

Irish Association of International Express Carriers Ltd. (IAIEC)

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A Submission

From: Irish Association of International Express Carriers (IAIEC)
To Commission for Aviation Regulation (CAR)
Re *Maximum Levels of Airport Charges at Dublin Airport, Issues Paper*
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Introduction

The IAIEC represents the major international express carriers operating in Ireland, DHL, FedEx, TNT, and UPS. All are major movers of goods and physical information through Dublin Shannon and Cork airports using their own or contracted third party aircraft. They all require and use third party groundhandling services at all of these airports.

IAIEC members operate some of the world's largest all cargo aircraft fleets. They successfully use hundreds of airports every day as the key hubs and links in their highly integrated global transportation and delivery networks. These services provide what their clients want: the fastest possible cost effective global distribution of their goods and physical information. That is what makes their business competitive and having these services is what makes an economy competitive. And regaining national competitiveness is now vital for the Irish economy.

Essential requirements for integrators to operate successfully include:

- (1) Rules and regulations that ensure consistently safe, secure and reliable usage
- (2) Competitive and cost effective airport costs and charges.
- (3) Efficient and air cargo aware airport managers

As a result each of the Association's Members has regular and detailed commercial dealings in one form or another with DAA and they strive to ensure these are positive and constructive.

Airport Charges and the IAIEC

The IAIEC engaged fully formally and constructively with CAR in its first determination process the result of which is summarized in Chapter Nine of *Maximum Levels of Airport Charges at Dublin Airport, Issues Paper*:

9.3 Along with charges levied in respect of runway usage, parking and passenger processing, charges levied for the transportation of cargo are incorporated within the definition of airport charges.

(but)The DAA does not at present levy a cargo specific charge and instead levies runway and, where appropriate, parking charges on cargo carriers.

Nevertheless as the ‘Issues Paper’ goes on to say:

9.4 The origins of the cargo sub-cap date back to the 2001 determination when the Commission introduced both a cargo and an off-peak runway sub-cap. Whilst the off-peak runway sub-cap was not retained in the 2005 determination, the cargo sub-cap was retained and is annually increased on a CPI+X basis.

Subsequent to its detailed participation/submissions to the first CAR Determination the IAIEC did not participate in the later consultations for a number of reasons, but primarily because in the absence of a cargo levy being imposed it felt there was little to add to what had already been said.

However as this Issues Paper specifically asks for inputs on cargo, or express freight as many in the sector refer to what they do, the IAIEC appreciates the opportunity to assist CAR in evolving its own views, assessments and judgments.

Analysis

The IAIEC believe that there is a very good reason why the DAA does not levy a cargo charge, and that is there are no cargo specific costs incurred by them that are not already being recovered through service specific charges such as landing and take off, parking and rent. Consequently to impose a further and additional ‘cargo charge’ would be an unnecessary and unjustified additional cost.

The IAIEC therefore appreciates that the DAA have *de facto* acknowledged this by not imposing a separate cargo levy. Nevertheless IAIEC also appreciate and understand that notwithstanding this prevailing reality ‘on the ground’ at Dublin Airport the *de jure* situation is precisely as CAR has set it out in 9.1:

The Commission currently has in place a sub-cap on cargo charges which exists to protect cargo carriers in the event that such a charge is introduced.

Therefore in forming its response the IAIEC felt the three key questions it needed its members to reflect on and answer were:

1. Do they feel that the existence of the cargo sub cap is a necessary protection?

The response received was to suggest there are no grounds for specific additional cargo charges and thus the sub-cap should be removed as it serves no purpose

2. How does the situation in Ireland compare to elsewhere in the EU?

The majority of European Airports do not have a specific cargo charge as any use of airport facilities is paid for through Landing/Parking Fees, Direct Property Rental, Vendor Handling Agents Charges etc

3. What would they feel if CAR decided to abolish the sub-cap?

That the DAA will continue to behave as they have been, in a commercially realistic and sensible fashion, and that CAR will still have the capacity to intervene should they not do so as the basic legislation enables them to do so if necessary

And when might that situation arise? Again IAIEC concur with CAR's own assessment as set out in 9.5 that the current formula has the effect of increasing the apparent per passenger yield. As a result IAIEC appreciates CAR's concern that;

there may be incentives for the airport to favour an aircraft carrying passengers over an aircraft carrying cargo.

Having consulted with its members the IAIEC submits that it is their view the DAA is now fully aware of this anomaly (unlike their predecessor Aer Rianta) and as a result have in recent actions and interactions with express carriers, both collectively through the IAIEC and with individual members, adopted a more pragmatic and realistic approach.

Therefore at this time the evidence in front of the IAIEC and its members suggests that this bias does not need to be remedied from a cargo operator's perspective.

In passing the IAIEC would submit that there should be no need for any such remedy from a passenger airline perspective at Dublin Airport either. Because any common sense judgement would be that due to the dramatic and sustained growth in passengers the number of all cargo flights are proportionally very much smaller now, and as a result any distortion caused would be relatively minor

Response

On the basis of the above analysis the IAIEC therefore submits in response to the specific questions put by CAR in the Issues Paper:

_ Should the Commission continue with the status quo of a cargo sub-cap despite there currently being no cargo charge?

No

_ Should the Commission discontinue the cargo sub-cap in its next determination and instead set only an overall cap on airport charges?

Yes

_ Should the Commission introduce a new scheme or mechanism to ensure equal incentives towards passenger and cargo aircraft?

Such schemes to ensure equality are always welcome therefore the DAA should have the ability to provide cargo specific incentives for additional flights.

However as IAIEC members predominantly operate daily scheduled flights that are already up and running the scope for the DAA to attract additional flights, especially in the current economic crises is severely limited.

- If so, stakeholders are invited to make proposals.

IAIEC would point out that most European airports have reductions for cargo on landing or parking and do not apply a specific cargo charge.

Finally IAIEC notes that in 9.7 CAR suggests that:

Parties may also wish to consider if the current contribution toward the airport's total allowable costs made by cargo carriers compared with airlines is appropriate.

In light of the facts set out above the members of the IAIEC are firmly of the view that:

Both individually and collectively express carriers are making a full and fair contribution to totally allowable costs in the context of their actual needs at, and usage of, Dublin Airport.

Indeed while the Government has decreed that Dublin Airport is a 'dual use' airport for passengers *and* goods, it hardly needs a detailed study and expensive report to confirm that were there only facilities for goods it would be a miserable place for passengers!

That said, there is of course an advantage to being able to use an airport that is dynamic and well appointed for passenger traffic, although there may be a limit to this as the current and future disruption caused to cargo by the development of T2 demonstrates.

However the real winner of the dual use policy is surely the Irish economy and especially that of the Dublin Region as a result of it being possible to bring goods into and out of the country, day or night, by air, thereby ensuring next day delivery is possible to or from any other part of Europe, and hence keeping Ireland competitive.

Conclusion

The IAIEC compliments CAR on addressing the issue of the Cargo Sub Cap and providing an opportunity to its members to consider the questions posed.

The subsequent responses have been much informed by the recent actions of the DAA in regard to express carriers and more especially the fact they have (finally) engaged with the sector and its members in regard to future needs.

Nevertheless the IAIEC would not yet take this as evidence that the basic legislative mandate that requires some oversight of cargo as well as passenger charges is redundant or unnecessary, because who can tell what the future will hold.

Yours sincerely

David Canavan
Chairman
IAIEC