



13 November 2015

Dear Airport User,

Re: Consultation Process on CUPPS Charge at Dublin Airport

Please see attached consultation paper regarding daa's proposal to submit an application to CAR for ATI fee approval of a CUPPS usage charge for Dublin Airport.

The timeline for this consultation process is set out below.

Action	Date
Consultation paper issues	13 November 2015
Consultation meeting	27 November 2015 2pm Seán Lemass Room, T1
daa to issue record of consultation meeting	1 December 2015
Deadline for clarification requests	4 December 2015
daa to respond to any outstanding clarification requests	11 December 2015
Deadline for final written comments from users	18 December 2015
daa to issue response to consultation including the CUPPS usage charge for which application will be made to CAR for approval	22 December 2015
daa to apply to CAR for approval of an ATI fee for CUPPS usage at the level specified in the response to consultation	22 December 2015
<i>Potential CAR-initiated consultation on the daa fee approval application</i>	<i>Jan 2016 (if initiated)</i>
CAR decision on daa fee application	As determined by CAR

daa looks forward to an open and constructive consultation process, and would encourage all users to participate fully. We request that all correspondence in relation to this consultation be addressed to apc-er@daa.ie.

Yours sincerely,

Valerie Ní Fhaoláin
Head of Economic Regulation

CUPPS USAGE CHARGE-
DUBLIN AIRPORT

USER CONSULTATION

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1. Executive Summary

daa wishes to make an application to CAR for approval of an ATI fee for the use of CUPPS (Common User Passenger Processing System) equipment¹ at Dublin Airport. Currently, there is no direct fee for the provision of this service at Dublin Airport; the costs of provision are recovered through general airport charges. As the contract for provision of this service (at both Dublin and Cork airports) has recently been awarded to a new service provider we consider this an appropriate time to apply for ATI fee approval for this service in Dublin, bringing into line the charging/cost recovery mechanism for this service at both Dublin and Cork Airports.

Fees charged by airport management bodies for access to installations (ATI fees) are governed by certain conditions which are laid out in the 1996 EU Ground-Handling Directive². CAR is required to determine whether these conditions are satisfied by ATI fees charged by the airport operator and, in accordance with Article 14(3) of S.I. 505 of 1998, Dublin Airport is thereby required to apply to CAR for approval of ATI fees. In this regard, we are now consulting with our airport users on a proposed fee for this service prior to making such an application.

In this paper we provide the forecasted costs (capex and opex) of provision of CUPPS at Dublin Airport over the contract duration. A per departing passenger charging mechanism is proposed. On the basis of the project costs, asset life of equipment and the passenger forecast we calculate the cost of CUPPS at €0.08 per departing passenger.

Following this consultation, we intend to apply to CAR for approval of an ATI fee for CUPPS of €0.08 per departing passenger (or as amended through this consultation process) – a charge of €0.08 would see full cost recovery of the provision of this service through the ATI fee charged. We illustrate how this charging mechanism and this level of charge comply with the EU requirements for ATI fees to be set with regard to the following criteria: relevancy, objectivity, non-discrimination and transparency.

However, the costs of CUPPS provision are included in the price cap calculation for 2015-2019 and are therefore recovered by daa through general airport charges until the end of the current determination period. It is therefore our intention not to collect any revenues from any ATI fee approved for CUPPS at Dublin Airport prior to 1 January 2020. In the interim period, airport users will be provided with their calculated CUPPS charge as an information item only. For the regulatory period beginning in 2020 daa expects that any ATI fee approved for CUPPS at Dublin Airport will be taken into consideration by CAR in setting the ATI fee cap (if retained), and the general price cap, and we would expect therefore to begin collection of CUPPS revenue from 1 January 2020.

2. Background

In 2007, daa introduced a CUPPS (then Common User Terminal Equipment (CUTE)) service at Dublin Airport. The equipment, maintenance and support for this service was provided through a lease contract with Ultra (equipment was leased from Ultra for the duration of the contract). daa did not

¹ Previously called CUTE – Common User Terminal Equipment

² <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:31996L0067&from=EN>

seek to charge a separate fee to airport users for the use of CUPPS, instead recovering the costs of providing this service through overall airport charges. In our Regulatory Proposition 2015-2019 we included the opex costs of CUPPS provision in our opex forecast, and CAR's subsequent 2014 Determination also included an allowance for these costs to end 2019.

