

Aer Rianta Comments

On

**Submissions in Response to the Public
Consultation Notice of June 4th 2003**

AerRianta

Aer Rianta welcomes the opportunity to comment on the submissions made by third parties participating in the Commission's Public Consultation on a Review of the Determination on the Maximum Levels of Airport Charges.

Aer Arann

In its submission Aer Arann raised a number of operational issues which Aer Rianta would like to respond to despite the fact that it believes that these operational matters fall outside the scope of a review of the Determination.

Aircraft Parking Charges

Aer Arann refers to parking charges in a non specific manner. Within the constraints of the price cap, Aer Rianta has structured its charges to be cost effective in a single till environment. One of the objectives of altering the aircraft parking charging structure was to make this more reflective of costs and to encourage more efficient use of the apron by carriers.

Passenger Transfer Process between Aircraft and the Terminal Building

"Passenger transfer process between the aircraft and terminal building, poor utilization of boarding buses, a facility should exist for sharing resources between airlines not on contact stands"

At present all airlines either contract out their ramp handling requirements to a third party ground handler or to act as a self handler. It is the responsibility of the handler to provide a bussing service from the aircraft to the terminal building when the aircraft is on a remote stand. It is recognised that there are efficiencies to be gained by having this bussing function carried out by a single operator. With this in mind , Aer Rianta has at various times invited companies over to Dublin Airport to make a presentation to the Airline Operators Committee on the service which they could provide in this regard. On each occasion, Aer Rianta has agreed to facilitate the operation but the contract would have to be placed by the AOC (similar to the current situation on hold baggage screening). The AOC have not agreed as a group that this is the appropriate way forward.

Runway Operations

"Runway congestion at peak times, when a second suitable runway is available but not used"

It is not clear whether the runway referred to by Aer Arann is 16/34 or 11/29. If the runway in question is 16/34 then this issue should be addressed to the Irish Aviation Authority Air Traffic Services as it currently has a ban on having more than one runway in operation for safety reasons.

If the runway concerned is Runway 11/29, this is out of service until January 2004 pending pavement repairs and is not suitable for operations at present.

Contact Stands

"Remote aircraft parking positions which increase turnaround times and take significant additional resources to handle flights"

Aer Rianta agree that flights handled on remote stands take longer to turnaround than those handled on contact stands. With this in mind Aer Rianta operates a stand management policy which provides for the maximum number of passengers on contact stands. To achieve this it utilises a policy of towing aircraft off contact stands to allow others in and then towing them back to the gate if there is sufficient time. Using these policies it achieved 93.92% of all passengers through contact stands in 2002.

However, Aer Rianta continuously strives to improve the service which it delivers and with this in mind has received planning permission for a new pier building which will provide additional contact stands.

Self Manoeuvring Contact Stands

"No facility for aircraft to park and taxi out under own power (unlike Cork) adding extra costs for provision of push backs"

Self manoeuvring stands are provided at Dublin, namely stands 70 to 74 but all of these stands are remote. Within the current layout of stands on the piers Aer Rianta aims to get the maximum number of aircraft on contact stands as described above. If Aer Rianta were to provide self manoeuvring stands on the piers, additional clearances between aircraft would be required and as a result the airport would have less stands available and more passengers would therefore have to be bussed.

Security Provisions

"Congestion at entrance boarding gates due to insufficient security staff manning screening facilities"

Aer Rianta has been operating to very tight financial constraints within the regulatory determination and has attempted to control costs in relation to passenger search as in other areas. However Aer Rianta has responded to airline concerns regarding passenger service levels by recruiting additional personnel for the airport search unit at Dublin Airport. Continuous recruitment is necessary to achieve this.

Aer Rianta has just completed a recruitment process for additional staff in the Airside Security Unit. These staff will be fully trained to the required security standards and will come on line for the weekend of 11/12th of August 2003. In addition, a management task force is in place to assist at friskem during peak times. Congestion at friskem at peak periods may also arise due to check-in practices by airlines and handlers.

Aer Lingus

Maximum Take-Off and Landing Charges

Aer Rianta would agree with the Aer Lingus view that a number of anomalies remain in the off-peak runway movement charging structure set in the Determination and that this should form part of the grounds for a review of the Determination.

