



Decision on

Application for Access to Installation (ATI) Fee Approval

Baggage Hall Desks – Dublin Airport

Commission Paper 1/2016

15 January 2016

Commission for Aviation Regulation

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1. Introduction

- 1.1 On 28 October 2015 the Commission for Aviation Regulation received an application from daa (referred to herein as “Dublin Airport”) for approval of the fees it charges for rental of baggage hall desks at Dublin Airport. The proposed fee is €4,635 per linear meter per annum.
- 1.2 Under Regulation 14(3) of Statutory Instrument 505 of 1998, Dublin Airport must seek approval in advance from the Commission where it collects a fee in respect of an airport installation.¹
- 1.3 On 2 November 2015 the Commission published a consultation on the proposed baggage hall fees. We received two responses; from Dublin Airport and Aer Lingus. Both responses are published on the Commission’s website.²
- 1.4 The Commission has examined the proposed fee under the required four criteria; relevant, objective, transparent and non-discriminatory. We revised the costs submitted by Dublin Airport and as the above criteria are met and the proposed fee is below cost we approve this fee.

2. Assessment of the Proposed Fee

- 2.1 Regulation 14(3) of Statutory Instrument 505 of 1998, requires the Commission to consider an application for approval of access fees for airport installations on the basis that they should be relevant, objective, transparent and non-discriminatory criteria.
- 2.2 The Commission’s interpretation of these criteria, as set out in CP8/2004, is set out below followed by the assessment in relation to this application.³

Relevant

- 2.3 To meet the relevant criteria the fee should be directly connected to the subject matter to which it is applied and should not be inclusive of extraneous items or costs which cannot be regarded as being reasonably related to that item of infrastructure or equipment or to the activity in question.
- 2.4 In its application to the Commission Dublin Airport identified €317,360 of annual costs attributable to baggage hall desks. The Commission examined the costs in line with the relevancy criteria and has established that almost 60% of the costs are not directly attributable to the installation under consideration.
- 2.5 The reasons for the differences are a mix of errors and extraneous costs being included. The Commission discussed the revised costs with Dublin Airport who have agreed to the new cost level for the baggage hall desk. The costs in the submission and the Commission’s revised costs are

¹ Statutory Instrument 505/1998 “The European Communities (Access to the Groundhandling Market at Community Airports) Regulations 1998”

² <http://www.aviationreg.ie/Documents/Default.150.html>

³ http://www.aviationreg.ie/_fileupload/Image/CP8_2004.pdf

detailed in Table 2.1.

Table 2.1: Analysis of Cost of Baggage Hall Desks

Annual Costs, €	Dublin Airport Submission	Revised by CAR¹	Difference
Capital Costs			
Depreciation (Return of Capital)	152,488	68,787	-55%
Return on Capital	114,754	53,056	-54%
Operating Costs			
Baggage Hall Opex	21,374	4,217	-80%
Energy	28,744	4,411	-85%
Total Cost per Annum	317,360	130,470	-59%
Cost per linear metre²	19,351	7,956	-59%

¹Dublin Airport agreed to the revisions and submitted a new costing

²There are 16.4 linear metres of baggage hall desks across the two terminals in Dublin Airport

- 2.6 Capital costs comprise of depreciation and return on capital for a set of assets which are essential to the provision of the baggage hall desks. These assets are apportioned to the baggage desks based on the square metre footprint of the desks. Depreciation is as per Dublin Airport's asset register, using straight-line depreciation. Return on capital is calculated using the 5.8% regulated rate of return allowed by the Commission in the 2014 Determination.
- 2.7 Operating costs consist of an allocation of the operating costs of the baggage system and an allocation for energy usage. Again the allocation is based on the square metre footprint of the desks.
- 2.8 The total costs are directly related to the provision of the installation. The fee proposed by Dublin Airport is €4,635 per linear metre; this is 42% below cost.
- 2.9 The Commission believes the relevancy criteria has been met. The fee is below the costs which can be attributed to the installation. This is after the removal of extraneous costs in the original submission.

Objective

- 2.10 To meet the objective criteria the fee must be set in a fair and balanced way and without motivation on the part of Dublin Airport other than that expected of a commercial entity having statutory responsibilities to meet its financial obligations, conduct its affairs in a cost-effective manner and make a reasonable profit.
- 2.11 The cost estimation used above to assess the relevancy criteria includes both recovery of costs incurred and a reasonable profit for Dublin Airport via the return on capital. The proposed fee is below cost. The Commission finds that it is objectively set.

Transparent

- 2.12 To meet the transparent criteria the basis used to derive the fee must be clear and evident to all, that the fee will bear scrutiny in all its elements

and the application of the fee must be understandable to payees and interested parties.

- 2.13 Prior to submitting its application to the Commission, Dublin Airport held a consultation with users on the proposed fee. Interested parties were invited to attend a consultation meeting on 30 September 2015. The Commission was represented at the meeting. No users attended. Written comments were invited by Dublin Airport but none were received.
- 2.14 At no point did a user raise a concern with the Commission relating to the level of information made available.
- 2.15 Dublin Airport provided high level information on costs to users and more detailed information to the Commission. It stated this difference in the levels of information provided was for confidentiality reasons. The Commission was at the disposal of users who required specific information, in particular confirmation if a cost element was included or not.
- 2.16 Aer Lingus sought confirmation on whether or not council rates were included in the costs (as council rates are already recovered by Dublin Airport via airport charges.) The Commission confirms that council rates are not included.
- 2.17 Having regard for the level of information shared directly with users and the consultation process used, the Commission is satisfied that this fee was arrived at in a transparent way.

Non-discrimination

- 2.18 To meet this criteria the fee must be applied in an equitable manner to all and comparable situations are treated the same.
- 2.19 For baggage hall desks the same fee is charged to all users in both terminals. The fee is charged per linear metre, the desks are different depths in each terminal giving a different per square metre fee by terminal. However, Dublin Airport have argued that the linear metre is a fairer way to charge for these desks as linear "frontage" is the key parameter of interest to users. No user has objected to using the linear metre for charging.
- 2.20 The Commission has found no evidence of discrimination in the proposed fee.

3. Decision

- 3.1 The Commission grants approval for an annual charge of €4,635 per linear metre for Baggage Hall Desks at Dublin Airport. The Commission completed its analysis in the context of the requirements of S.I. 505/1998.
- 3.2 In line with other ATI fees this fee will be subject to adjustments for annual inflation or deflation using the Consumer Price Index as published by the Central Statistics Office. The €4,635 approved is in 2015 prices and is the fee which will apply for 2016. It will be adjusted for inflation in subsequent years.

4. Interaction with the Determination of Airport Charges

- 4.1 In setting airport charges for the period 2015-2019 revenue from baggage hall desks was included as commercial revenue. The fee which this decision approves is the same as the fee included in the 2014 Determination. That is, this is not a new charge, it is an approval for a charge which is already being levied.
- 4.2 The costs used in setting this fee above, or variants of them, were also included in the determination.
- 4.3 As no change to the fee is proposed from what is currently collected there will be no double accounting from this fee (as it is included in commercial revenues in the determination, all else been equal it resulted in lower airport charges).
- 4.4 In making the next determination the Commission will verify that the forecasts included in commercial revenue for baggage hall desks corresponds with the amounts collected for the period 2016-2019. It will reserve the right to include this fee within the ATI fee cap to adjust for any over collection if need be.
- 4.5 In summary, the Commission will ensure that users will not pay for baggage hall desks more than once, that is only via the rental fee and not via airport charges as well.