

Swedavia's Airport Charges 2016

Swedavia's decision

The Group Management for Swedavia – as the managing body for the common charging system for Swedavia's Airport Network (in accordance with the Act on Airport Charges, the Act on Ground Handling and the EC "PRM" regulation concerning the rights of disabled persons and persons with reduced mobility when travelling by air) – has decided:

to decrease the average total charge level at Swedavia's airports by **0.8 percent**, by adjusting Airport Charges, Ground Handling Infrastructure Charges and PRM Charges, as described below, from **April 1st 2016**, and

to start invoicing a **Slot Coordination Charge** of **7.9 SEK** per departure at coordinated airports¹ on behalf of Airport Coordination Sweden from **Jan 1st 2016**. From April 1st, the charge will become 15.8 SEK per departure, when Swedavia starts to finance its 50 % share of the slot coordination costs through this new charge, instead of other charges as previously².

¹ At present Stockholm Arlanda Airport and Bromma Stockholm Airport.

² The total cost for slot coordination of 2.2 MSEK, corresponding to 15.8 SEK per departure, is divided between the airport users and Swedavia, whereas each party contributes with 1.1 MSEK.

1 BACKGROUND & OVERALL DESCRIPTION OF THE DECISION

Since April 1st 2014 Swedavia's Price Model constitutes of a Hybrid Till, in the form of a Single Till for the Airport Operations, with the business risk of Swedavia's Real Estate segment excluded. The main principle of the Hybrid Till is full cost coverage of the included business, less revenues from commercial services, Ground Handling and other additional services.

Following yet another year of positive traffic development, Swedavia has decided to continue decrease the average charge level by 0.8 percent in 2016³. The decrease is at large carried out at Göteborg Landvetter Airport, where the passenger volume has grown almost 20 percent in the wake of closing Göteborg City Airport for commercial traffic in January 2015.

With the decision, Swedavia continues to strengthen the competitiveness of its airports, with an average charge level being approximately 20 percent lower than at competing and similar airports in Northern Europe. Swedavia also introduces a traffic risk sharing scheme, and makes an initial step regarding the differentiation of the passenger charge, in order to be compliant with EU Law in 2017.

The decision follows a consultation process with the Airport Users at Swedavia's Airports during the autumn 2015, comprising a series of meetings:

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| • Consultation Meeting 1 | September 22 th 2015 |
| • Consultation Meeting 2 | November 26 th 2015 |
| • Consultation Meeting 3 | December 10 th 2015 |
| • Local Meeting – Göteborg Landvetter AUC | October 6 th 2015 |
| • Local Meeting 1 – Stockholm Arlanda AUC | October 7 th 2015 |
| • Local Meeting 2 – Stockholm Arlanda AUC | November 5 th 2015 |
| • Local Meeting – Bromma Stockholm AUC | October 15 th 2015 |
| • Local Meeting – Malmö Airport AUC | October 22 th 2015 |

During the consultation process the participating users have brought forward their comments and suggestions, which Swedavia has continuously responded to and taken into consideration in adjustments of the proposal. For further information, see section 5.

In addition to the meetings above, Stockholm Arlanda Airport has continuously invited the users to separate consultation meetings regarding the airport's long term development plan and capacity planning of individual investment projects.

³ The decrease for 2016 follows the decrease of 3.7 percent in 2015.

2 THE TOTAL ADJUSTMENT OF AIRPORT CHARGES

The average charge level for Swedavia's Airport Network is calculated as the total estimated cost base for Airport Charges, Ground Handling Infrastructure and Assistance Service (PRM) divided by the estimated number of departing passengers (excluding infants and crew). The total average charge per passenger equals **118.8 SEK** in 2016, down from 119.7 SEK in 2015, a decrease of 0.8 percent. On a yearly basis the decrease corresponds to a charge reduction of **17.4 MSEK**⁴.

