



## **ADR-Users Meeting on PRM charges update of Dec. 19, 2023 – h. 11:05**

### **Participants:**

- Elia Pistola -- Ryanair
- Federico Stephan -- Singapore Airline
- Luciano Neri -- IBAR
- Rita Gaglione – ITA (proxy Emirates/Luxair/Iberia)
- Erica Volt – Delta Airline
- Ricard Querol – Jet2.com
- Ventzislav Glouharov – Kuwait Airways
- Cesare Simonetti – Gruppo Lufthansa
- Bernardino De Carolis – American Airlines
- Cynthia Deprez – Air France/KLM
- Alberto Nanni – Cathay Pacific
- Olga Veira - Brussels Airline
- Marco Gatti -- Easyjet
- Alessandro Ligotti -- Udicon
- Daniela Rotoli – Gruppo Lufthansa
- Fabio Pacelli – Air Canada
- Stephan Rabuffi – ADR Assistance
- Francesco Sanjust – ADR Assistance

Mr. Fabio Soleri – ADR’s responsible for users’ consultation – opened today’s session by commenting the presentation material shared with users prior to the meeting and anticipating that ADR is proposing to maintain PRM charges unchanged through 2024 with the aim of completing recovery of 2020-22 losses. Underlying costs (excluding “recovery allowance”) are described in detail in the material shared with users and elaborated on in Mr. Soleri’s intervention. These amount to € 1,15/pax at FCO e € 0,24/pax at CIA.

At around 12:00 Mr. Soleri opened the Q&A session. Easyjet had already conveyed written questions that Mr. Soleri started to address.

### **Questions and answers (Easyjet):**

#### **1) How would you compare the cost of ADR Assistance to competitors at other Italian airports?**

ADR: This is a question that keeps coming back on which I like to take this opportunity to shed some light. Unfortunately, we are not in a condition to have access to other PRM operators’ data. Various airports run the service directly from parent/concession holder. Hence, users who participate in other consultations on charges updates are in a much better position to perform such an analysis.

#### **2) How can you ascertain that ADR Assistance provides the highest quality service available?**

ADR and ADR Assistance are strongly committed to preserving the high quality standards that the service has achieved over time. Service quality monitoring is a key activity in this pursuit and gives



rise to remedial actions as soon as deviation from anticipated trajectory is perceived. These efforts are at the roots of ADR Assistance's sound positioning vis-à-vis users' needs:

- more ambitious quality targets relative to other Italian airports
- commitment to outperforming them

In 2023 table below shows performances at FCO which are better pre-set targets.

FCO - YTD 30.11.2023	90%	91%	92%	93%	94%	95%	96%	97%	98%	99%
<b>Partenze Prenotati</b>	5'9"	5'17"	5'29"	5'38"	6'0"	6'26"	6'52"	7'10"	7'52"	9'26"
<b>Partenze non Prenotati</b>	7'22"	7'24"	7'45"	8'51"	9'14"	10'19"	11'2"	13'2"	14'39"	16'3"
<b>Arrivi Prenotati</b>	1'11"	1'16"	1'24"	1'29"	1'38"	1'48"	2'2"	2'14"	2'47"	4'3"
<b>Arrivi non Prenotati</b>	1'0"	1'3"	1'6"	1'13"	1'27"	1'38"	1'48"	2'2"	2'40"	3'39"

Below you can find an excerpt from ADR Assistance targets.

<b>PRM - Fiumicino 2022</b>			
<b>Periodo: Gen - Dic 2022</b> <b>Scalo: FCO</b>	<b>Consuntivo SLA AdR / AdRA (SENZA espansione al campionamento)</b>		<b>Consuntivo (CON espansione al campionamento)</b>
	<b>Target '22 90%</b>		
	<i>(mm,ss)</i>	<i>(mm,ss)</i>	<i>(mm,ss)</i>
<b>ARRIVI</b>			
ARRIVI PRENOTATI	4',30"	1',08"	1',58"
ARRIVI NON PRENOTATI	5',30"	1',06"	1',26"
<b>PARTENZE</b>			
PARTENZE PRENOTATI	9',30"	5'29"	6',36"
PARTENZE NON PRENOTATI	15',00"	8',50"	9',05"

3) What are the maximum, minimum, and average waiting times for pre-notified and non-notified PRM passengers (departing and arriving) per type of paying passengers (general aviation, transfer, EU and non-EU) and how has this evolved over time?

Unfortunately, ADR Assistance does not have access to this information.

4) What is the assistance waiting time in the 10th percentile of cases (average, minimum and maximum)?

On departure, 1'42" on pre-booked and 1'48" on non pre-booked



On arrival, well below 1' on both pre-booked and non pre-booked

**5) What is the guaranteed maximum waiting time at FCO for PRM passengers?**

See table below

Minimi di Scalo		
Scalo di Fiumicino	Ambito	Tempi
PRM PARTENZE	PRM PRENOTATI	12'00"
	PRM NON PRENOT.	20'00"
PRM ARRIVI	PRM PRENOTATI	6'00"
	PRM NON PRENOT.	12'00"

**6) What are the implications if ADR Assistance fails to meet the required maximum waiting time?**

Penalties for the service provider are foreseen in the ENAC guidelines upon evidence of underperformance.

**7) Slide 4: The number of PRM assisted passengers per FTE in 2023-4 appears to be lower than in 2019. Could you shed light on the efficiency enhancements in 2020-24 compared to 2019? When do you anticipate achieving efficiency levels comparable to or exceeding those of 2019?**

Covid pandemic resulted in a drastic reduction in productivity in 2021 expressed in terms of number of PRM assistances per FTE. This was mainly due to maintaining the oversight facilities and – consequently – not being able to reduce workforce by the same tune of the fall in assistances.

