

Ref: CID 03/08

DAA Consultation Key Points Summary Table

DAA presented its draft Check-in Desk (CiD) rental charges and a proposed charge for a Self-Service Kiosk (SSK) at Dublin Airport for 2008 in a letter to airlines and handlers on November 10th 2007, and met with users on December 12th 2007. Attached is a summary of the key points made in the submissions received from airlines and handlers, along with the DAA comments on the issues raised. We would like to thank all of those who made a submission in this context.

Submissions were received from:

- Aer Arann
- Aer Lingus
- Airport Operators Committee (AOC)
- bmi
- Aviance (in conjunction with consultant Lambert Smith Hampton)
- Lufthansa
- Ryanair
- SAS Ground Services (SAS)
- Servisair
- Sky Handling Partner (SHP)

DAA Response to Airline and Handler submissions regarding proposed Check-in Desk and SSK charges for 2008:

	Respondent:	Users views	DAA response:
Consultation Process			
1.1	AOC, Aer Lingus	<i>Consultation process is not credible</i>	<ul style="list-style-type: none"> The written consultation process is based on the consultation model applied by CAR. We have also met with airlines and handlers to discuss the issues in more detail. The deadline for receipt of submissions was extended by two weeks to ensure that airline and handling customers had adequate time to review the material provided. The DAA has also postponed the date for introduction of any approved Desk Rental charges and Self-Service Kiosk charge in order to consult further with users and CAR. On this basis, DAA strongly believes that users have had adequate opportunity to consider and comment on the charges proposed.
1.2	AOC	<i>Inadequate information on costs in consultation process</i>	<ul style="list-style-type: none"> DAA supplied a detailed Dublin Airport Check-in Desk/SSK Cost Analysis to users at the CID meeting on December 12th 2007. This information was at a greater level of detail than that accepted by CAR as part of the previous approval process. As part of its submission to CAR, any material not released to airlines and handlers for confidentiality reasons will be fully supplied to CAR. On this basis, it is the view of the DAA that we have in good faith provided all reasonable information to airlines and handling customers, and that CAR will be in a position to consider any detail not presented to users.
1.3	AOC	<i>Users unable to provide feedback without this information</i>	<ul style="list-style-type: none"> Given the detailed information provided, the model of consultation applied and the extended timelines to allow for further discussions, DAA is of the view that any customer, who was anxious to engage in a constructive discussion, had adequate opportunity to do so. The DAA does not accept this point.
1.4	AOC	<i>Information on CID costs should be provided at least two working weeks in advance of any meeting to discuss these charges</i>	<ul style="list-style-type: none"> The DAA had circulated the initial proposal letter which contained a considerable amount of information well before the meeting The DAA prefers in the first instance to present and explain the more detailed material in context and allow time after the meeting for further consideration, with an opportunity for airline and handling customers to raise any issues at that stage. The main issue is that customers have adequate opportunity for review, which as discussed we believe they had
1.5	Aer Lingus	<i>Cost of €30m for Area 14</i>	<ul style="list-style-type: none"> The number is incorrect, with the total cost including all baggage related costs, amounting to €15m.
Price Increase			
2.1	Servisair, bmi, SHP, AOC, Aviance, Lufthansa	<i>DAA's proposed price increases are excessive</i>	<ul style="list-style-type: none"> Based on the previously approved cost base, DAA currently recovers only 25% of its costs per desk. Even with the increased charge, the DAA will recover less than 40% of its costs per desk. The DAA operates within a single till, whereby the aeronautical charges are subsidised by the commercial revenue streams, including those arising from CID and SSK charges. As CAR has targeted unit commercial income increases higher than those expected by the DAA, it is clear that CAR assumes and even expects that DAA will increase its commercial revenues going forward. It is worth bearing in mind that recovery of the full costs associated with check-in would equate to approx. 0.48 EUR per passenger, considerably less than the baggage charges applied by many airlines. The increase proposed equates to just 0.15EUR on a per passenger basis. In the context of the low level of cost recovery and the commercial assumptions made by CAR, the increases proposed are not excessive.
2.2	Servisair, Aer Lingus, SHP	<i>Increases for annual and hourly rates are above CPI but should be limited to CPI until next price review.</i>	<ul style="list-style-type: none"> Point 2.1 gives the DAA response regarding the level of increase proposed. Assuming that costs were growing only by CPI (which in some cases is not reasonable), as the CID charge is not recovering costs, if only CPI increases were applied, the gap between the costs and the charge would in fact be growing over time. Thus the charge would be becoming less relevant rather than more.