Swedavia applies the same Price Model (A Single Till for Airport Operations) as in the preceding two charge decisions (for charges 2014 and 2015 respectively), with no major structural changes. However, the following additions and specific considerations apply to the charge decision for 2016:

- The introduction of a traffic risk sharing scheme, where deviations from the passenger forecast will affect next year's charge level (see section 2.2 below).
- A reduced differentiation between international and domestic passengers at Göteborg Landvetter Airport (by a reduction of the international passenger charge), as an initial step towards a harmonization of the price difference between these two specific passenger segments at Swedavia's airports in 2017, in order to be compliant with EU Law⁵.
- A one-time reduction of the cost base for the Terminal Navigation Charge (TNC) at Göteborg Landvetter Airport by 5.9 MSEK in 2016, as an adjustment for the outgoing balance of the charge system 2014 (which was the last year when Landvetter was included in the Common European Charging Scheme for Air Navigation Services).
- The forms of a support fund for aviation biofuel, to which Swedavia has earmarked 5 MSEK in 2016. These funds will be used to incentivize the airlines, on a non-discriminatory basis, to purchase biofuel by sharing the additional purchase costs with the airlines. If fund remains at the end of the year, these will be made available to the users in subsequent incentive schemes for biofuel, or in other ways brought back to the users (e.g. through charge reductions).
- Swedavia's costs for slot coordination at Arlanda and Bromma of 1.1 MSEK, which are deducted from the cost base for airport charges, and instead financed through the new Slot Coordination Charge (that Swedavia will start to invoice on behalf of ACS already in January 2016).

⁴ Estimated for the full year 2016.

⁵ Swedavia will evaluate and consult implementations of other non-discriminative differentiations of the passenger charge, according to article 10 of the Charges' Directive, during 2016.

2.1 Cost Development and Traffic Forecast

The Price Model for Swedavia's Airport Network calculates the cost base for charges 2016 based on the following parameters and their estimations⁶:

Capital Costs

Capital Costs are expected to increase 4.8 percent (35 MSEK) in 2016. Operative Capital has been adjusted downwards to reflect the prolonged feasibility studies for Stockholm Arlanda Airport and other delays in Swedavia's investment plan in total. However, the investment plan still reflects a relatively high figure of investments in 2016, in order to meet the capacity needs of new traffic.

The Operating Costs – Staff Costs and External Operating Expenses

Operating Costs are estimated to increase 4.9 percent (183 MSEK) in 2016. A large share arises from new regulatory requirements of the Security Control. Other cost increases consist of new IT-systems, the purchase and marketing of aviation biofuel and the costs for BIM – Building Information Modeling. Salaries for existing staff are also part of the annual cost increase.

Apart from the specific cost items above, the full volume effect of handling new traffic is achieved almost without cost increase, through lower unit cost/increased efficiency.

Depreciations

Depreciations are expected to increase 5.6 percent (51 MSEK) in 2016⁷.

Revenue from Commercial Services and additional Aeronautical Services

Revenues from commercial activities and additional aeronautical services are expected to increase by 4.4 percent (111 MSEK) in 2016.

The Traffic Forecast – Passenger Development

The expected passenger growth for 2016 is 3.4 percent⁸ (4.6 % for international traffic and 1.1 % for domestic traffic), reaching yet another all-time high after seven consecutive years of steady traffic growth⁹, with 19 255 000 departing passengers (excluding infants and crew).

2.2 Traffic Risk Sharing

The traffic risk sharing scheme is an important new feature to Swedavia's Price Model, as requested by the airport users. It will let the users bear the full volume

⁶ All figures represent the sum of all 10 airports in Swedavia's Airport Network.

⁷ This follows a slight decrease in 2015. The total change from 2014-2016 is estimated to be 4.9 % (45 MSEK).

⁸ Remark 2016-01-12: The actual passenger growth for 2015 was +5.4 %, somewhat lower than the latest consulted forecast of +5.5 %, why the forecast volume for 2016 in the Price Model corresponds to a slightly higher traffic growth in 2016 of +3.5 %, rather than +3.4 % as consulted.

⁹ Corresponding to a growth of 34 % since 2008, the peak year before the financial crisis, and 49 % since 2009, when the lowest traffic volume was reached.

risk for the aeronautical services for the current charging year (or current agreement period, if longer)¹⁰. The purpose is to facilitate the discussions during consultations regarding the traffic forecast applied in the Price Model, by allowing for future charge adjustments for deviations between the forecast and the actual traffic figures achieved (i.e. there will be fewer incentives for either party to argue for a higher or lower forecast).