Capital Expenditure

Aer Rianta would support the Aer Lingus suggestion that the Commission should clarify their findings in relation to the Aer Rianta capital expenditure programme.

Single Till

Aer Lingus suggested the recent increases in Aer Rianta's miscellaneous charges necessitates a review of the assumptions underlying the single till contribution. It claims that these increases in miscellaneous charges will not be relevant to the single till until the next review period in 2006 and airport users will be exposed to the effects of these increases until then.

This is a misleading view for the following reasons. Firstly, Aer Rianta revenue from miscellaneous charges forms a very small part of its revenue, i.e. less than 1% of aeronautical revenue at Dublin in 2003. Secondly, Aer Rianta's revenues from miscellaneous charges form part of the commercial revenues which contribute to aeronautical revenue through the single till. In the Determination, these commercial revenues have been projected forward for the Determination period on the basis of Aer Rianta's forecast traffic growth further inflated by CPI. These are highly optimistic assumptions for commercial revenues which assume increasing revenue contributions over the regulatory period from all commercial revenues including miscellaneous charges.

Security Charges

Aer Lingus has suggested that Aer Rianta could have potentially earned €57million at Dublin Airport in 2002 from airport security charges based on 15 million passengers at €3.80 per passenger. This assertion is incorrect. The €3.80 is charged on a per departing passenger basis only; therefore, the potential revenue from security charges for 2002 was circa €28.5million and not €57million as estimated by Aer Lingus.

"In addition to charging the Airport Security Charge, Aer Rianta have imposed additional charges for other passenger related security services (e.g. passenger profiling, secondary searches). Aer Lingus has no objection to paying for necessary, cost effective, cost justified and quality security services but considers that these constitute airport charges and should therefore fall within the cap"

Aer Lingus has suggested that Aer Rianta has imposed additional charges relating to passenger profiling and secondary search. These additional charges relate to the operating costs associated with the operation of Hold Baggage Screening and secondary searches. The costs associated with

these activities were excluded from the Aer Rianta cost base as the operation of Hold Baggage Screening and secondary search were considered to be the responsibility of the airlines rather than the airport authority. In the aftermath of September 11th 2001, Aer Rianta was requested to facilitate Hold Baggage Screening and secondary searches at its airports on behalf of the airlines. Aer Rianta put in place a contract with ICTS to carry out these activities. Aer Rianta invoiced the airlines in order to recover the operating costs associated with these activities.

Aer Lingus has stated that these costs constitute airport charges and fall under the price cap set by the Determination. Charges relating to the operation of Hold Baggage Screening and secondary searches do not constitute airport charges as the costs of these activities are excluded from the Aer Rianta cost base as they are recognised by the control authorities as the responsibility of the airlines.

Opex and Discontinued Services

"Aer Rianta has recently written to the AOC indicating that it is considering terminating its contract with SITA regarding the use of CUTE"

This statement is based on a misapprehension by Aer Lingus. Aer Rianta wrote to the AOC indicating that its contract with SITA was due to end in May 2004 and that it sought the AOC's participation in reviewing this contract. Subsequent to the submission in question, Aer Lingus indicated to Aer Rianta that it had misinterpreted the position in relation to this matter.

Air Contractors and IAIEC

Aer Rianta recognises that cargo operations have experienced a downturn following September 11th 2001, the slowdown in the world economy and the war in Iraq.

The cargo operators have claimed that Aer Rianta's current aircraft parking charges are excessive. Aer Rianta is free to determine its own airport charging structure, provided that the overall average revenue yield per passenger is within the price caps set by the Determination. Within the constraints of the price cap, Aer Rianta has structured its charges to be cost effective in a single till environment and to be objective, transparent and non-discriminatory. One of the objectives of making the aircraft parking charges more reflective of costs was to encourage carriers to make more efficient use of the scarce apron resource.

The levels of aircraft parking charges paid by the cargo operators reflect cargo operational patterns whereby cargo aircraft spent high proportions of time parked on stand. It is therefore appropriate that these operators cover the costs associated with their time on the airfield apron, otherwise it would be necessary for other operators to subsidise this practice.

Airbus SAS

Aer Rianta supports the Airbus SAS call for a review of the methodology and aircraft categorisations underpinning the price cap on off peak runway movements at Dublin Airport.

bmi

Off-peak runway charging at Dublin Airport

Aer Rianta supports the bmi view that there should be a review of the methodology and aircraft categorisations underpinning the price cap on off peak runway movements at Dublin Airport.