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Relationship between the airport charges price cap and the setting of check-in and SSK charges		
2.3	<p>Servisair, Aer Lingus, bmi, SHP, AOC, Aviance, Ryanair</p> <p><i>New kiosk and baggage charges would represent double charging as all these costs have already been considered in the CAR determination. ...are already recovered through airport charges Ryanair Already paying for the baggage infrastructure through airport charges Submissions referring to regulation of airport charges and airport charge determinations and approval of ATI charges as if they are one in the same</i></p>	<ul style="list-style-type: none"> • Desk Rental charges and the charge proposed for the Self-Service Kiosks are not aeronautical charges as defined under the Air Navigation and Transport Amendment Acts, though they are charges that require approval from CAR as required under the terms of S.I. 505. The existing Determination assumes significant increases in future commercial revenues, so in fact it is quite consistent with the Determination for the DAA to raise commercial charges. CAR consultants' reports on our commercial activities in fact challenge the company to raise unit commercial revenues going forward. Thus there is no double charging, and the approach adopted is fully in line with the assumptions made by CAR in its Determination. • It is also worth referring to the previous Commission Response to the Aer Lingus statement that the Commission's approach to an analysis of cost of check-in desks was "seriously flawed" as it did not take into account the cost already incorporated in the 2001 price cap. In its response, CAR stated that <i>"The essential issue here is approval of an access fee according to the criteria set out in S.I. 505 and those criteria do not per se have a correlation with the methodology of the 2001 price cap. Furthermore, the 2001 price cap took the form of an overall yield calculation and did not set individual charges. Accordingly, the Commission does not consider that the methodology used to calculate the 2001 price cap is relevant to the issue of approval of access fees here. However the Commission wishes to confirm that any issue linking to the projections used in the calculation of the 2001 price cap can be resolved at the time of a review of the price cap or the making of a new determination."</i>
2.4	<p>Aer Lingus, Ryanair</p> <p><i>Cost of €55k and revenue of €17k already included in 2005 determination and balance to be recovered through airport charges Capex and opex...are already in the RAB</i></p> <p><i>Any under-recovery [in check in desk rental charges] is recovered in full via aeronautical charges.</i></p>	<ul style="list-style-type: none"> • CAR has forecast a level of both operating cost and commercial revenues for the full determination period, 2006 to 2009. It is the gap between the Commission's forecast operating costs and forecast revenues for the full period which determines the level of airport charges, and not just the base year as suggested in the Aer Lingus letter. The Commission has assumed that commercial revenues will grow at a faster rate than expected by DAA. If the gap between DAA's commercial revenues and total costs is greater than that forecast by CAR (which will be the case if additional commercial revenues are not achieved at the levels forecast by CAR) then not only will there not be a "double recovery" as suggested by Aer Lingus and Ryanair, but DAA would be in a position where it wouldn't even achieve a return at the level of the cost of capital used by CAR. • It is inaccurate to state that any under-recovery in check-in desk income is recovered through airport charges. Based on the historical and projected revenue profile at Dublin Airport, the mechanism of the single till ensures that aeronautical charges are themselves subsidised by commercial revenues.
Rationale for proposed increases		
3.1	<p>bmi</p> <p><i>High cost of desk rentals will not reduce operator desire for desks. Even if users use on-line and SSK check-in, success is dependent on quick bag drop off/check-in</i></p>	<ul style="list-style-type: none"> • This charge is not intended to discourage the use of appropriate numbers of desks, but to recover the costs associated with their provision. Indeed, the DAA is conscious of the need to ensure that the operational efficiency of the check-in area is optimised. However, the trend towards technological solutions such as SSK, CUSS and web check-in will undoubtedly mean that the profile of usage will change over time. While some passengers will continue to require bag drop desks, airlines are encouraging passengers to use these alternative modes of check-in, as evidenced by the introduction of charges for use of a standard check-in desk by one major carrier at the airport. Thus the DAA has to continue to provide the infrastructure to support the existing traditional check-in mode, while also providing facilities for alternative modes. This is the reason that the DAA is considering disaggregating the existing desk charge into desk and baggage related charges, to reflect the changing dynamic of the process.
3.2	<p>Servisair</p> <p><i>There has been no infrastructure or capital expenditure costs incurred by the DAA for the current desks</i></p>	<ul style="list-style-type: none"> • The DAA has undertaken quite an amount of expenditure in the check-in concourse, removing some offices and retail facilities, as well as re-configuring circulation areas, and developing the lower ground floor check in facility (Area 14). In addition, a considerable amount of operations resources have been employed to manage the whole area in the context of the level of traffic throughput. There was also investment in the baggage hall in 2005 that was not included in the base approved in 2004. In addition, such ongoing costs as depreciation have to be recouped.