3. Costs Associated with the Provision of CUPPS at Dublin Airport

daa recently carried out a tender process for the provision of CUPPS service at Dublin (and Cork) Airport. This tender was preceded by a comprehensive consultation process with airport users on the functional requirements and technical specifications for this service. ARINC was the successful bidder for this tender for the provision of CUPPS for the period 2015 – 2020.

The costs associated with CUPPS under the new contract include:

- the purchase of Dublin-specific CUPPS equipment (workstations, printers, scanners, network connections)
- Maintenance and support of the CUPPS equipment on a 24/7 basis including the initial set-up of airlines on the equipment, on-going technical support & equipment maintenance and the carrying out of necessary upgrades.

Costs Associated with CUPPS provision*		€**
Capital Costs		
<i>Total Dublin-specific capital required</i>		1,296,097
<i>Allocation of server & software capex to Dublin</i>		306,400
Total Capex		1,602,497
Total Costs per Annum:		
Return on capital (5.8%)		57,860
Return of capital (5 year asset life)		320,499
Operating Costs – maintenance and support		681,715
Total Cost per Annum		1,060,075
Average annual departing passengers	13,660,000	
Cost per departing passenger***		0.08

*Please see Appendix 1 for calculation of the return on and of capital; please see Appendix 2 for passenger forecast.

**Rounded to nearest €

***Rounded to nearest cent

Capex Costs

Dublin-specific Capex

Item	Cost per item	number	Total Cost*
Workstation provision under existing daa PF contract	800	370	296,000
Keyboard - Desko BMOS 5204 U	403.22	338	136,288
BGR - Desko BGR 504pro	706.80	149	105,313
BTP – TK180	763.59	249	190,134
ATB – TK180	822.65	241	198,259
LSR - Desko LAS 2D 32	253.75	177	44,914
DCP - OKI280	203.87	80	16,310
daa capitalised labour (installation)	400	225 days	90,000
ARINC project costs			218,879
TOTAL			1,296,097

*Rounded to nearest €

Allocation of Server & Software Capex to Dublin

Allocation of HW/SW Cost	Pax	€*
Server Cost		139,717
Software Cost		193,507
Total HW/SW Cost		333,224
Passengers		
Average annual Dublin Departing Pax	13,660,000	
Average annual Cork Departing Pax	1,195,194	
Total average annual Departing Pax	14,855,194	
Dublin as a % of total average annual departing Pax (%)		91.95%
Allocation of total HW/SW Cost to Dublin		306,400

*Rounded to nearest €

Operating Costs

Item	Total Cost over contract period	Annual cost*
ARINC Engineering support, software support, hardware support (all including maintenance).	3,408,576	681,715

*Rounded to nearest €

4. Requirements for the Setting of ATI fees as per EU Directive 96/67/EC

The following criteria are set out in the 1996 EU Ground-handling Directive for the setting of fees for centralised infrastructure at airports (ATI fees): relevance, objectivity, transparency and non-discrimination. We contend that the baggage hall desk infrastructure rental fee level proposed by daa in this consultation paper meets all of these criteria:

- **Relevancy** – the fees are logically connected to what is being provided in consideration of the fee. In this case, the fee is being charged for CUPPS infrastructure to which access is being

granted, and does not include any extraneous items or costs which are not reasonably related to CUPPS infrastructure.

- **Objectivity** - the fee is set in a fair and balanced manner undistorted by any prejudice on the part of daa. The current fee level, proposed for CAR's approval, is consistent with daa's statutory responsibilities to meet its financial obligations, conduct its affairs in a cost-effective manner and make a reasonable profit.
- **Transparency** – the criteria on which the fee is based are being made available and explained, and are consistent with the approach previously adopted with regard to the ATI fee approved for the check-in desks (see CP1/2008). The precepts underpinning the charging policy are set out clearly above, the proposed fee is being notified to users and the final fee will be published, subject to the approval of CAR, in the Dublin Airport Miscellaneous Charges Booklet for 2016.
- **Non-discrimination** - identical or comparable situations must not be treated differently. In this regard, the proposed fee for CUPPS usage will be applied to all users on a consistent per-user basis i.e. the fees charged to each airport user will be linearly related to the number of departing passengers they process through the CUPPS infrastructure and only users of CUPPS will be required to pay this charge.

5. Proposed ATI Fee for CUPPS at Dublin Airport

daa proposes a fee for CUPPS of €0.08 per departing passenger for approval. This fee level covers the capital costs (depreciation over a 5 year asset life and return on capital of 5.8%³) and operating costs of the provision of CUPPS equipment.

