

**Irish Association of International
Express Carriers (IAIEC)**
c/o D'Arcy Smyth and Associates
28 South Frederick Street, Dublin 2, Ireland
Tel. (01) 676 5633 Fax. (01) 676 5641
E-mail: michael.darcy@darcysmyth.ie

**Mr. Cathal Guiomard
Head of Economic Affairs
Commission for Aviation Regulation
3rd Floor
Alexandra House,
Earlsfort Terrace,
Dublin 2.**

1st July 2005.

Ref: **IAIEC Response to Commission for Aviation Regulation (CAR) Commission Paper CP2/2005 'Maximum Levels of Airport Charges in respect of Dublin Airport'**

Dear Cathal,

On behalf of the Irish Association of International Express Carriers (IAIEC), I would like to briefly summarise and submit our views on the Commission Paper CP2/2005 'Maximum Levels of Airport Charges in respect of Dublin Airport'

The Irish Association of International Express Carriers (IAIEC) represents the major providers of international express services in Ireland: DHL, FedEx, TNT and UPS. The express industry's core business is to provide value added door to door transport and delivery of time sensitive shipments locally, nationally and worldwide.

In moving these shipments into and out of Ireland the members of the IAIEC are directly or indirectly significant users of the Dublin Airport Authority's (DAA) facilities and are probably the largest single group of cargo operators utilising Dublin airport.

In making its determination, the Commission's objective, as set out in the 2001 Aviation Regulation Act, is to facilitate the development and operation of cost effective airports, which meet the requirements of users.

This submission sets out the views of the IAIEC on the CAR Commission Paper CP2/2005 which are informed and shaped by the Association's belief in: the development and operation of cost effective airports; facilitation which meets the specific proven and particular requirements of users who produce and move goods through these airports; and airport charges which are cost-based, transparent, relevant, objective, proportional and non-discriminatory.

Background

Airport users, as defined in the State Airports Act, 2004, including all cargo operators as referred to in the Draft Determination on pages 8 and 51, pay airport charges for the use of the airport and its infrastructure (both for essential 'airside' facilities and necessary 'landside' support) to land, take off and when necessary park their planes (as defined in the Air Navigation and Transport Act of 1998) and pay for the costs associated with moving their goods into and out of this jurisdiction in three ways:

1. Take off and landing fees
2. General airport user charges (e.g. for aircraft parking)
3. Optional service fees and property rental (e.g. for groundhandling and/or on airport warehouse facilities)

In paying these fees and charges the IAIEC has consistently argued that all cargo aircraft and/or operators fully compensate DAA for their use of the airport infrastructure.

In addition the self or third party ground handlers who directly put on and take off goods from these all cargo aircraft do so using only their own equipment and personnel.

The IAIEC has also consistently maintained that critical differences exist in regard to: precisely what all cargo as distinct from passenger operators need as airport users; how their reasonable interests must be protected; and what is required of DAA to ensure this is accomplished in a sustainable and viable manner. For example, all cargo aircraft use the airport regularly, but in narrow and predictable time frames, don't need a passenger ramp and are parked up at different times (during the day not at night). More critically, the goods they transport are moved to and from (sometimes very quickly) facilities commercially rented from DAA in the same manner as would be the case for any warehouse accommodation not on the airport¹.

Consequently the IAIEC believes the DAA's role is to provide the core airport infrastructure which facilitates these cargo operations and movements and to strive to do so in a timely and cost-effective fashion and to a safe and reliable quality².

¹ For a more detailed discussion on these points see IAIEC Response to Commission for Aviation Regulation (CAR) Commission Paper (CP7) 'Consultation paper on the making of a New Determination under the Aviation Regulation Act, 2001, as amended by the State Airports Act 2004' and IAIEC response to Commission Paper CP4/2003 'Commission's proposals for review of Airport Charges'.

² The IAIEC position on access and infrastructure requirements is outlined in more detail in Response to (CAR) Commission Paper (CP5) 'Access Fees to Airport Installations: Consultation on the Implementation of the requirements of Statutory Instrument No. 505 of 1998 European Communities (Access to the Groundhandling Market at Community Airports) Regulation 1998'

In particular, this means that *IAIEC members primarily require access to designated ramps and the ability to load and unload express freight quickly, efficiently and securely from aircraft, adjacent to where the necessary vehicles/staff must enter and leave 'airside' in a secure and organised fashion, the goods having been processed by customs.*

Airport Charges

CAR's price cap seeks to provide the DAA with a level of revenue that is sufficient to operate and develop airport facilities on an efficient and economic basis in line with the reasonable requirements of current and prospective users. With regard to CAR's statutory obligation to determine the maximum level of charges at Dublin Airport the IAIEC believes in the principle that economically efficient charges reflect underlying costs.