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3.3	Aer Lingus	<i>Cost of additional capacity not relevant to the price charged for a desk rental</i>	<ul style="list-style-type: none"> For detail on the composition of the increase in the cost base for the desks, we refer you to the presentation of the 12th December, where the relative impact of the various categories of cost was discussed in detail.
3.4	Aer Lingus	<i>DAA should adopt a unitisation approach to recovery of check-in desk costs</i>	<ul style="list-style-type: none"> The DAA has put on record its concerns about the unitisation approach adopted by CAR. It is worth pointing out that as the DAA has already under-recovered such costs for a very extended period, in effect airlines and handlers have already had the benefits of the low prices that might be expected from such an approach.
3.5	Ryanair	<i>DAA cannot simply claim an under recovery</i>	<ul style="list-style-type: none"> For detail on the composition of the increase in the cost base for the desks, we refer you to the presentation of the 12th December, where the relative impact of the various categories of cost was discussed in detail.
Charge Structure			
4.1	SHP	<i>Oppose strategy of separating the CID charges and introducing new charges for each element</i>	<ul style="list-style-type: none"> We recognise and understand that airlines and handlers will oppose any increase in their cost base. However, we must point out the fact that some airlines, including the major airlines at the airport, are themselves introducing baggage charges of considerably greater magnitude than those envisaged by the DAA. Thus some airlines, at least do not object to baggage charges in principle. Furthermore, in the context of the changing nature of the check-in process, applying a charge which reflects the usage of the components seems to the DAA more relevant and objective, and hence more in keeping with the underlying Directive.
4.2	Aer Lingus	<i>Handler claims that it would require 27 additional desks if they didn't have SSK's.</i>	<ul style="list-style-type: none"> It is not reasonable to expect that facilities would be provided free of cost on an ongoing basis. The Aer Lingus estimate of a requirement for 27 additional desks in the absence of SSKs would equate to an additional cost of c. €458k p.a. to the operator (at the current rate of €17k per desk). It is clear that a far more cost effective solution from an Aer Lingus perspective is the provision of circa 50 SSKs at the proposed charge of €1,200 each i.e. €60k. From a cost perspective it is doubtful if a handler would replace its SSKs with desks even if they were available. The relative cost efficiency of the SSKs at the proposed charge level justifies the charge introduction.
Handler specific changes			
5.1	SHP, Aviance	<i>Some handling companies project their contracts with operators based on the regulated charges (sometimes 3 years forward) and CPI% increases and are not able to absorb/recover the high level of charges DAA propose</i>	<ul style="list-style-type: none"> The DAA is obviously not privy to the confidential contract arrangements between handlers and airline operators (nor would we expect to be). However, we recognise that there are particular challenges for handlers in a situation as described in this comment. The DAA is obviously not in a position to apply different charges for equivalent facilities or services, as this would contravene the requirement that charges are applied in a non-discriminatory way. However, The DAA will be happy to meet with the handling companies concerned to attempt to identify whether measures are possible to minimise the effects of changes going forward. It is worth pointing out that DAA has made it clear in its proposal letter that it is our intention to move over time to full cost recovery in relation to such charges.
5.2	Aviance	<i>Would suggest a rate per pax to be charged on the operators</i>	<ul style="list-style-type: none"> As noted in our initial proposal letter, the DAA is looking at charging per passenger or per bag in order to recover baggage related costs, and we will keep customers informed on our decisions in relation to this issue.
CUTE Charges			
6.1	Servisair	<i>Oppose any additional charges in relation to the provision of CUTE</i>	<ul style="list-style-type: none"> It is clear from previous submissions and details published by CAR (CP8/2004 page 7) that CUTE costs have not made up any part of the check-in costs. While the DAA does not plan to introduce a CUTE charge this year, we reserve the right to do so in the future.

