



Maximum Levels of Aviation Terminal Services Charges

**Compliance Statement for regulatory year
1 January 2010 to 31 December 2010**

Commission Paper CP3/2011

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1. Compliance with the 2010 price cap

Introduction

1.1 This Paper assesses compliance by the Irish Aviation Authority (IAA) with the price cap for aviation terminal service charges (ATSCs) levied on departing aircraft at Dublin, Cork and Shannon airports for the regulatory period January to December 2010. The calculation of the price cap for the regulatory period 2010 is completed using the price cap described in the March 2007 Determination.¹

Calculation of the 2010 Cap

1.2 In March 2007, the Commission developed a regulatory formula for calculating the price cap by including a term that allowed for the sharing of volume risk between the IAA and its users. The price cap formula can be interpreted as requiring that annual revenues derived from ATSCs be less than or equal to a variable revenue component that varies with traffic volumes and a fixed revenue component that does not vary with traffic volumes. The price cap also includes a 'milestone' term which makes certain revenue allowances conditional on the IAA achieving specified milestones in the commissioning of new control towers at Cork and Dublin.

1.3 In order to implement these policies the cap in a given year will not be known with certainty until full information is available on outturn volumes and the achievement of milestones in that year. The IAA has provided the Commission with the outturns for 2010. The Commission can therefore calculate the 2010 cap and state whether the IAA complied with this cap.

1.4 The sum of weight of aircraft that departed from Dublin, Shannon and Cork airports during 2010, as measured by the aggregate MTOW, came to 7,222,072 tonnes. All other data necessary for calculating the 2010 cap are available from publicly available sources as described in the 2007 determination or are specified in the determination.

1.5 By following the formulae set out in the 2007 determination we get the following:

- $k_{2010} = €0.26$, where the k_{2010} term represents the correction per tonne of departing aircraft from Dublin, Cork and Shannon airports as a result of over collection of ATSCs by the IAA during the regulatory period 2009
- $w_{2010} = €0.00$, where the w_{2010} term is the difference, between the actual costs and expenses of the Commission and budgeted costs and expenses adjusted to allow for interest payments for the regulatory period 2009
- $f_{2010} = €2.07$, where the f_{2010} term provides for a level of revenues that do not vary with traffic volumes. The fixed milestone adjustment for the Cork tower is included within this term.

¹ See pages 4 to 12 of CP4/2007; Determination on the Maximum Level of Aviation Terminal Service Charges. This document is available for download under Charges/Slot regulation on www.aviationreg.ie

- $v_{2010} = €1.20$, where the v_{2010} term provides for a level of revenues that varies with traffic volumes
- 1.6 Based on the price cap formula of $t = v + f + k + w$, where t represents the maximum permitted revenue per tonne from ATSCs (i.e. the price cap) as defined in CP4/2007, the price cap for 2010 is €3.53 per tonne of departing aircraft.
- 1.7 The IAA's actual per tonne yield can be calculated using information provided by the IAA to the Commission on the actual revenue and tonnage data, where:
- The maximum take of weight (MTOW) of aircraft for which ATSCs were levied during the regulatory year 1 January 2010 to 31 December 2010 of 7,222,072 tonnes
 - Total revenue yielded by way of ATSCs levied at Dublin, Shannon and Cork during the regulatory year 1 January 2010 to 31 December 2010 of €21,411,530
- 1.8 By dividing the total actual revenue by the tonnage of departing aircraft gives actual revenue per tonne of €2.96 for 2010. The IAA therefore complied with the 2010 cap and under-collected by €0.57. Accordingly there will be an adjustment to the 2011 cap which will be increased to return this differential to the IAA.