000 each, or the many other areas of waste identified in your report to the Minister, please now do so without further obfuscation or waffle.

Yours sincerely


Michael O'Leary
Chief Executive

c.c. Leo Varadkar TD, Minister for Transport, Tourism & Sport
Dail Committee on Public Accounts
Oireachtas Joint Committee on Finance, Public Expenditure and Reform