Dear

DAA wishes to obtain the views of its customers in regard to a proposed change in its current check in desk rental charging structure and the introduction of a self-service kiosk rental fee, prior to seeking the approval of the Commission for Aviation for the charge[1]. It is intended that the revised charges will apply from the start of 2008, subject to CAR approval.

Current Check-in Desk Rental Charges at Dublin Airport

Dublin Airport's current charging structure relating to check-in desk rentals was approved by the Commission in 2004. There are currently two charges relating to the rental of check-in desks

- a fixed rental charge of € 17,119.20 per desk which is levied in respect of check-in desks hired on an annual basis, and
- a flexible rental charge of €21.40 per desk to be levied for the rental of additional desks on an hourly basis.

Need for Revision of Current Charges

Dublin Airport is committed to developing a long term commercial strategy aligned with its operational requirements. It is clear that there have been some substantive changes over the last two years in the operation and management of the airport check-in area, with a consequent effect on costs. In particular, the company has had to deploy additional staff to manage the check-in area, and has brought on stream a significant extra tranche of check-in capacity. The company's pricing policy must be adjusted accordingly to reflect this changed environment.

Dublin Airport recently carried out a detailed cost analysis of the check- in area. This analysis showed the cost of a check-in desk to be €68,297 per annum[2] as

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[1] The judgment of the European Court of Justice, on foot of an Article 234 reference by a Frankfurt Court for a preliminary ruling in the case of *Flughafen Hannover-Langenhagen GmbH v Deutsche Lufthansa AG* determined that a check-in desk constituted an airport installation.

In light of this judgement, check-in desk and self-service kiosk rental fees at Dublin Airport are subject to Article 14(3) of the European Communities (Access to the Groundhandling market at `Community Airports) Regulations 1998 ("the Irish Regulations") where these fees require prior approval by the Commission for Aviation Regulation in accordance with relevant, objective, transparent and non discriminatory criteria.

[2] These costs exclude any provision for CUTE.

compared to previous submitted value of €55,951 and the cost of a self-service kiosk (SSK) to be €1,205 per annum (see Appendix 1).

The costs associated with check-in desks include
- provision, maintenance and cleaning of furniture and equipment
- outgoing baggage handling systems
- energy and rates
- staff costs associated with the desk allocation function
- indirect costs attributable to check–in desk facilities.

The costs associated with self-service kiosks are on a per sqm basis and include
- energy
- indirect costs attributable to facilitating SSK's

It should be noted that the recent increase in the cost base relative to the previous submission is largely attributable to the need for additional personnel resources to tackle increasing airport congestion.

Given the current charges, Dublin Airport is substantially under-recovering in relation to its costs in this area with the standard desk charge recouping only ca. 25% of the current costs.

Proposed New Check-in and Self-Service Kiosk Rental Charges

As our airline and handling customers are aware, rental income from the check-in area forms part of the overall non-aeronautical revenue contribution that is used to subsidise the aeronautical revenue requirement at Dublin Airport (i.e. airport charges) through the single till. Dublin Airport is very conscious of the need to achieve the highly aggressive forecasts regarding the level of commercial revenues (including check-in rental charges) which have been built into the Commission's price cap calculations for Dublin Airport over the period 2006-2009[3]. These aggressive targets can only be achieved through reviewing all existing and potential commercial revenue opportunities, and moving as rapidly as possible to fully cost reflective charges, including those relating to provision of check-in facilities.

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[3] CP3/2005

Check-in Desk Charges:

Dublin Airport proposes the following check-in desk and self-service kiosk rental charges from 1st January 2008, subject to CAR approval, until fully cost reflective charges are achieved

Proposed Check-in Desk Pricing Profile (€)

	Current	Jan 2008	Jan 2009
Annual charge per standard desk	17,119	25,000	+CPI%
Annual charge per self-service kiosk	Pilot scheme	1,200	+CPI%
Hourly charge per standard desk	21.40	30.00	+CPI%

In the context of the updated cost base of €68,297, it can be seen that this charge level equates to recovery of only 37% of the cost base. On this basis the DAA are currently constructing a charge in relation to baggage. The DAA will revert to you with proposals in this regard in the coming weeks.

Requirements Imposed by the Directive

Dublin Airport's proposed check-in infrastructure rental fees meet the criteria of relevance, objectivity, transparency and non-discrimination viz:

- **Relevance** – the proposed fees are logically connected to what is being provided in consideration of the fee. In this case, the proposed fee is being charged for check-in infrastructure to which access is being granted. The proposed separation between the check-in facilities and the outgoing baggage elements assists our customer airlines in this regard.
- **Objectivity** - the proposed charges are set in a manner undistorted by any prejudice on the part of the price setter. In this case, the proposed fees have been derived following a process that recognised the need to minimise discontinuity for users rather than concentrating on the best interests of Dublin Airport alone.

- **Transparency** – the criteria on which the proposed charges are based are readily available and understood, and consistent with the approach previously adopted. The precepts underpinning the charging policies are set out clearly above, the proposed charges are being notified to users and the final charges will be published in the DAA Airport Charges Terms and Conditions Booklet for 2007 subject to the approval of the Commission for Aviation Regulation.
- **Non-discrimination** - identical or comparable situations must not be treated differently. In this case, the proposed check-in infrastructure rental fees are applied to all users equally.

Request for Submissions from Airlines and Ground Handlers:

Dublin Airport would welcome the views of users in regard to its proposed new check-in and baggage infrastructure charges as outlined above, and specifically the type of charging structure which should be adopted in relation to the baggage charge as outlined above. In this context we would request that users written submissions should be sent to us at the latest by November 23rd 2007 in order to ensure that your comments are considered. We will review our proposals in light of the submissions received, with a view to sending a submission to CAR as soon as possible, for implementation of the charge by January 1st 2008.

Yours sincerely**,**

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Jack MacGowan
Director Commercial Property

Appendix 1

Dublin Airport	
Check-In Desk/SSK Cost Analysis	
Combined Check-in desks and Outgoing baggage	**€**
Annual Capital Cost	3,982,014
Operating costs	6,277,103
Total annual costs to recover	10,259,117
Annual costs to recover per desk	62,556
Allocation for management and support staff	5,741
Annual costs to recover per desk including allocation	**68,297**
SSK only	**€**
Annual Capital Cost	523
Operating costs	593
Total annual costs to recover	1,116
Allocation for management and support staff	89
Annual costs per SSK to recover including allocation	**1,205**