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DAA Cost Efficiencies			
7.1	Servisair	<i>DAA should increase cost efficiency measures in an effort to maintain current cost base</i>	<ul style="list-style-type: none"> The increases in the 2007 cost base relative to the 2004 analogue have mainly arisen from additional resources deployed to improve the passenger experience in the face of increasing passenger numbers in a congested facility. Thus airlines handlers and passengers have already benefited from this expenditure. The DAA has indeed made considerable cost efficiencies over recent years, as shown to users at airport charges meetings. Operational efficiency at Dublin Airport has been confirmed by many independent benchmarking studies, most notably those commissioned by CAR at the time of the 2004 Determination. It is, however, inevitable in the context of the level of passenger throughput in an already crowded facility that additional resources do and will have to be deployed to optimise passenger processing. However, the DAA remains committed to managing these costs as efficiently as possible, and will strive to keep any increases to a minimum.
Check-in desks not competitive activity			
8.1	Aer Lingus	<i>Aer Lingus suggests that handlers do not have a choice when it comes to the use of check-in desks</i>	<ul style="list-style-type: none"> It is worth pointing out that operators and handlers are increasingly channelling passengers through newer modes of check-in such as SSKs and web check-in. Aer Lingus itself already stated that if it had no SSKs, it would require an additional 27 desks. Thus there are alternative modes both within and outside of the airport, at least for passengers without baggage. Furthermore In some airports, self-service bag drop desks and Common User Self Service (CUSS) facilities allow for handlers/airlines to make their operation more efficient and reduce their requirement for standard desks. Thus the situation is not as clear-cut as suggested by Aer Lingus. In this context we note also the comment that Aer Lingus accepts that the DAA sets all commercial charges that lie outside the [airport charges] price cap within the competitive environment in which it operates.
Discussion of the Costs included			
9.1	Servisair, bmi, Aer Arann, Aer Lingus, bmi, SAS	<ul style="list-style-type: none"> <i>No additional queue management required</i> <i>Occasionally require queue assistance to deal with overspill from other airline desks</i> 	<ul style="list-style-type: none"> There are divergent views in the submissions received on the need for DAA resources to manage congestion in the terminal area, and specifically queues. It is good to see that at least one operator has noted the need for additional DAA personnel resources to tackle increasing airport congestion. The current level of congestion is a reflection of the fact that the DAA has not been permitted to provide additional terminal capacity, despite proposing to do so for a number of years. The DAA has, over recent years, deployed a significant level of additional resources to assist in the efficient processing of passengers in the check-in areas. We will continue to do so, and will work with the operators to ensure that the passenger experience is as efficient and comfortable as possible. It is worth noting that the DAA management of the overspill from one airline's area into another's benefits both of the airlines/handlers involved The inclusion of such costs is fully consistent with the previous applications of this type made and approved by CAR. Their inclusion is both appropriate and relevant in the context of the provision and operation of the facilities.
9.2	Aer Lingus	<i>Costs of managing congestion should be recovered through airport charges</i>	<ul style="list-style-type: none"> It is worth noting that the cost categories included in this application correspond to those used previously and accepted by CAR as part of its previous approvals for check-in desks. DAA would be very concerned if there were any suggestion that costs previously accepted as legitimate for inclusion would now be excluded. This would give rise to a level of uncertainty and risk that would be undesirable from the perspective of the company, and would serve to undermine the efforts made by CAR to give greater projected income stability to the DAA. For additional comments regarding the nature of the single till and the check-in desk charge, please see 2.1 above.
9.3	Bmi, Aer Lingus	<i>DAA additional staff would have a greater impact on ticket desks queues</i>	<ul style="list-style-type: none"> The DAA deploys its staff in many areas of the terminal in order to manage the level of congestion in the most efficient manner.
9.4	SAS	<i>The provision of Area 14 seems to be contributing to the increase in staff costs associated with the desk allocation function</i>	<ul style="list-style-type: none"> As outlined in detail in the presentation of Dec 12th 2007, the change in the cost base is a composite of several factors, some of which operate in opposing directions. The main reason for the cost increase in the desk charge was the provision of staff to manage congestion at check-in on the departures floor.
9.5	SHP	<i>Deteriorating conditions due to construction projects force handling companies to provide more resources, inflating their own costs</i>	<ul style="list-style-type: none"> Adding capacity in a congested operational facility obviously poses many challenges, both for operators and for the airport authority. The DAA recognises and is very appreciative of the efforts made by all concerned to minimise the negative effects of congestion and construction on our passengers. The current level of congestion is itself a reflection of the fact that the DAA has not been permitted to provide additional terminal capacity, despite proposing to do so for a number of years. The DAA has, over recent years, deployed a significant level of additional resources to assist in the efficient processing of passengers in the check-in areas. We will continue to do so, and will work with the operators to ensure that the passenger experience is as efficient and comfortable as possible.

