

11 November 2015

Dear Airport User,

**Re: Consultation Process on Revised CUPPS (Common User Passenger Processing System) Charge at Cork Airport**

Please see attached consultation paper regarding daa’s proposal to submit an application to CAR for ATI fee approval of a revised charge for the use of CUPPS equipment at Cork Airport.

The timeline for this consultation process is set out below.

Action	Date
Consultation paper issues	11 November 2015
Deadline for final written comments from users	20 November 2015
daa to issue response to consultation including the revised CUPPS charge for which application will be made to CAR for approval	25 November 2015
daa to apply to CAR for approval of the revised ATI fee for use of CUPPS at the level specified in the response to consultation	25 November 2015
CAR decision on daa fee revision 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](mailto:apc-er@daa.ie).

Yours sincerely,

---

Valerie Ní Fhaoláin  
Head of Economic Regulation - daa



## **Contents**

1. Executive Summary.....	4
2. Background to current ATI fee for CUPPS at Cork Airport.....	4
3. Cost of Provision of CUPPS at Cork Airport under the new contract with ARINC .....	5
4. Requirements for the Setting of ATI fees as per EU Directive 96/67/EC.....	6
5. Proposed ATI Fee for CUPPS .....	7
6. Consultation Questions.....	7

## 1. Executive Summary

daa wishes to make an application to CAR for approval of a revised ATI fee for the use of CUPPS (Common User Passenger Processing System) equipment<sup>1</sup> at Cork Airport. The proposal to revise the charge for the use of this equipment reflects the reduced costs arising from the new contract entered into with ARINC (as of November 2015) for the provision of the necessary equipment, support and maintenance of this service<sup>2</sup>. 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 Directive<sup>3</sup>. CAR is required to determine whether these conditions are satisfied by ATI fees charged by the airport operator and, in accordance Article 14(3) of S.I. 505 of 1998, Cork 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 of €0.13 per departing passenger for CUPPS services at Cork Airport prior to making such an application.

In this paper we provide the forecasted costs for the provision of CUPPS services at Cork Airport over the contract duration in total, and per passenger based on a forecast of annual passenger numbers. On the basis of these costs, we calculate that the cost of CUPPS per departing passenger is €0.13. We do not propose a change to the existing charging mechanism for CUPPS services, which is also a charge per departing passenger. We illustrate how this charging mechanism and level of charge complies with EU requirements for ATI fees to be set with regard to the following criteria: relevancy, objectivity, non-discrimination and transparency.

Following this consultation, we intend to apply to CAR for approval of an ATI fee for CUPPS services of €0.13 per departing passenger (or as amended through this consultation process) – a charge of €0.13 represents a 46% reduction from the current fee for this service.

The revised charge (as per CAR decision) will be applied in the billing system from the date specified in the CAR decision for its coming into force.

## 2. Background to current ATI fee for CUPPS at Cork Airport

In July 2006 daa introduced a CUPPS (then Common User Terminal Equipment (CUTE)) service at Cork Airport. The equipment, maintenance and support for this service were provided through a lease contract with ARINC (equipment was leased from ARINC for the duration of the contract). In August 2006, daa applied to CAR for approval of an ATI fee of €0.24 per departing passenger for CUPPS – a fee level which was agreed with users through consultation in advance of the application to CAR. In December 2006, CAR approved an ATI fee of €0.24 per departing passenger for CUPPS at Cork Airport; considering that the charging mechanism and charge level satisfied the necessary conditions of relevancy, objectivity, non-discrimination and transparency. This approved ATI fee of €0.24 per departing passenger remains in place at Cork Airport.

---

<sup>1</sup> Previously called CUTE – Common User Terminal Equipment

<sup>2</sup> CUPPS is used by airlines/ground-handlers to check-in passengers and process them at the boarding gates.

<sup>3</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:31996L0067&from=EN>

### 3. Cost of Provision of CUPPS at Cork Airport under the new contract with ARINC

daa recently carried out a tender process for the provision of CUPPS at Cork (and Dublin) 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 Cork-specific CUPPS equipment (workstations, printers, scanners, network connections)
- an allocation of server and software costs to Cork Airport
- 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 and equipment maintenance and the carrying out of necessary upgrades.

