



**Maximum Levels of Airport Charges
at Dublin Airport
Price cap for 2011**

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1. Introduction

- 1.1 This paper reports a provisional price cap at Dublin Airport for 2011, according to the formulae set out in the Commission's Varied Determination, published on 30 July 2010.¹ The calculation of the provisional price cap is derived with reference to:
- Inflation in the current year as measured by the consumer price index;
 - The satisfaction of various capital investment triggers;
 - The difference in the previous regulatory year between the Commission's actual and budgeted costs and expenses per passenger, as recovered through the airport charges; and,
 - The degree of over or under recovery of charges by the DAA in 2009.
- 1.2 The average per passenger airport charges in 2011 shall not exceed €10.43. This is an increase on the 2010 price cap of just over a Euro. The figure is provisional since it will be lower should the DAA fail to achieve all the quality of service targets for 2011 set out in the determination, and it will be higher if the DAA is required to upgrade its baggage security equipment prior to the end of 2011.

¹ Commission for Aviation Regulation (2010) "*Commission Paper CP5/2006: Decision of the Commission further to a Referral by the 2010 Aviation Appeal Panel*", www.aviationreg.ie.

2. The price cap in 2009

- 2.3 The Commission compared the 2009 price cap with the DAA's pricing, following the receipt of actual revenue and passenger volume information. The 2009 price cap was €7.39.
- 2.4 The DAA provided the Commission with detailed information in respect of the revenues collected in 2009 in respect of each of its airport charges as well as total passengers that used Dublin Airport that year.
- 2.5 According to the information received the DAA's average revenue per passenger yielded by way of airport charges levied at Dublin airport was €7.61 per passenger. It did not levy an airport charge in respect of services supplied in connection with the transportation by air of cargo to or from Dublin airport. The average revenue per passenger in 2009 of €7.61 was €0.22 above the price cap.
- 2.6 The over-collection in 2009 will be returned to users, with interest, in 2011 through a 'K-term' in the 2011 price cap formula. For the period 2010-2014, over-collections will no longer be treated in this manner. The 2009 Determination specifies that should the DAA collect more than permitted, it shall arrange to rebate users within 45 days of the year ending a sum sufficiently large that the revenues collected net of this sum do not exceed the maximum permitted revenue per passenger.

3. Provisional 2011 Price Cap

- 3.7 The provisional 2011 price cap calculation takes account of the following features
- T2 became operationally ready in November 2010, so will be operationally ready for all 365 days in 2011;
 - Annual passenger numbers in 2010 did not exceed 23.5 million, so the runway trigger was not met;
 - There was not a week in 2010 when demand for aircraft stands exceeded 74, so the apron development trigger was not met;
 - The percentage change in the Consumer Price Index between October 2009 and October 2010 was 0.7%;²
 - The average revenue per passenger collected from airport charges levied at Dublin airport in 2009 was €7.61;
 - In 2009 20,503,677 passengers used Dublin airport;
 - The average daily three-month interest rate between 1 November 2009 and 1 November 2010 using the Euribor rate was 0.76%.
- 3.8 At this stage, the Commission does not know if the DAA will meet all the quality of service targets set out in the determination. Nor does it know for certain whether the DAA will need to upgrade its Dublin airport baggage security equipment prior to the end of 2011 (and thus meet the HBS trigger).
- 3.9 The Commission estimates a provisional price cap of €10.43 per passenger. This estimate assumes that the DAA will meet all quality of service targets, and that the HBS trigger will not be met. The calculation leading to this provisional estimate is set out below.

² The index that was used was the *Consumer Price Index by Commodity Group, Statistic and Month, all items* - available from the CSO website www.cso.ie.

4. Price cap formula and calculation

4.10 The price cap in 2011 is

$$P_{2011} = [(8.20 + T_{2011} + \text{Trigger}_{2011}) * (1 + \text{CPI}_{2010}) + k_{2009} + W_{2009}] * QS_{2011}$$

4.11 Taking each of the components in the equation in turn:

$$\begin{aligned} T_{2011} &= €2.33 * (\text{Number of days in 2011 T2 operationally ready}) / 365 \\ &= €2.33 * (365/365) = €2.33 \end{aligned}$$

4.12 Trigger_{2011} is the sum of the runway trigger, the apron development trigger and the HBS trigger. The first two of those triggers have not been met for the purposes of the 2011 price cap calculation; for the purposes of calculating a provisional price cap, it is also assumed that the HBS trigger will not be met. Thus Trigger_{2011} is zero. (It would be €0.07 if the HBS trigger is met.)

$$4.13 \quad \text{CPI}_{2010} = (101.8 - 101.1) / 101.1 = 0.007$$

$$\begin{aligned} 4.14 \quad k_{2009} &= (€7.39 - Y_{2009}) * (Pa_{x_{2009}} / 22,947,301) * 1.0101 * (1 + I_{2010}) \\ &= (€7.39 - €7.61) * (20,503,677 / 22,947,301) * 1.0101 * (1 + 0.0076) \\ &= -€0.20 \end{aligned}$$

$$4.15 \quad W_{2009} = €0.0200 * (1 + I_{2010}) = €0.02$$

4.16 QS_{2011} will take a value between 0.955 and 1 depending on how many service quality targets the DAA manages to achieve in 2011. To estimate a provisional price cap, it is assumed to take a value of 1.

4.17 Hence

$$\begin{aligned} P_{2011} &= [(8.20 + 2.33 + 0) * (1 + 0.007) - 0.20 + 0.02] * 1 \\ &= €10.43 \end{aligned}$$

Annex – DAA average revenue per passenger 2009

Revenue	(€, 2009)
Airbridge Hire	550,532
Aircraft Parking	10,243,615
Passenger Service Charge	75,470,972
Runway Movement Revenue	66,324,870
PRM revenue	3,343,595
Total Revenues	155,933,583
Passengers	20,503,677
Average Revenue per Passenger	7.61

Table 1: Dublin Airport average revenue per passenger 2009

Source: Dublin Airport Authority