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9.6	SAS, Aer Arann	<p><i>Some costs are already covered by the passenger charge:</i></p> <ul style="list-style-type: none"> • <i>Cleaning & maintenance of check-in area</i> • <i>Outgoing baggage handling systems</i> • <i>Energy and rates</i> 	<ul style="list-style-type: none"> • Airport charges do not cover the costs of the facilities provided, and the shortfall is made up from commercial revenues in a single till context. The costs included in this analysis are those which were previously accepted by CAR in the course of 2004 approval of the DAA cost base, and include an allocation towards the cleaning of the departures area, baggage related costs, as well as energy costs, as outlined in the original letter to users and in the presentation made to users on December 12th 2007. Specifically, the passenger charge is intended to make a contribution only to the costs of the incoming baggage systems and related services
9.7	Aer Lingus	<p><i>Are figures the average costs for check-in desksthe appropriate measure should be the long run incremental cost</i></p>	<ul style="list-style-type: none"> • The figures included are the average costs as outlined in the associated documentation and as presented to users at the meeting. • The methodology used is that which has been accepted as appropriate by CAR in its previous approval processes in relation to check-in desks • The use of a long run incremental cost model would not normally be used in relating to a rapidly changing service model with relatively low costs.
Indirect costs			
9.8	SAS	<p><i>What are the Indirect costs attributable to check-in desk facilities?</i></p>	<ul style="list-style-type: none"> • As outlined in the presentation to users of the 12th December 2007, the indirect costs are primarily management and support services relating to the time and facilities provided, and these have been estimated at 15% of operational costs.
9.9	Aviance	<p><i>Why are costs commercially sensitive?</i></p>	<ul style="list-style-type: none"> • The DAA, like any commercial company, does not wish to reveal the full detail of its underlying costs for detailed scrutiny by its customers and current and future competitors. CAR has accepted that the DAA may retain commercially sensitive information, and this is in line with good regulatory practice elsewhere. Last time CAR indicated that “Having carried out an analysis of the Aer Rianta costings, the Commission is satisfied that the basis for the check in desk rental and the CUTE facility is sufficiently transparent” • It is worth bearing in mind that costs will in any event be reviewed by CAR to ensure compliance with the requirements of transparency, objectivity, relevance and non-discrimination. The DAA approach complies fully with these principles in relation to the proposed charges.
Relevance, Objectivity, Transparency and Non-Discrimination			
