



Maximum Levels of Airport Charges

Provisional Annual Compliance Statement for Regulatory Year 24 September 2001 to 23 September 2002 and Calculation of Price Caps for Regulatory Year 24 September 2002 to 23 September 2003

Commission Paper CP6/2002

20th September 2002

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TABLE OF CONTENTS

1. LEGISLATIVE BACKGROUND.....	2
2. THE DETERMINATION.....	2
3. INFORMATION.....	3
4. COMPLIANCE.....	4
5. PRICE CAPS FOR 24 SEPTEMBER 2002 TO 23 SEPTEMBER 2003	5

1. Legislative Background

Section 32 of the Aviation Regulation Act 2001 required the Commission, not more than 6 months after its establishment, to make a Determination specifying the maximum levels of airport charges that may be levied by an airport authority. The Commission made its first Determination on 26 August 2001, published in Commission Paper CP7/2001 – Determination of Maximum Levels of Airport Charges, in respect of Dublin, Shannon and Cork Airports.

Pursuant to a referral of the Aviation Appeal Panel of the Determination back to the Commission for review and to section 40(8) of the Act, the Commission issued a Varied Determination on 9 February 2002, published in Commission Paper CP2/2002 – Decision of The Commission further to a Referral of the Aviation Appeal Panel.

2. The Determination

The Determination required Aer Rianta, as the airport authority with responsibility for the three regulated airports Dublin, Shannon and Cork, to respect the following set of price caps for the twelve-month period beginning 24 September 2001:

1. The average revenue per passenger yielded by way of airport charges levied at Dublin, Shannon and Cork airports was not to have exceeded €6.34;
2. An airport charge in respect of services supplied in connection with the transportation by air of cargo to or from Dublin, Shannon or Cork airport was not to have exceeded €12.69;
3. The average revenue per passenger yielded by way of airport charges levied at Dublin Airport was not to have exceeded €5.38;

4. The charges levied in respect of the landing and take-off of aircraft during daily off-peak times at Dublin Airport, in respect of the aircraft specified in the aircraft categorisations in Schedule 1 of CP2/2002, was not to have exceeded the maxima listed below:

Aircraft cost category 1 (ACC¹): $TL_{01/02}^1 = €0.25$

Aircraft cost category 2 (ACC²): $TL_{01/02}^2 = €0.80$

Aircraft cost category 3 (ACC³): $TL_{01/02}^3 = €1.25$

Aircraft cost category 4 (ACC⁴): $TL_{01/02}^4 = €1.94$

Aircraft cost category 5 (ACC⁵): $TL_{01/02}^5 = €2.69$

Note 1: the TL notation expressed the fact that these are maximum charges per tonne per aircraft movement;

Note 2: part 7 of the Varied Determination (CP2/2002) sets out the procedures for classifying aircraft not currently specified in the aircraft categorisation of Schedule 1 of CP2/2002.

3. Information

The Commission requested the necessary information from Aer Rianta for the purposes of monitoring compliance. Aer Rianta has supplied the following to the Commission:

- Total revenues in respect of airport charges levied at each and all of Dublin, Shannon and Cork airports, broken down into the following broad categories: runway, aircraft parking, airbridge, passenger charges, airport security charges;
- Total passengers using each and all of Dublin, Shannon and Cork airports.

These revenues and passenger numbers include the actual amounts for the period 24 September 2001 to 31 August 2002 and the estimated amounts for the period 1 September 2002 to 23 September 2002. Finalisation of the compliance statement and of the maximum charges for the next regulatory year 2002/03 is subject to verification of the information received by the Commission. Finalisation is also subject to the actual numbers for the period 1 September 2002 to 23 September 2002 being submitted and included in the calculation of charges for the second regulatory year.

