

Commission for Aviation Regulation

Notice relating to the Determination on the Maximum Levels of Airport Charges - dated 7 November 2003

Response by bmi

bmi welcome the opportunity to comment on the Commission's proposals for determining the maximum levels of airport charges. We are particularly concerned with the proposed increases in security and with the proposed retention of ACN as the basis for off-peak runway charges. Our views on these key issues are detailed below.

1 Security costs

bmi are concerned that the Regulator is seeking to pass on the cost of increased airport security to airlines. No details of rationale have been provided in the consultation document regarding the proposed increase in costs and levels of staffing.

With regard to the question of who should bear the cost of security, we maintain that the basic security requirements, eg) airport security, screening equipment etc., that are essential to the achievement of the security objective should be paid for by the State. We acknowledge that there have been significant increases in airline and airport security following 11/9/01 and we expect airports to share in both the risk and cost increases arising and not to pass the burden of increased airport security costs directly onto the airlines.

Airport profitability has to a large extent been shielded from the impact of the downturn in the industry in recent years as airlines continue to offer lower fares to try and retain traffic levels. As a consequence, airlines are suffering major reductions in yield and profitability across the industry, meanwhile Aer Rianta are benefiting from an increase in passenger numbers and airport fee incomes at the airlines' expense. Aer Rianta are therefore placed to be able to absorb any increase in airport security costs from the additional revenue they will have received.

A full allowance of security costs within the pricing formula provides no incentive for the airport operator to minimise costs and maximise economies of scale and use of technological developments, whilst of course continuing to meet the necessary security requirements.

bmi are not aware of any reason why the security levels and associated costs should be forecast to increase beyond the 2003 levels, apart from any marginal costs associated with an increase in passenger volumes and after taking into account economies of scale and any developments in security technology. The 2003 security levels already reflect a 20% increase over 2001, and we understand that the necessary additional security arising post 11/9/01 has been implemented.

Table 2 of the consultation paper shows that staffing is predicted to increase by 23% over the next 3 years at Dublin, compared to an 18% increase in passengers forecast for this period. We would expect the requirement for incremental security staffing to be well below the percentage increase in passengers. In addition, the associated costs of security show a 38% increase for this period.

A similar situation is shown in Table 2 for Aer Rianta in total, with security staffing increasing by 20% overall, slightly above the forecast passenger increase, and associated security costs increasing by some 36%.

We therefore request further details to substantiate the increases advised by Aer Rianta, both in terms of staffing numbers and associated costs.

We do not accept a revision to the pricing formula such that additional security costs will be borne by airlines, for the reasons outlined above.

2 Basis for charging for off-peak runway use

bmi do not accept ACN as an appropriate basis for charging for off-peak runway use, as we have expressed to the Regulator previously and also to the Court of Appeal. We are therefore extremely disappointed that the Regulator has again proposed to continue with this basis for charging purposes.

Although it is proposed to make some minor changes to the calculation mechanisms, we believe that anomalies will still exist.

For example,

- The use of an average ACN for each aircraft type results in short flights with lower operating weights being overcharged, as the average weight and derived ACN for that aircraft type will include longer distance flights with higher load factors and therefore higher operating weights.
- The use of bands of 5 or 10 ACN's results in aircraft which have a low ACN within the band being charged the same fee as aircraft with an ACN at the top of the band.
- The banding is totally subjective and of varying scope.

However, our main contention is using ACN as the basis for charging. We therefore request the Regulator to respond to bmi on the following specific points, and to explain where and how the associated cost of runway use has been taken into account in the proposals contained in the consultation document;-

- 1 Heavy aircraft use 40% more runway length than short haul aircraft, regardless of the time of day, resulting in greater wear and tear costs for runway use.
- 2 Heavy aircraft spend 40% more time on the taxiways and runways to take-off and land, therefore using more time on the airfield and taking more airfield management, resulting in greater management costs for runway use.
- 3 Heavy aircraft and the B757 have a higher wake vortex requirement than other short haul aircraft, thus limiting slot capacity. Whilst this may be less of an issue during off-peak periods, it will nevertheless limit the number of slots allowable, thus restricting runway use and potentially reducing airport income.

Use of MTOW as the basis for runway charging has been adopted world-wide, and gives a broad representation of the various factors contributing to the cost of runways. In addition, the Court of Appeal upheld this view at the outset of regulation and proposed that runway off-peak charging should revert to an MTOW basis.

We therefore strongly urge the proposal be amended to an MTOW basis.