Consultation

"We are also concerned that Aer Rianta has not offered any consultation with its users during the last 18 months regarding airport charges and associated information"

Aer Rianta would like to clarify its position with respect to consultation on its airport charges. Aer Rianta undertook a review of its charging structure in 2001 following the Determination on airport charges and engaged in an intensive consultation process with airport users over the period September – December 2001 which culminated in the introduction of the existing charging structure in January 2002. Further consultation with airport users has not been necessary since then as no changes have been made to the airport charging structure or the levels of airport charges.

"We request the Regulator to require Aer Rianta to consult with its users on a regular basis and at least annually. We would expect Aer Rianta to make its users aware of any key issues affecting charging and future developments, capex commitments and priorities together with the results of the regulatory pricing framework for each year and any disputes arising etc"

Aer Rianta is fully committed to consulting with its airport users on all aspects of airport development, capital investment and airport charging. Aer Rianta is currently engaged in an extensive consultation process with all airport stakeholders on masterplanning for Dublin Airport. Aer Rianta has recently completed a consultation process with airport users in relation to the proposed terminal development at Cork Airport. As previously stated, Aer Rianta consulted with airport users regarding the current structure of airport charges and on miscellaneous charges. However in respect of the need for consultation on the results of the regulatory pricing framework for each year, Aer Rianta is of the view that this is unnecessary given that this information is provided annually by the Commission in its price cap compliance statement.

Ryanair

Aer Rianta has restructured its miscellaneous charges, which represent an element of the "single till", with the primary objective of encouraging more efficient, more secure and more environmentally friendly use of the airports. To the extent that there is an overall increase in revenue from miscellaneous charges it is expected that it will be modest in scale. Aer Rianta has provided low cost facilities to all carriers and strongly promoted the growth of air services which have contributed to the growth of tourism business – for example the compound average growth rate of traffic to/from Europe between 1990 and 2002 is 11% for all three airports – a growth rate which will be equaled or exceeded this year.

To return to the more substantive points, Ryanair states:

Aer Rianta Operating Efficiency

"The cap and efficiency factor imposed by the original Determination have failed to force Aer Rianta to improve their dreadful inefficiency. In its Determination the CAR found Aer Rianta to be 40% more inefficient than their comparator airports"

Aer Rianta has outlined in its submission of the 4th July 2003 how its benchmarking analysis demonstrated that when the significant errors contained in the IMG benchmarking study were corrected, Aer Rianta compared very favourably with IMG defined "peer airports" in regard to its operating efficiency

- Dublin's operating expenditure per Work Load Unit is over 30% lower than the average of IMG's classified "best of peer" airports.
- Shannon and Cork compare very favourably to the IMG average of "peer" airports. Shannon's operating expense per Work Load Unit is 28% below the average of the "peers" while Cork's operating expense per workload unit is 65% below the peer group average.

Ryanair's statement in relation to Aer Rianta's inefficiency was based on the IMG benchmarking analysis. However since the IMG benchmarking results were inaccurate, Aer Rianta was incorrectly portrayed as being inefficient. There is therefore no basis for this assertion.

Capital Expenditure

"ART have continued to ignore the requirements of users for the provision of low cost, efficient facilities. ART has announced that it is going ahead with plans to build its €70 million version of Pier D (a pier originally designed to be built for around €10 million)"

Aer Rianta rejects the accusation made by Ryanair that it has ignored the requirements of users for the provision of low cost efficient facilities. Ryanair is referring to the original design for Pier D, however this design proved inappropriate in the changed traffic, security and regulatory context of 2002. This design could not deliver on the necessary capacity, security and segregation requirements, nor could it provide sufficient aircraft stand areas and adequate gate lounge areas necessary to fulfil operational requirements. This became apparent when the Department of Justice stipulated that the segregation of all arriving and departing passengers was necessary and EU originating passengers should be segregated from International arriving passengers for presentation to Immigration Authorities.