In the most recent decision relating to ATI fees, CP1/2008, CAR cited the following factors as being relevant in the setting of ATI fees:

- a. daa is entitled to recover from ground-handlers seeking access to an airport installation access fees based on the costs incurred by it in providing the installation to ground-handlers.
- b. The relevant costs in accessing an airport installation fee were those costs without which the installation would not exist, namely capital costs, utility costs and certain operating costs without which the installation could not operate.
- c. Depreciation based on the capital stock was relevant to the provision of access to the installation.
- d. The logic of recovery of a return on capital was accepted.
- e. Operating costs which are relevant to providing the installation the subject of the access fees are relevant when setting access fees.

and we therefore consider the proposed fee consistent with the stated CAR position on appropriate levels of ATI fees.

A fee of €0.08 per departing passenger represents full cost recovery for the provision of this facility. We consider this fee level to be appropriate as airport users may choose to use a manual check-in system as an alternative to the use of CUPPS (requiring check-in desk rental and associated charge

³ 5.8% is the allowed rate of return for Dublin Airport in total set in the 2014 Determination.

but not CUPPS). In such a case, airport users that do not use CUPPS would be required to cover some of the cost, if part of the costs is to be recovered through general airport charges.

6. CUPPS Fee Recovery to end 2019

In the 2014 Determination CAR made two decisions which are relevant to any ATI fee approved for CUPPS at Dublin Airport to the end of 2019:

- a) An opex allowance was made for the provision of CUPPS service and
- b) An annual ATI fee cap of €2.2m was set.

As the costs of CUPPS provision (based on the existing opex-only contract in place in 2013, which was the base year for the 2015-2019 opex forecast) are provided for within the price cap to the end of 2019, any approved ATI fee charged and collected for CUPPS in the current regulatory period could give rise to an 'over-recovery' of costs. Additionally, if daa were to charge and collect any approved ATI fee for CUPPS, the total ATI fees (from check-in desks, etc.) would be in excess of the annual cap and would fall to be refunded to users.

Therefore, we propose to calculate the ATI fee for CUPPS as an information item only on invoicing to users to 31 December 2019. We consider that this will provide useful information as to likely costs in subsequent regulatory periods. However, daa will not seek to collect any revenues through this ATI fee (if approved) until the end of the current regulatory period. daa would seek to collect ATI fees for CUPPS from 1 January 2020.

7. Consultation Questions

Dublin Airport welcomes the views of users with regard to the CUPPS charging mechanism and level as outlined above. We invite you to attend the consultation meeting to be held on 27 November 2015 and / or to submit a response to this consultation by 18 December 2015, so that your feedback can be considered. Please send all correspondence relating to this consultation process to apc-er@daa.ie.

In advance of the consultation meeting / preparation of your response, it may be useful to consider the following questions:

Question 1	Response
Do you agree with a per departing passenger charging mechanism for the use of CUPPS equipment.	
Question 2	Response
Do you wish to propose an alternative charging mechanism? If yes, please provide details of such an alternative with particular regard to how it satisfies the requirements for relevancy, transparency, objectivity and non-discrimination.	

Question 3	Response
<p>Do you agree that the allowed rate of return on capital of 5.8% as per the 2014 Determination is an appropriate level of return for the capex employed in this project at Dublin Airport? If not, please indicate the level of return on capital you consider appropriate and why.</p>	
Question 4	Response
<p>Do you agree that the costs set out in Section 3 are relevant to the setting of the CUPPS charge? If not please indicate which cost category/ies you consider not relevant to the setting of the CUPPS charge and why.</p>	
Question 5	Response
<p>Do you agree with the calculation of costs within each of the categories in Section 3? If not, please specify how you believe these costs should be calculated.</p>	
Question 6	Response
<p>Do you agree with the allocation mechanism used to allocate the server and software capex costs between Dublin and Cork Airports (proportion of total departing passengers)? If not, please specify an alternative allocation mechanism describing why you consider this alternative to be more appropriate.</p>	
Question 7	Response
<p>Do you agree with the passenger forecast used in the calculation of this charge? If not, please provide your view of an appropriate average annual departing passenger figure for Dublin Airport and how this figure was derived.</p>	
Question 8	Response
<p>Do you agree with a CUPPS charge of €0.08 per departing passenger? If not, please state the charge you consider appropriate providing details of how this charge has been calculated (calculation of cost and cost recovery level) together with your view of how this charge would satisfy the necessary criteria for an ATI fee.</p>	