4. Compliance

According to the information received so far:

1. Aer Rianta's average revenue per passenger yielded by way of airport charges levied at Dublin, Shannon and Cork airports was €5.61. Therefore, Aer Rianta has complied with the overall cap of €6.34;
2. Aer Rianta did not levy an airport charge in respect of services supplied in connection with the transportation by air of cargo to or from Dublin, Shannon or Cork airport. Therefore, Aer Rianta has complied with the cap of €12.69;
3. Aer Rianta's average revenue per passenger yielded by way of airport charges levied at Dublin Airport was €5.33. Therefore, Aer Rianta has complied with the Dublin cap of €5.38;
4. Aer Rianta has not exceeded the maximum charges in respect of the landing and take off of aircraft, specified in the aircraft categorisations in Schedule 1 of CP2/2002, at Dublin airport during daily off-peak times.

5. Price Caps for 24 September 2002 to 23 September 2003

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To update the price caps from 2001/02 to 2002/03 in accordance with the formula set out in the Varied Determination, the following pieces of information are required:

- The 2001/02 price caps;
- Any difference between the Commission's actual and budgeted per-passenger cost that is recoverable through airport charges;
- The percentage change in the Consumer Price Index between July 2001 and July 2002;
- The relevant X-factor;
- Any correction factor arising from over- or under-recovery of regulated airport charges;
- The average interest rate on three-month commercial paper issued between October 2001 and September 2002 by the National Treasury Management Agency.

Most of this information was already to hand:

- The price caps were published in the Commission's Varied Determination and are set out in section 2 above;
- The differences between the Commission's actual and budgeted cost that is recoverable through airport charges were as follows:
 - For the period 27 February 2001 (the establishment date) to end December 2001, actual costs fell short of budgeted costs by €245,867;

- For the period January to September 2002, estimated actual costs exceed budgeted costs by €698,016;
- Therefore, the allowance for the collection of regulatory fees through airport charges during the regulatory year 2001/02 is insufficient in the amount of €452,149. The corresponding adjustment to the price cap will be expressed on a per passenger (forecasted for 2001/02) basis;
- The Consumer Price Index increased from 116.4 in July 2001 to 121.3 in July 2002, which gives a CPI inflation rate of 4.21%;
- The X-factors for the first regulatory year were published in the Commission's Varied Determination and are 6.2% for Dublin, Cork and Shannon airports and 7.8% for Dublin Airport alone;
- The average daily interest rate on three-month commercial paper issued between October 2001 and September 2002 by the National Treasury Management Agency was 3.18%;

Based on the information received to date, the per passenger under-recovery of regulated airport charges in the first regulatory year amounted to €0.73 for Dublin, Cork and Shannon airports and €0.05 for Dublin Airport alone.

All that remains to be done is to use this information in conjunction with the section of the Varied Determination entitled Regulatory Year 2002/2003 in order to determine the regulatory requirements on Aer Rianta in respect of airport 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 Aer Rianta for the regulatory year 24 September 2002 to 23 September 2003 are as follows:

1. The average revenue per passenger yielded by way of airport charges levied at Dublin, Shannon and Cork airports should not exceed €6.99;
2. An airport charge in respect of services supplied in connection with the transportation by air of cargo to or from Dublin, Shannon or Cork airport should not exceed €12.43;
3. The average revenue per passenger yielded by way of airport charges levied at Dublin Airport should not exceed €5.26;
4. The charges levied in respect of the landing and take-off of aircraft during daily off-peak times at Dublin Airport in respect of the aircraft specified in the aircraft categorisations in Schedule 1 of CP2/2002, should not exceed the maxima listed below:

Aircraft cost category 1 (ACC¹): $TL_{02/03}^1 = €0.26$

Aircraft cost category 2 (ACC²): $TL_{02/03}^2 = €0.83$

Aircraft cost category 3 (ACC³): $TL_{02/03}^3 = €1.30$

Aircraft cost category 4 (ACC⁴): $TL_{02/03}^4 = €2.02$

Aircraft cost category 5 (ACC⁵): $TL_{02/03}^5 = €2.80$