



Maximum Levels of Aviation Terminal Services Charges

Provisional Annual Compliance Statement for Regulatory Year 26th March 2002 to 25th March 2003 and Calculation of the Price Cap for Regulatory Year 26th March 2003 to 25th March 2004

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1. Legislative Background

Section 35 of the Aviation Regulation Act 2001 required the Commission, not more than 12 months after its establishment, to make a Determination specifying the maximum levels of aviation terminal services charges that may be imposed by the Irish Aviation Authority. The Commission made its first Determination on 26 February 2002, published in Commission Paper CP3 2002 – Determination and Report on the Maximum Levels of Aviation Terminal Services Charges that may be imposed by the Irish Aviation Authority.

2. The Determination

The Determination required the Irish Aviation Authority, as the authority with responsibility for the provision of aviation terminal services at Dublin, Shannon and Cork Airports, to respect the following price cap for the twelve-month period beginning 26 March 2002:

The average revenue per tonne yielded by way of aviation terminal services charges levied per aircraft departing from Dublin, Shannon and Cork airports was not to have exceeded €1.34.

3. Information

The Commission requested the necessary information from the Irish Aviation Authority for the purposes of monitoring compliance. The Irish Aviation Authority has supplied the following to the Commission:

- i. The total revenue yielded by way of aviation terminal services charges levied at Dublin, Cork and Shannon Airports during the first regulatory year of the Commission's determination;
- ii. The total number of MTOW¹ tonnes in the calculation of the aviation terminal services charges during the first regulatory year of the Commission's determination.

These revenues and MTOW numbers are the actual amounts for the period 26 March 2002 to 31 January 2003 and the estimated amounts for the period 1 March 2003 to 25 March 2003. Finalisation of the compliance statement and of the maximum charges for the second regulatory year 2003/04 is subject to verification of the information received by the Commission.

4. Compliance

According to the information received, the Authority's average revenue per MTOW tonne yielded by way of aviation terminal services charges levied at Dublin, Shannon and Cork Airports was €1.07, calculated as follows:

$$\begin{array}{rclclcl} \text{Total Revenue} & = & \underline{\underline{\text{€7,783,020}}} & = & \text{€1.068} \\ \text{MTOW Tonnes} & & 7,288,344 & & \end{array}$$

Therefore, the Irish Aviation Authority has complied with the price cap of €1.34.

¹ Maximum Take-off Weight

5. Price Cap for 26 March 2003 to 25 March 2004

To update the price cap from 2002/03 to 2003/04 in accordance with the formula set out in the Determination, the following information is required:

- i. The 2002/03 price cap;
- ii. Any difference between the Commission's actual and budgeted costs that is recoverable through aviation terminal services charges;
- iii. The percentage change in the Consumer Price Index between January 2002 and January 2003;
- iv. The relevant X-factor;
- v. Any correction factor arising from over- or under-recovery by the IAA of regulated aviation terminal services charges;
- vi. The average interest rate on three-month commercial paper issued between March 2002 and February 2003 by the National Treasury Management Agency.

This information is as follows:

- i. The price cap was published in the Commission's Varied Determination and is set out in section 2 above i.e. €1.34;
- ii. The differences between the Commission's actual and budgeted cost that is recoverable through aviation terminal services charges were as follows:
 - a. For the period 27 February 2001 (the establishment date) to end December 2001, actual costs exceeded budgeted costs by €27,215;
 - b. For the period January to December 2002, the amount levied exceeded what was budgeted in the price cap by €1,880;

- c. For the period January to March 2003, the amount levied fell short of what was budgeted in the price cap by €1,250;
 - d. Therefore, the allowance for the collection of regulatory fees through aviation terminal services charges during the regulatory year 2002/03 is insufficient in the amount of €27,845. The corresponding adjustment to the price cap will be expressed on a per tonne (as forecasted for 2002/03) basis;
- iii. The Consumer Price Index increased from 118.0 in January 2002 to 123.6 in January 2003, which gives a CPI inflation rate of 4.7%;
 - iv. The X-factor for the first regulatory year was published in the Commission's Determination and is +7%;
 - v. The average daily interest rate on three-month commercial paper issued between March 2002 and February 2003 by the National Treasury Management Agency was 3.04%;

Based on the information received, the per tonne under-recovery of regulated aviation terminal services charges in the first regulatory year amounted to €0.28.

This information is used in conjunction with the section of the Commission's Determination entitled Regulatory Year 2003/2004 in order to determine the regulatory requirements on the Irish Aviation Authority in respect of aviation terminal services charges for the second regulatory year. The Annex to this paper sets out the calculation of those requirements using the formulae from the Determination and the information above.

On that basis, the regulatory requirements on the Irish Aviation Authority for the regulatory year 26 March 2003 to 25 March 2004 is as follows:

The average revenue per MTOW tonne yielded by way of aviation terminal services charges levied per aircraft departing from Dublin, Shannon and Cork airports should not exceed €1.78.

1 Annex

1. For the regulatory year 2003/04, the average revenue per tonne yielded by the Authority by way of aviation terminal services charges levied per aircraft departing from Dublin, Shannon and Cork airports shall not exceed the amount calculated in accordance with the following formula:

$$Y_{03/04}^{Iaa} = Y_{02/03}^{Iaa} \left(1 + \frac{\Delta CPI_{02/03} + X^{Iaa}}{100} \right) + W_{Car,02/03}^{Iaa} - K_{03/04}^{Iaa}$$

We know the following:

$$\begin{aligned} Y_{02/03}^{Iaa} &= \text{€}1.34 \\ \Delta CPI_{02/03} &= 4.7 \\ X^{Iaa} &= 7 \\ W_{Car,02/03}^{Iaa} &= \frac{\text{€}27,845}{8,376,250} = \text{€}0.0033 \\ K_{03/04}^{Iaa} &= (Y_{02/03}^{*Iaa} - Y_{02/03}^{Iaa}) \left[1 + \frac{I_{02/03}}{100} \right] \\ &= (\text{€}1.068 - \text{€}1.34) \left[1 + \frac{3.04}{100} \right] \\ &= -\text{€}0.28 \end{aligned}$$

Therefore,

$$\begin{aligned} Y_{03/04}^{Iaa} &= \text{€}1.34 \left(1 + \frac{4.7 + 7}{100} \right) + \text{€}0.0033 - (-\text{€}0.28) \\ &= \text{€}1.34 \left(1 + \frac{4.7 + 7}{100} \right) + \text{€}0.0033 + \text{€}0.28 \\ &= \text{€}1.78. \end{aligned}$$