

# **USERS' CONSULTATION**

## **2018 AIRPORT CHARGES UPDATE**

### *Questions & Answers*

November 2017

**Q. IBAR: We request a confirmation of the T2 closing date, scheduled - according to the indications given on the hearing - for May 2018. As we have already pointed out in the course and at the margins of the meeting, we see with concern the possibility of closing the T2 without the concurrent provision of appropriate alternative capacity in terminal 5.**

**In the event ADR should opt for the closure of T2 without measures able to mitigate capacity shortage, presumably the resources so far needed to manage the terminal in question would be reallocated elsewhere only in part. We ask ADR to quantify the OPEX savings resulting from such a scenario and to confirm whether it has been taken into account in determining the tariff proposal.**

**Q. IATA: The airline community has concerns the closure of T2 and relocation of demand to T3 will have a material impact on quality of service and result in considerable congestion and operational disruption during peak hours. We request a dedicated workshop with the airline community to review the capacity and demand of T3 at a sub-system level particularly during peak hours to understand the basis for AdR's position that T3 is able to cope with the additional demand. While traffic demand is currently experiencing a downturn, further consideration should be given to ensure there is sufficient available capacity to accommodate growth in the future. We also request a review of T5 feasibility to understand the scope of work, timeframes and costs involved to redevelop and reopen the terminal, including capital investment and operating costs (we understand capital costs are estimated at 15m Euro's) and operating costs. We also request T5 discussions are held with the airline community, and not bilaterally.**

A. ADR anticipates closing of Terminal 2 facilities to occur at the latest within May 2018 and possibly as early as end-December 2017. ADR also foresees that it will provide for restructuring investments to enable Terminal 5 facilities to guarantee satisfactory service quality should capacity shortages materialise in summer 2018.

**Q. IBAR: Answers provided by ADR in audition on security costs have only partially clarified our questions. We ask for more information regarding the average staff size and the average cost per employee.**

A. 2016 staff costs from ADR Security's annual report amounts to about 38 million euros. The figure includes the provision of services to staff (canteen, transportation, other ancillary costs). Divided by about 880 full time equivalents in FCO and CIA, thus corresponds to an average of approximately 43 thousand euros.

For the benefit of readers it is worth recalling that, as provided for by the ENAC Application Guidelines on cost allocations, each airport service's charge covers the costs directly attributable to the service and other costs allocated to the service with allocation keys mainly determined by the ratio of direct costs of the service to total airport costs.

**Q. IATA: We have consistently raised concerns and will do so here again that key elements of airport charges have been pre-determined in the Contratto di Programma and excluded from the consultation process, contrary to the European Charges Directive. It will come as no surprise to you that we do not agree AdR is complying with the Directive.**

**At the meeting on 29th September there was no further explanation regarding the calculation methodology of charges evolution with a defined formula setting values for efficiency elasticity on the Opex calculation, calculating the WACC and parameters used, allocation keys for cost and asset allocation between the regulated and non-regulated area. These concerns remain as the backdrop for 2018 charges, that we would like AdR to address.**

A. We remind that with respect to ADR, considering the amount of the planned investments over next years, a long term regulatory framework has been set forth in line with EU applicable regulation and international best practice and prior to consultation with users, in order to ensure certainty to all interested parties, including Public Authorities, airport users as well as the airport managing body. As you will also remind, such investment plan along with its economic implications has been submitted to consultation with users in public hearings held during 2011 and 2012 and it involves a very relevant amount of investment, ie. 11,9 bln euros through concession end of which 3,0 bln euros foreseen in the initial 10-yr period until 2021.

More particularly, the regulatory scheme of ADR's Economic Regulation Agreement (ERA) was defined on the basis of internationally recognised principles and criteria, including non-discrimination and correlation with the costs of infrastructures and services, as well as efficiency fostering provided by EU Directive 2009/12/EC and Italian law n. 27/2012. Moreover, and in order to guarantee transparency, it was submitted to users in 2012's consultation process in compliance with the principles of relevant EU Directive and any changes thereof – including charges articulation for originating/transfer passengers – were submitted to users in following years' consultations.

With the aim of building a constructive and transparent discussion with users', since the inception of ERA ADR has allowed users to access all relevant information compliant to articles 6 and 7 of the EU Directive and ENAC's guidelines. All relevant information remain available through ADR's web site, including archived files of previous years' consultations.

In this respect, we also recall that the existence of a long-term regulatory scheme is without prejudice to the possibility to modify the final value of the proposed charges, also as an outcome of the consultation process and, thus, of the in-depth discussions with users with respect to all relevant parameters: a process in which, as you are aware, ADR is fully committed. In addition, we want to restate that we obviously comply with the principles and procedures set forth by the Airport Charges Directive and by the relevant provision of Italian Law; indeed all necessary information are submitted to users in due time and users' point of view is always taken into account. In any case, all decisions taken by ADR are always justified and explained to users.

**Q. IATA: The sole application of perception based service quality standards is not the most effective way to monitor performance and promote continuous improvement and efficiency. [...] A more robust approach to measuring actual performance is to apply quantitative KPI's as a substantially more effective way to monitor performance and deliver consistent performance across a number of areas.**

A. ADR's overall quality system is centered around both (i) perception-based service quality indicators and (ii) a wide range of measurements of airport performance.

ADR monitors a variety of quality programs:

- the Service Charter,
- ERA's Annex 10,
- III Atto Aggiuntivo (the additional deed to the ERA covering quality standards benchmarking against EU peers),
- the Minimum Requirements

For the above reported purposes at Fiumicino ADR monitors a total of 104 indicators. Of these, 65 items (corresponding to 63%) monitor performance achievements in terms of quantitative KPI's. If we consider specifically Annex 10 of ERA, for Fiumicino the ratio of quantitative indicators rises to 67% (ie. 8 quality indicators delivered and 4 perceived quality).

Consequently, we believe that ADR runs a well-balanced Quality System that takes into account both quantitative KPI's and surveys passenger satisfaction, as you correctly point out. In the last years this comprehensive approach has helped ADR achieve significant improvements in the area and we shall endeavor to continue to do so.