10.1	Ryanair	<p><i>Does not understand: “Separation of check-in and the outgoing baggage elements assists our customer airlines”</i></p>	<ul style="list-style-type: none"> • Splitting the charge into 2 components and dealing separately with the costs associated with each gives a greater degree of relevance
		<p><i>Does not understand:</i></p> <ul style="list-style-type: none"> ○ <i>The proposed fees have been derived following a process</i> ○ <i>Minimising discontinuity for users</i> 	<ul style="list-style-type: none"> • The DAA will still recover <40% of costs • DAA anxious to move towards full cost recovery on a progressive basis • Process undertaken internally by DAA to ensure that price increases were as moderate as possible in the context of the cost base and market conditions, DAA has not simply raised the charges to recover 100% of the total cost base, as would be in the interests of DAA alone, but has also ensured that the price increases on a per pax basis will be just 0.15 cents (full costs equivalent to <u>EUR0.48</u> per passenger) • The DAA price increases on a per pax basis will be just 0.15 cent compares favourably to the Airline Baggage Charges – up to €18 per bag
		<p><i>Does not understand why/how transparency criteria are:</i></p> <ul style="list-style-type: none"> ○ <i>Not “readily available and understood”</i> ○ <i>Consistent with approach previously adopted</i> 	<ul style="list-style-type: none"> • The criteria in Statutory Instrument 505 are clear and unambiguous • The DAA are using the same methodology for consultation as the approach previously adopted by CAR during the last Desk Rental charges review
		<p><i>Does not understand why it is not paying a lower charge as it does not use CUTE at Dublin Airport</i></p>	<ul style="list-style-type: none"> • At Dublin Airport there is no charge for use of the Common User Terminal Equipment (CUTE), thus if anyone doesn't use CUTE there is no entitlement to any reduction • The DAA are slightly confused by this comment that Ryanair is not a current user of CUTE. CUTE as provided and supported by Ultra-CUSE tell us that they have the statistics to prove Ryanair usage of CUTE at check-in and boarding gates at Dublin Airport.

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10.2	Self-Service Kiosks	
	SAS	<p data-bbox="430 253 696 376"><i>Queries the DAA SSK 'Pilot Scheme' and how this scheme for SSKs affects previous payments for SSK use by the handler</i></p> <ul data-bbox="725 253 2096 424" style="list-style-type: none"> • For some years after the ECJ judgment, there was considerable ambiguity as to precisely what was covered by Access To Installations (ATI) legislation • The DAA decided to permit SSK development on a pilot basis free-of-charge for the short term, until such time as the scale of requirements for such facilities might be clear and a robust analysis to support a regulatory submission could be prepared. The 'pilot scheme' will continue until a decision is reached re: SSKs. • The monies previously paid for SSKs should have been repaid. However, the DAA only recently discovered that it was not. The airport authority regrets this and will refund all monies concerned shortly.