

# Proposed Commercial Check-in Charges at Dublin for 2008







Meeting Chairman - Jack MacGowan






Presenter - Mary Coveney

12<sup>th</sup> December 2007

# Outline

-  Regulatory context
-  Cost base
-  Regulatory compliance
-  Next steps

# Regulatory context

-  Airport Charges defined in Ireland under Air Navigation and Transport (Amendment) Act 1998
  -  CAR sets airport charges cap in accordance with the Aviation Regulation Act 2001 and State Airports Act 2004
-  Access to Installations regulated in accordance with EC Directive 96/67/EC
  -  Transposed into Irish legislation as S.I. 505
  -  Feature unique to Ireland – prior approval of charges by regulator

## S.I. No. 505

 Article 14 (3) (≡ Article 16.3 of 96/67/EC)

*“Where access to airport installations gives rise to the collection of a fee, the latter shall be determined by the managing body of the airport and approved by the Minister in accordance with relevant, objective, transparent and non-discriminatory criteria”*

***ECJ -that body is entitled to collect a fee for the use of airport installations, of an amount, to be determined according to the criteria laid down in Article 16(3) of the Directive, which takes account of the interest of that body in making a profit.***









*CP8/2004 “..the Commission does not consider that the methodology used to calculate the 2001 price cap is relevant to the approval of access fees. However, the Commission wishes to confirm that any issues linking to the projections used in the calculation of the 2001 price cap can be resolved at the time of the review of the price cap or the making of a new determination”*

## Regulatory context- Check-in Charges

Charge type	Current	Proposed 2008
Annual	17,119.20	25,000
Hourly	21.40	30.00
SSK	Pilot scheme	1,200

- Initial letter proposed January 1<sup>st</sup>
- DAA now proposes April 1<sup>st</sup> to allow for further consultation with users
- Annual CPI increase proposed 2009- minimum
- Baggage charge option – charge per bag or per passenger

# Regulatory Process to date

-  Check-in desk Approval by CAR 2004
  -  All data to CAR
  -  CAR consulted with users
-  CAR re-defined process
  1. DAA to consult with users first
  2. DAA makes submission to CAR afterwards
  3. CAR makes decision on approval in accordance with 4 criteria
-  We are now at Step 1
  -  Letter circulated, feedback requested
  -  Meeting to discuss
  -  Have deferred start date until April 2008 to facilitate more open discussions

# Consultation Process to Date

- 5 responses to date
  - Currently under review- detailed responses



- Key topics
  - Regulatory context
  - More detail on costs
  - Consultation process
  - Charges rationale
  - DAP Infrastructure
  - Increase level v CPI
  - Labour cost increases
  - CUTE charges
  - DAA cost efficiencies

DAA is anxious to engage in constructive and measured debate with customers

Consultation process modelled on CAR process

# ASA comments re Commercial Revenue at Dublin

*“Dublin only raises the equivalent of 48.6% of the level of commercial income per passenger in comparison with the average for European international airports as a whole...this indicates that Dublin has the underlying potential to substantially increase its net commercial revenue over the next 10-15 years which would enable it to close the gap that exists between itself and UK peer airports in terms of its performance measured on a per passenger basis”.*

-  CAR has set aggressive Commercial Revenue targets exceeding those projected by the DAA
-  Costs not covered from commercial would have to be recouped from aeronautical revenues



# Costs information provided in first DAA letter

Ca. 65% relates to baggage

## Dublin Airport

### Check-In Desk/Baggage/SSK Cost Analysis

#### Combined Check-in desks and Outgoing baggage

	2007
	€
Annual Capital Cost	3,982,014
Operating costs	6,277,103
Total annual costs to recover	<u>10,259,117</u>
Annual costs to recover per desk	62,556
Allocation for management and support staff	5,741
<b>Annual costs to recover per desk including allocation</b>	<b>68,297</b>

#### SSK only

	€
Annual Capital Cost	523
Operating costs	593
Total annual costs to recover	<u>1,116</u>
Allocation for management and support staff	89
<b>Annual costs per SSK to recover including allocation</b>	<b>1,205</b>