Costs Associated with CUPPS provision*		€**
<b>Capital Costs</b>		
Total Cork-specific capital required		150,131
Allocation of server & software capex to Cork		26,825
<b>Total Capex</b>		<b>176,955</b>
<b>Total Costs per Annum:</b>		
Return on capital (7.8%)		8,695
Return of capital (5 year asset life)		35,391
Operating Costs – maintenance and support		115,380
<b>Total Cost per Annum</b>		<b>159,466</b>
Average annual departing passengers	1,195,194	
Cost per departing passenger***		0.13

\*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

##### **Cork-specific Capex**

Item	Cost per Item	Number	Total Cost*
Workstation provision under existing daa PF contract scanners	800	44	35,200
Keyboard - Desko BMOS 5204 U	403.22	44	17,742
BGR - Desko BGR 504pro	706.80	16	11,309
BTP – TK180	763.59	36	27,489
ATB – TK180	822.65	28	23,034
LSR - Desko LAS 2D 32	253.75	28	7,105
DCP - OKI280	203.87	8	1,631
daa capitalised labour (installation)	400	31 days	12,400
ARINC project cost			14,221

<b>TOTAL</b>			<b>150,131</b>
--------------	--	--	----------------

\*Rounded to nearest €

#### Allocation of Server & Software Capex to Cork

Allocation of HW/SW Cost	Pax	€*
Server Cost		139,717
Software Cost		193,507
<b>Total HW/SW Cost</b>		<b>333,224</b>
<b>Passengers</b>		
Average annual Dublin Departing Pax	13,660,000	
Average annual Cork Departing Pax	1,195,194	
<b>Total average annual Departing Pax</b>	<b>14,855,194</b>	
Cork as a % of total average annual departing Pax (%)		8.05%
Allocation of total HW/SW Cost to Cork		<b>26,825</b>

\*Rounded to nearest €

#### Operating Costs

Item	Total Cost over contract period	Annual cost*
ARINC Engineering support, software support, hardware support (all including maintenance).	576,899	115,380

\*Rounded to nearest €

This cost is for on-site support from ARINC for 11 hours daily.

## 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 ATI fees: relevancy, objectivity, transparency and non-discrimination. We contend that the CUPPS charge 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. The costs which daa are seeking to recover through the proposed charge are not inclusive of any costs relating to either the check-in desk infrastructure or terminal building.
- **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. Further, a per departing passenger mechanism allows for the calculation of the fee based on an objective measure.
- **Transparency** – the criteria on which the fee is based is being made available and explained and are consistent with the approach previously adopted with regard to the ATI fee

approved for CUTE in 2006 (see CP2/2006). 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 Cork 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

daa proposes a fee of €0.13 per passenger for CUPPS usage for approval. This fee level covers the capital costs (depreciation and return on capital of 7.8%<sup>4</sup>) and operating costs for the provision of CUPPS.

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 where 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 current fee consistent with the stated CAR position on appropriate levels of ATI fees.

A fee of €0.13 per departing passenger represents full cost recovery for the provision of this facility.

## 6. Consultation Questions

Cork Airport welcomes the views of users with regard to the CUPPS charging mechanism and level as outlined above. We invite you to submit a written response to this consultation by **close of business on 20 November 2015** so that your feedback can be considered. Please send all correspondence relating to this consultation process to [apc-er@daa.ie](mailto:apc-er@daa.ie).

---

<sup>4</sup> We have provided to CAR the rationale for a return on capital of 7.8% for Cork Airport; we consider this information to be commercially sensitive and not for publication. It is expected that CAR will consider the return on capital which is appropriate to include in the cost calculation for CUPPS in making their decision on the allowed ATI fee.

In preparing your consultation response it may be useful to consider the following questions:

<b>Question 1</b>	<b>Response</b>
Do you agree that a return on capital of 7.8% is an appropriate level of return for Cork Airport? If not, please indicate the level of return on capital you consider appropriate for Cork Airport and why.	
<b>Question 2</b>	<b>Response</b>
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.	
<b>Question 3</b>	<b>Response</b>
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.	
<b>Question 4</b>	<b>Response</b>
Do you agree with the allocation mechanism used to allocate the server and software capex costs between Cork and Dublin Airports (proportion of total departing passengers)? If not, please specify an alternative allocation mechanism describing why you consider this alternative to be more appropriate.	
<b>Question 5</b>	<b>Response</b>
Do you agree with the passenger forecast used in the calculation of this charge (base 2015 with 5% annual increase thereafter) as per Appendix 2? If not, please provide your view of an appropriate average annual departing passenger figure for Cork Airport and how this figure was derived.	
<b>Question 6</b>	<b>Response</b>
Do you agree with a CUPPS charge of €0.13 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.	