The risk sharing mechanism for 2016 has the following characteristics, as adjusted following the users' feedback during the consultation process. Please note that the the added risk sharing mechanism will not affect the actual charge level until 2017:

- A deviation between the passenger forecast for 2016 (of 19 255 000 departing passengers, excluding infants and crew) and the actual figure after the year¹¹ will affect the charge level in the decision for 2017 year's charges¹².
- Each passenger is eligible of 40 SEK, corresponding to a marginal result per passenger for the aeronautical services, under the assumption that half of the costs are variable.
- Adjustments are carried out in the Passenger Charge, with the same amount at all airports and for all segments (domestic/international, terminal/transfer), and are rounded off to the nearest 0.1 SEK.
- The calculation of the adjustment will be based on the consulted passenger forecast for 2017, i.e. the same forecast that will be used in the charge decision. Swedavia will not evaluate any "adjustments of adjustments".
- No definition of a minimum deviation ("neutral zone"), except the effects from rounding off the charge to the closest 0.1 SEK ~ 0.15 % forecast deviation.
- A maximum deviation ("ceiling"/"floor") in the risk sharing mechanism of +/- 4 % (corresponding to 1.6 SEK per passenger), i.e. if the passenger growth 2016 exceeds 7.5 % or falls short of -0.5 % in 2016, the additional deviation is not adjusted for. In other words, the risk sharing relates to forecast accuracy rather than the risk of extraordinary events.

¹⁰ Except as capped at +/-4 %, as described in the last bullet point below.

¹¹ The full calendar year 1 January-31 December 2016 will be evaluated.

¹² With the planned charging period for 2017 being 1 April 2017-31 March 2018.

3 ADJUSTMENTS OF INDIVIDUAL CHARGES

The reduction of the total average charge level 0.8 percent will be carried out through the following adjustments of individual charge levels at Swedavia's airports:

1. A reduction of the **Passenger Charge** for international passengers at Göteborg Landvetter Airport, from 72 SEK to 69 SEK per departing passenger (and from 43 SEK to 41 SEK for international transfer passengers)¹³.
2. A reduction of the **Terminal Navigation Charge** at Göteborg Landvetter Airport, from 775 SEK to 600 SEK per departing Service Unit (Aircraft MTOW divided by 50 to the power of 0.7)¹⁴.
3. New **Local Charges** for Ground Handling Infrastructure and Passenger Assistance Service (PRM), according to the applicable regulations (Act on Ground Handling and the EC Regulation No 1107-2006), and the principle of full cost coverage at each individual airport locally. The charges have been consulted in the Airport User Committees at each of the four largest airports¹⁵.

*Local Charges – valid from April 1st 2016 (changes marked with **bold** figures)*

Airport	PRM Charge, Assistance Service (Charge per departing passenger)		Ground Handling Infrastructure Charges					
	2015	2016	Passenger Handling (Charge per departing passenger)		Ramp Handling (Charge per departing ton)		Glycol Handling (Charge per liter de-icing fluid)	
	2015	2016	2015	2016	2015	2016	2015	2016
Stockholm Arlanda	3.5	3.8	12.4	12.4	7.8	8.1	0.0	0.0
Göteborg Landvetter	4.2	4.2	16.2	12.0	16.6	16.0	8.7	8.7
Bromma Stockholm	2.8	3.3	3.8	3.8	5.7	7.2	5.0	6.25
Malmö Airport	3.7	3.9	3.9	6.0	9.1	9.1	2.2	1.8
Luleå Airport	2.4	2.4	n/a	n/a	n/a	n/a	n/a	n/a
Umeå Airport	1.7	1.7	n/a	n/a	n/a	n/a	n/a	n/a
Kiruna Airport	1.8	1.8	n/a	n/a	n/a	n/a	n/a	n/a
Åre Östersund Airport	1.6	1.6	n/a	n/a	n/a	n/a	n/a	n/a
Visby Airport	1.4	1.4	n/a	n/a	n/a	n/a	n/a	n/a
Ronneby Airport	2.8	2.8	n/a	n/a	n/a	n/a	n/a	n/a

¹³ The total reduction is 7.1 MSEK, and correlates to a lowered unit cost following a passenger growth of 18.1 % in 2015 (of which international passengers increased 23 % and domestic 4.5 %).

¹⁴ The total reduction is 6.4 MSEK, and corresponds to both a lowered unit cost and the one-time adjustment for the outgoing balance of 2014 of 5.9 MSEK.

