



**Submission to the
Commission for Aviation Regulation**

**Re: Revised Common User Passenger Processing System (CUPPS)
Charges at Shannon Airport**

6th March 2017

1. Executive Summary

The Commission for Aviation Regulation Paper No CN4/2007, dated 10th May 2007, approved the current charge of €0.30 for Common User Terminal Equipment system (CUTE) now known as Common User Passenger Processing system (CUPPS) at Shannon Airport.

Since May 2007, ARINC have held a contract for the provision of CUTE services at Shannon Airport. The contract was last tendered for on the 22nd January 2016 and awarded to ARINC on the 24th June 2016 for a period of 60 months effective from the 1st November 2016 until the 31st October 2021 following a selective tender process.

Throughout this process the Airline Operators Committee (AOC) were appraised on the process as both the airport and operators were seeking an upgrade of the system to facilitate changes in the check-in and airline systems over previous years. During summer 2016 a number of compatibility issues were experienced with carriers using the older technology. The system in operation i.e. ARINC iMuse was found to be outdated, incompatible in some instances and behind the offering available in other airports both nationally and internationally.

The new version i.e. Vmuse has yet to be installed as we are waiting for the final carrier to do the necessary back of office changes on their system to enable its overall use with a plan to be operational by the end of March 2017.

In addition to the consultation process with the AOC every six weeks, a formal consultation in respect of all of our miscellaneous charges including the CUPPS charge was entered in to on the 3rd November 2016 with a five week period given for feedback on these charges. Following the closure for submissions on the 9th December, no comment was received from any operator in respect of the proposed change to CUPPS charges.

A revised charge of €0.40 per embarking passenger, effective from the 1st April 2017 or when the system has been activated after this date has been agreed with the Shannon AOC, subject to approval from the Commission for Aviation Regulation. This represents their contribution to the partial recovery of the costs associated with the provision of this facility.

Accordingly, Shannon Airport is seeking the approval of the Commission for Aviation Regulation for this revised charge for CUPPS at the Airport.

2. Background

The Commission for Aviation Regulation Paper No CN4/2007, dated 10th May 2007, approved the current charge of €0.30 for Common User Terminal Equipment (CUTE) now known as Common User Passenger Processing system (CUPPS) at Shannon Airport.

Since May 2007, ARINC have held a contract for the provision of CUPPS services at the airport. The contract was last tendered for on the 22nd January 2016 and awarded to ARINC on the 24th June 2016 for a period of 60 months effective from the 1st November 2016 until the 31st October 2017 following a selective tender process.

Throughout this process the Airline Operators Committee (AOC) were appraised on the process as both the airport and operators were seeking an upgrade of the system to facilitate changes in the check-in and airline systems over previous years. During summer 2016 a number of compatibility issues were experienced with carriers using the older technology. The system in operation i.e. ARINC iMuse was found to be outdated, incompatible in some instances and behind the offering available at other airports both nationally and internationally. The tender included for a new CUPPS platform, hardware replacement and on and off site system support.

Agreement was reached by both the airport and AOC to proceed to tender to upgrade the system.

3. Process leading to the proposed revised charge

The Commission for Aviation Regulation Paper No CN4/2007, dated 10th May 2007, approved the current charge of €0.30 for Common User Terminal Equipment system (CUTE) at Shannon Airport. The charge was not levied against carriers during the period 2009 – 2014 due to the significant downturn in traffic and the need to encourage operators to stay and when reintroduced at the prior approved rate of €0.30 which was in fact an under-recovery of overall CUTE costs.

In late 2015, discussions commenced with the AOC on the need to upgrade ARINC's iMuse product to ensure continuity of service, modernisation and upgrade of the product. This was fully supported by AOC members with the result that a tender document was drafted and finally issued for tender on the 22nd January 2016. Only one tender response was received and on the 24th June 2016 the contract for the provision of CUTE services was awarded to ARINC for a period of 5 years effective from the 1st November 2016.

In addition to the consultation process with the AOC every six weeks, a formal consultation in respect of all of our miscellaneous charges including the CUPPS charge was entered in to on the 3rd November 2016 with a five week period given for feedback on these charges. Following the closure for submissions on the 9th December, no comment was received from any operator in respect of the proposed change to CUPPS charges.

The installation has yet to be completed as one carrier has yet to get their back of house IT issues resolved. Until this is in place ARINC has agreed not to levy the new contract price.

As can be seen from **Figure 1** below, the cost of the new contract, fixed over a 5 year term is €250,295.04 per annum. As heretofore, this cost will be shared between Shannon Airport and the Operators, with Shannon Airport continuing to bear the volume risk associated with any shortfall in revenues. **Figure 2** below highlights the contract cost implications versus airline and airport contributions for this service in the first year based on 448,370 annual users. This charge is fixed for the duration of the new contract unless otherwise renegotiated and approved by the Commission. The impact of upward or downward passenger numbers continues as heretofore as a risk carried by SAA.

The upward movement of the rate from €0.30 to €0.40 remains a reasonable and agreed pricing structure with the AOC for a new platform with the airport continuing to take the ongoing contractual risks.

Figure 1 : ARINC Incorporated		Tendered Price
Item No.	Description	Amount €
1	Annual recurring cost for the hosted CUPPS service element	€ 194,998.00
2	Installation charge / setup charge for the hosted CUPPS service	€ 179,092.00
3	Please outline other relevant costs such as extra charges for the provision of a 24/7 support service, heightened SLA requirements etc. Telco Data Centre to Airport Primary set up Telco Data Centre to Airport Primary recurring per annum	€ 1,568.00 € 19,165.00
	Total Price (Exclusive of VAT) for 5 year contract	€ 1,251,475.00
	Monthly Cost payment for 60 months	€ 20,857.92 (€250,295.04 p.a.)

Figure 2 Year 1	
Annual ARINC Contract Cost (Onsite maintenance cover 12 hours per day x 365 days)	€250,295.04
Annual Airline contribution to CUPPS (2017)	<u>€179,348.00*</u>
Net annual cost to Shannon Airport (before allocation of overheads)	€70,947.04
Proposed revised CUPPS charge per Embarking Passenger	€0.40*
* Based on 448,370 embarking passengers using the CUPPS system in 2017.	

4. Requirements Imposed by the Directive

The proposed revised charge at Shannon Airport meets the criteria of relevance, objectivity, transparency and non-discrimination set out in article 14(3) of the European Communities (Access to the Groundhandling Market at Community Airports) Regulations 1998. The charge was determined following an open process, which outlined the options available to operators. The AOC were consulted at all stages of the process leading to the determination of the revised charge, and were fully informed of the composition of the costs involved and the contribution being sought from operators.

In addition, it should be noted that Shannon Airport continues to make a significant contribution to the overall cost of providing CUPPS services at the airport.

5. Conclusion

Shannon Airport Management seeks approval from the Commission to collect a revised fee of €0.40 per embarking passenger, in respect of the CUPPS system at Shannon Airport.