Ryanair has suggested that there is users opposition to plans for the development of Pier D. However the brief for a new Pier D was developed by specialist airport development consultants in conjunction with airlines, groundhandlers, the Irish Aviation Authority, Customs & Immigration Authorities, the Gardai, the Department of Transport and other Government departments. The various options of Pier configuration were presented. The final agreed option was a two storey pier

which met the requirements of airlines and regulatory authorities. There is therefore no evidence to support the view that airport users are opposed to the development of the new Pier D.

"Following the original Determination, ART restructured its charges to massively inflate security fees and aircraft parking charges in order to make it impossible for potential users of the proposed Pier D to negotiate lower charges for the use of a lower cost facility"

Aer Rianta rejects this assertion. Aer Rianta in the interest of efficient airport operations determines its own airport charging structure provided that the overall average revenue yield per passenger is within the price caps set by the Determination. Within the constraints of the price cap Aer Rianta structured its charges to be cost effective in a single till environment and to be objective, transparent and non-discriminatory. One of the objectives of making the aircraft parking charges more reflective of apron costs was to reward carriers such as Ryanair which make more efficient use of the apron. This restructuring of charges within the CAP is to the benefit of Ryanair and other LCC's.

"Aer Rianta's decision to spend €140 million on a new terminal in Cork is the latest and most outrageous example of their gold plating and ignoring of users requirement"

Aer Rianta rejects the Ryanair accusation that the proposed terminal development at Cork Airport is an example of gold-plating and that it ignores user requirements. A recent capacity study for Cork Airport concluded that the existing terminal is presently operating at IATA level of service standard F. Since there was no margin for significant traffic growth, no opportunity for improvement in airline facility standards and no significant gains in capacity were possible based on the reorganisation of operations within the existing terminal building, investment in new terminal facilities was required. In reviewing the options for terminal development, it became clear that significant infrastructure investment was also required in areas such as water, sewage, power and carparking. Only half of the proposed investment in Cork Airport relates to terminal development.

Consultation took place with airport users in relation to development at Cork Airport. The proposed terminal project has a design capacity of 3 million passengers per annum, it represents an appropriate balance between capital cost and the provision of capacity for a reasonable period of forecast growth. The figure of €140 million includes investment in a new terminal development project, a multi-storey car park, a fire station, internal roads and ancillary infrastructure for Cork Airport.

Since Aer Rianta has no details of the proposed development at Frankfurt-Hahn, therefore it cannot comment on whether this is comparable with the planned terminal development for Cork Airport.

Aer Rianta Charging Structure

"Aer Rianta has been increasing charges and introducing new fees ever since the new Determination came into effect. These include new security fees (Hold Baggage and secondary searches) despite the fact that the Determination does not permit Aer Rianta to pass through any new security costs".

Under the Determination, operating costs associated with the operation of Hold Baggage Screening and secondary searches were excluded from the Aer Rianta cost base. This is due to the fact that these activities were the responsibility of the airlines rather than the airport authority. In the aftermath of September 11th 2001, Aer Rianta was requested to facilitate Hold Baggage Screening and secondary searches at its airports on behalf of the airlines. Aer Rianta put in place a contract with ICTS to carry out these activities for the airlines. Aer Rianta then invoiced the airlines in order to recover the operating costs associated with these activities.

Ryanair has suggested that there is a double bill for these services as they clearly fall under airport charges. This is incorrect, as in the case of Hold Baggage Screening and secondary searches the costs of these activities are excluded from the Aer Rianta cost base as they are the responsibility of the airlines. This is recognised by the control authorities. Therefore this does not amount to a double billing of these costs to the airlines.

Aer Rianta's Miscellaneous Charges

Ryanair refers to increases in Aer Rianta's miscellaneous fees and charges in the period since the publication of the Determination. In 2002, Aer Rianta carried out a review of its miscellaneous charging structure at Dublin Airport. This review was carried out in accordance with Aer Rianta's principles of objectivity, relevance, non-discrimination and transparency. The basis and rationale for these charges was primarily to encourage users to modify behaviour so as to better manage airport resources. In the period November 2002- March 2003, Aer Rianta engaged in an extensive consultation process with airport users in respect of the Miscellaneous Fees & Charges at Dublin Airport. This consultation process led to the present miscellaneous charging structure.

These miscellaneous fees and charges are included as part of the commercial revenues in the single till. In its Determination, the Commission had projected an increase in the level of these charges over the regulatory period.