¹⁵ For the Assistance Service (PRM) the Swedish Transport Agency (Transportstyrelsen) is the Enforcement Body in relation to the applicable EC regulation.

Summarized, the reasons for the changes in the local charges are:

- The PRM Charges at Arlanda, Bromma and Malmö Airport increase to cover costs for additional staff and equipment.
- The Passenger and Ramp Handling Infrastructure Charges at Landvetter decrease as a result of lower unit cost following increasing traffic volumes.
- The Passenger Handling Infrastructure Charge at Malmö Airport increases to cover costs for new Self Service equipment for Check-in (CUSS) and Bag Drop.
- The Ramp Handling Infrastructure Charge at Bromma increases mainly as a result of the re-construction of the apron with 5 new remote stands. Also, GPUs (Ground Power Units), Pushback Tractors and Air Starters have been declared as centralized infrastructure available to all ground handlers, and are financed through the charge from 2016.
- The Glycol Handling Charge at Bromma increases to cover costs mainly for new glycol recovery vehicles.

All other charges remain unchanged as published in Swedavia's Price List.

Swedavia makes no changes to the available incentive schemes for passenger growth (PIB – “Passenger Increase Bonus”) or new destinations (NDD – “New Destination Discount”).

With all the changes taken together, the passenger related charges (the Passenger Charge, PRM Charge and Passenger Handling Infrastructure Charge) maintain a constant share of 73%.

4 THE TOTAL CHARGE ADJUSTMENT AT EACH AIRPORT

The total charge adjustment at individual airports in Swedavia's Airport Network are shown in the table below:

Airport	Swedavia's Charges in Total		
	Estimated Amount (for corresponding full year 2016)	Change	Percentage Change
Stockholm Arlanda Airport	1 468.9 MSEK	5.9 MSEK	0.4 %
Göteborg Landvetter Airport	370.2 MSEK	-27.7 MSEK	-7.0 %
Bromma Stockholm Airport	145.8 MSEK	2.1 MSEK	1.4 %
Malmö Airport	130.4 MSEK	2.4 MSEK	1.8 %
Luleå Airport	58.2 MSEK	0 MSEK	0 %
Umeå Airport	52.6 MSEK	0 MSEK	0 %
Äre Östersund Airport	22.1 MSEK	0 MSEK	0 %
Visby Airport	16.1 MSEK	0 MSEK	0 %
Kiruna Airport	12.3 MSEK	0 MSEK	0 %
Ronneby Airport	10.3 MSEK	0 MSEK	0 %
Swedavia in Total	2 286.9 MSEK	-17.4 MSEK	-0.8 %

5 THE CONSULTATION PROCESS & DISTRIBUTED MATERIAL

For all details of the price structures and adjustments of individual charges, please see the material that has been distributed and continuously updated throughout the consultation process during the fall 2015. The whole consultation process covered the following meetings, and material has been distributed accordingly:

Consultation Meeting 1 (*September 22nd*)

Main presentation	43 pages
Minutes of Meeting	13 pages

Consultation Meeting 2 (*November 26th*)

Main presentation	53 pages
Arlanda's Investment Plan	1 Excel Sheet
Landvetter's Investment Plan	1 Excel Sheet
Minutes of Meeting	10 pages

Consultation Meeting 3 (*December 10th*)

Main presentation	21 pages
Minutes of Meeting	7 pages

Local Consultation Meeting – Göteborg Landvetter AUC (*October 6th*)

Main presentation	66 pages
Additional information on Cost Development	4 pages
Minutes of Meeting	6 pages

Local Consultation Meeting 1 – Stockholm Arlanda AUC (*October 7th*)

Main presentation	31 pages
Minutes of Meeting	4 pages

Local Consultation Meeting 2 – Stockholm Arlanda AUC (*November 5th*)

Arlanda's Investment Plan	1 Excel Sheet
Minutes of Meeting	5 pages

Local Consultation Meeting – Bromma Stockholm AUC (*October 15th*)

Main presentation	21 pages
Minutes of Meeting	2 pages

Local Consultation Meeting – Malmö Airport AUC (*October 22nd*)

Main presentation	19 pages
Minutes of Meeting	2 pages

Final Decision – Jan 11th 2016

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Participants of the consultation process may request material from any of the meetings listed above, by writing to consultation@swedavia.se.