The gradual recovery in traffic volumes seen in 2022 compared to 2019 resulted only in partial improvements in productivity. Starting from 2023, there are gradual signs of recovery also as a result of the initiatives implemented (including introduction of motorized wheelchairs).

The expected increase in traffic in 2024 and new initiatives that will be put in place (including a new demand forecasting model) will lead to a further recovery in productivity, which, however, will still remain below pre-pandemic levels, mainly due to factors linked to infrastructure constraints as service paths have lengthened



on renovation works and carrier re-allocations in FCO terminals. According to the latest analyses we expect to return to 2019 productivity ratios in 4-5 years.

**8) Slide 5: In 2023-24, PRM costs seem to have risen compared to 2019, with labour costs increasing by 33% against a 17% rise in FTE and a 2% rise in PRM. Could you clarify the anticipated economies of scale and cost reductions for 2024?**

The increase in personnel costs compared to 2019 is mainly due to the higher resources employed (+17% FTE) and the effects of the renewals of the CCNL (three-year 2020-2021-2022 and the assumptions of renewal of the contract expired in Dec 2022 with impacts on 2023-2024) considering that cumulative inflation for the period 2020-2024 is approximately 15%

**9) Slide 23: Could you provide an explanation for the 20% and 33% increases in labour and other costs from 2022, which is up to four times the rate of inflation? How does ADR Assistance's efficiency compare to the market average?**

2022 was a year still penalized by Covid with the use of the redundancy fund until the beginning of the summer. In 2024 increases in personnel costs compared to 2022 (+20%) are due to higher headcount (+14% FTE 2024 vs 2022) and impact of renewal of CCNL (over two-year period 2023-2024 inflation is about 8%).

The growth in other operating costs in 2023 and 2024 compared to 2022 is linked to the increase in business volumes and the increase in raw material costs (costs related to the use of vehicles such as rental, maintenance and fuel, as well as clothing) and to some project initiatives to improve passenger service and productivity. It should be noted that other operating costs in 2023 grew by just over 100k euros (+4%) compared to 2019 against cumulative inflation of 13%.

**10) Slide 5: Could you elaborate on the Quality bonus/penalty mechanism? Could you provide a summary of the payments made to ADR Assistance between 2018 and 2023? Is there an independent entity responsible for assigning the bonus, and are these targets/bonuses agreed upon with airport users during the annual PRM consultation?**

Relationship between parent ADR and subsidiary ADR Assistance is transparent and simple. ADR Assistance is a 100%-owned subsidiary with a mission to quality and cost containment. Bonuses that ADR may pay to ADR Assistance on contractual rules centered around quality achievements are accounted for as ADR Assistance's revenues and are not reflect in costs (which are at the roots of PRM charges calculation). ADR Assistance's management is paid in compliance with the guidelines on payroll issued by parent company ADR for the whole group. For transparency, it is worth noting that in 2023 overall bonuses accorded to ADR Assistance accounted for less than 0,5% of the subsidiary's costs.

**11) Slide 6: Is there a plan to initiate a tender process to reduce costs and enhance quality?**



ADR and ADR Assistance pride themselves on the historical achievements on quality of the service at fair costs. We sense we are endowed with management, experience and determination that will lead us to even more ambitious achievements in future, including return to 2019 efficiency levels in 4- years.

**12) Slide 29: What are the WACC, ROCE and RAB in 2023 and 2024? What are the investments planned for 2023-24?**

RAB is represented in detail (2011-2024F) in the presentation shared with users (please see page 22). WACC applied to the RAB for 2023 and 2024 equilibrium values is equal to 5.83% (as per ART's resolution n. 39/2023).

After providing replies to Easyjet's questions, Mr. Soleri re-opened the debate for further questions.

Rita Gaglione (ITA) expressed some questions and Mr. Soleri replied.

**Q: Can you further elaborate on rising labour costs in 2024?**

ADR: Please see previous answers and pages 10, 20, 21 of today's presentation

**Q: You kindly highlighted an "equilibrium" price in 2024 worth € 1,15/pax (significantly lower than proposed charge of € 1,53/pax) which begs the question as to whether you did not opt to recoup residual losses over a longer time period**

ADR: It is sad to say that ADR could be in a different situation as to the amount of recovery allowance if 2022 did not turn out to be one more year of financial losses. From the standpoint of the regulator we are taking three years to recover and we are going through this without revaluation of "regulatory credits".

Q: finally, your take on 2024 traffic seems overtly conservative

ADR: If the last few years have taught us anything, it's that the demand for air traffic can fluctuate widely and rapidly and ADR is taking a strong bet on +9% y/y in estimates embedded in 2024 PRM charges update in Fiumicino.

Finally, Alberto Nanni expressed his views aligned with those of Rita Gaglione on traffic and spreading of recovery allowance over a longer time period. Mr. Soleri noted once again that in 2022 ADR suffered more losses that could be avoided with a more cooperative effort by Users.

After all questions were answered, Mr. Soleri represented to users that participants with legitimate voting rights (as for the information provided to ADR) accounted for around 55% of FCO's WLU and 93% of CIA's WLU, hence participants could cast their votes.



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After receiving voting expressions, Mr. Soleri represented today's meeting outcome:

- The voters representing Fiumicino airport, in presence or by proxy, amounted to 54.7% of those entitled to vote and the €1.53 tariff proposal for FCO was **rejected by 51% of voters**.
- For Ciampino airport, instead, the tariff proposal of €0.29 was **approved by 93%** of those entitled to vote.

**Meeting ended at 13:00**