The Association supports the principle that airport charges should adhere to the principle of cost-reflectiveness such that landing and take-off charges and charges for capital expenditure accurately reflected the costs of usage (i.e. the movements of different aircraft) by different airport users. The structure of charges should reflect the marginal cost associated with an additional usage of airport facilities by airport users.

Given that in their Capital Investment Programme 2005-2014 the DAA has made no allowance for expenditure on cargo and expect the investment required in such facilities to be delivered through joint ventures or partnership, the IAIEC believe the DAA must not pass on the cost of building passenger facilities to cargo operators without any significant improvement in the quality and access for cargo³.

For example, DAA have indicated that their preliminary assessment indicates a likely cost of €130m to €190m for the building Terminal Two. Depending on its agreed level of complexity the additional cost of site preparation and support infrastructure such as roadways, aprons and contact stands, is likely to be in the range of €70m to €100m. It is unclear to the IAIEC what if any benefit will accrue to cargo operations from any of this capital expenditure. As such this hardly strengthens the case that any increased airport charges are economically efficient charges reflecting underlying costs in facilitating cargo operations.

³ That is with the odd, indeed somewhat inexplicable inclusion of a provision of €1,000,000 to replace the windows of the Aer Lingus Cargo building (see CIP 2.5). Leaving aside the scale of the cost estimate in principle it is hard to see how it is qualifying expenditure when this is a building which the IAIEC believe is rented by Aer Lingus from the DAA and they in turn rent it out to a number of subtenants, so that the cost of such a care and maintenance item should as per normal commercial practice fall due to the landlord (and principle tenant) to recoup via rent.

Level and quality of service

The IAIEC welcomes that fact that in its Determination, the Commission will attempt to define levels of service quality to be achieved during the regulatory period. The Association also welcomes CAR's assertion that such levels of service quality should take into account the broad scope of users as set out in the Act which include airlines, passengers, cargo operators, concessionaires, ground handlers, suppliers and other users of airport services (p.51).

For the members of the IAIEC 'service quality' primarily comprises: an efficient, cost effective, safe and reliable airport infrastructure: adequate runway and ramp access and competitive groundhandling services.

Cargo Sub Cap

The first Determination included a Sub-cap for a separate cargo Airport charge, which the then Aer Rianta never actually introduced. The Determination explained the rationale for the sub-cap as follows: ***"In respect of cargo, the Commission has decided to impose a sub-cap because a per passenger yield alone could result in the airport operator being inclined to discourage cargo business"***.

In previous submissions to the CAR the Association has consistently asserted that Aer Rianta (DAA) by not introducing a separate Airport charge for cargo, *de facto*, accepted the IAIEC's contention that there are no separate costs to be recovered by such a charge. That is, the costs actively incurred by DAA itself in facilitating all cargo operations were being met from airport charges, commercial rents and/or ground handling fees.

The IAIEC believe that the revenue from both passenger and non-passenger flights should be treated identically within the price cap, and given DAA's estimate of €0.00 investment in Cargo facilities up to 2010 there should ideally be no cross-subsidy of passenger facilities by revenue raised from cargo operations or charges that disincentivise their use of Dublin Airport. However, the IAIEC recognise and acknowledge that this argument is a particularly challenging one to find a regulatory sound, economically efficient and commercially sensible resolution to⁴.

⁴ Particularly as Ireland's airport charges regime being at the leading edge of such regulation has few if any counterparts around the world from which IAIEC members can draw direct experience, knowledge and insights to share with CAR.

Conclusions

The IAIEC would like to acknowledge the constructive approach to fulfilling its tasks and responsibilities that CAR is striving to further enhance during the life of this new Determination of Airport Charges at Dublin Airport.

Consequently, we trust that the Commission, in making its Determination, will consider to the extent that its remit, resources and available data allows, a appropriate implementation of this policy in regard to airport charges for cargo.

Finally, we acknowledge and appreciate this opportunity to submit the Association's views on the Draft Determination and look forward to further consultation on the issues set out above as appropriate and desired.

Yours sincerely,

David Canavan
IAIEC Chairman