Proposed charge 25,000

- <40% of costs

# Comparison with 2004 submission

<b>Dublin Airport</b>	<b>2007</b>	<b>2004</b>
	<b>€</b>	<b>€</b>
<b>Combined Check-in desks and Outgoing baggage</b>		
Annual Capital Cost	3,982,014	3,495,374
Operating costs	6,277,103	3,745,737
Total annual costs to recover	<u>10,259,117</u>	<u>7,241,111</u>
Annual costs to recover per desk	62,556	50,994
Allocation for management and support staff	5,741	3,957
<b>Annual costs to recover per desk including allocation</b>	<b>68,297</b>	<b>54,951</b>

13,350 change per desk

Same basis as that previously submitted to and approved by CAR

## Capital Costs- CIDs



Annual Capital Cost of relevant assets



Of terminal assets, what relate to check-in and outgoing baggage



Check-in area (allocation of terminal)



Check-in desks and related equipment



Outgoing baggage area including baggage system



Changes since last submission



2005 Baggage Hall extension



Area 14



Less queuing area



*Resulting changes in m2*



1.3k v 3.6k m2 check-in



7.6k v 6.5k m2 baggage hall



General terminal asset costs added in proportion to area proportion



Return on Capital












Need to make a RoC



Overall effect ← reduction of c.€300 per desk

# CIDs Operating Costs

-  Only relevant costs included
  -  Cleaning
  -  Electricity, Heating & Airconditioning
  -  Maintenance costs
  -  Rates
  -  Terminal staff costs
-  Detailed costings confidential
-  Methodology transparent and objective
-  Same basis as provided for previously approved charges

# Operational cost changes since last submission

Operating Cost Heading	Cost Methodolgy	Comment	Per desk variance (EUR)
Cleaning	Based on no of FTEs assigned to departures floor, allocated to check in based on reduced area + dedicated baggage area cleaning		-300
Terminal staff costs	Terminals Management, Trolleys, Info desk and customer relations, Customer Services, Baggage control, Terminal Services, Duty Office	Inflation plus increases in CSA's, trolley staff and baggage control	11,000
Electricity, Heating & Airconditioning	Estimated based on no of square metres	Larger due higher energy costs, also enlarged baggage area, less queuing	1,100
Maintenance costs	For check-in area based on allocation of terminal maintenance costs by area. For baggage , 90% of baggage maintenance included		-1,200
Rates	Rates on actual desks not included (paid directly by operator). Rates for baggage halls included	Baggage hall rates omitted inadvertently previously	1,300
Management and Support Staff	Allocated as 15% of operating costs		1,800
		<b>Total</b>	<b>13,350</b>

# SSKs

- Originally introduced on a pilot basis
  - Assist in reducing congestion
  - Bag drop desks still necessary
- Extensive measures taken to deal with congestion in the departures area
- Similar methodology employed to CIDs
  - Full Cost recovery

# Charging Principles in line with SI 505



## Relevance



Appropriate Costs included



## Objective



DAA approach is clear and unbiased



## Transparent



Charges methodology and cost analysis laid out clearly



*Last time CAR indicated that “Having carried out an analysis of the Aer Rianta costings, the Commission is satisfied that the basis for the check in desk rental and the CUTE facility is sufficiently transparent”*









## Non-discrimination

# Summary

- Increase in costs primarily driven by additional resources deployed to deal with congestion
- DAA will still recover <40% of costs
  - DAA anxious to move towards full cost recovery ASAP
- Full costs equivalent to EUR0.48 per passenger
- Increase less than EUR 0.15 per passenger
- Airline Baggage Charges:
  - Compare with EUR 6/12 – Ryanair;
  - Ryanair Check-in charge EUR 3
  - Aer Lingus EUR 4 (Jan) -9 (Dec)
  - For airport baggage EUR 8 (Jan)12 (Dec)



## Next Steps

-  DAA will review feedback to date
-  Request for further written feedback from customers
-  Anxious to deal with any queries we can
  -  Commercial sensitivity and confidentiality
-  Review and consult further in January
-  Will then make submission to CAR