

## SWEDAVIA'S AIRPORT CHARGES 2019

### Swedavia's decision

The Group Management for Swedavia, as the managing body<sup>1</sup> of the common charging system for Swedavia's Airport Network, has decided;

to increase the average total charge level at Swedavia's airports by 7.8 percent from 1 January 2019. On top of this adjustment the charges are temporarily increased by an additional 2.1 percent (53.6 MSEK) effective from 1 January 2019 until 31 December 2019, accounting for the traffic- and investment risk sharing of 2018 (including final adjustments for 2017)<sup>2</sup>.

### TABLE OF CONTENT

<b>1</b>	<b>SUMMARY .....</b>	<b>2</b>
<b>2</b>	<b>INTRODUCTION .....</b>	<b>2</b>
<b>3</b>	<b>THE TOTAL ADJUSTMENT OF AIRPORT CHARGES.....</b>	<b>4</b>
3.1	Effect on Swedavia's 10 Airports .....	5
3.2	Cost Development and Traffic Forecast.....	5
<b>4</b>	<b>ADJUSTMENTS OF PRICE MODEL AND INDIVIDUAL CHARGES.....</b>	<b>7</b>
4.1	Adjustment and updated level of the emission charge .....	7
4.2	Updated level of the Take-Off Charge .....	8
4.3	Updated level of the Passenger Charge .....	9
4.4	A new price list for charges outside official operating hours at six airports .....	10
4.5	Updated level of the Ground Handling Infrastructure and PRM charges .....	10
4.6	Updated level of the Slot Coordination Charge .....	12
4.7	Updated Traffic Risk Sharing Programme .....	12
4.8	Updated Investment Risk Sharing Programme .....	13
4.9	Updated WACC .....	14
<b>5</b>	<b>THE CONSULTATION PROCESS AND DISTRIBUTED MATERIAL .....</b>	<b>15</b>

<sup>1</sup> In accordance with the Swedish Act (2011:866) on Airport Charges, the Swedish Act (2000:150) on Ground Handling and Regulation (EC) No 1107/2006 of the European Parliament and of the Council of 5 July 2006 concerning the rights of disabled persons and persons with reduced mobility ("PRM") when travelling by air.

<sup>2</sup> As follows from Swedavia's charges decision for 2018 there is also a charges increase of 2.7 percent valid from 15 January 2019 corresponding to the expiration of a one-time reduction of 70.5 MSEK during 2018.

**1****SUMMARY**

The consultation process for 2019's airport charges consisted of seven meetings to which we received written responses from eight airport users/representatives. We have carefully considered all feedback received prior to making the price decision which has resulted in a total increase of airport charges 2019 of 9.9 percent. The increase includes a one-time adjustment of 53.6 MSEK accounting for the traffic- and investment risk sharing of 2018 (including final adjustments for 2017) which is effective until 31 December 2019. With the expiration of the one-time adjustment of 70.5 MSEK in the charges decision for 2018, the charges increase amounts to 12.6 percent from 15 January 2019.

The charge adjustments at Swedavia's individual airports are in the interval of 12.0 percent to 14.3 percent. The charge decision 2019 contains the following changes:

1. Adjustment and updated level of the emission charge
2. Updated level of the take-off charge
3. Updated level of the passenger charge
4. A new price list for charges outside official operating hours at six airports
5. Updated level of the ground handling infrastructure and PRM charges
6. Updated level of the slot coordination charge
7. Updated traffic risk sharing programme
8. Updated investment risk sharing programme
9. Updated WACC

The number of passengers is expected to reach 21 450 666 (+2.1 percent) for 2019, following a lower than anticipated passenger growth in 2018, from an expected 5.3 percent at the beginning of the year to currently projected 1.4 percent.

**2****INTRODUCTION**

The consultation process for 2019's airport charges began 31 August 2018 when Swedavia's initial proposal and Consultation Framework was sent out. The first meeting was held 12 September 2018, and a total of seven consultation meetings were hosted by Swedavia at central and local level during September and October. All meetings are listed in chapter 5. During the process Swedavia received formal written responses from eight airport users or representatives, in addition to what was discussed in the meetings. Swedavia responded to the feedback received in a document distributed to the consultation participants on 25 October 2018.

The new charges are valid as of 1 January 2019<sup>3</sup> and the updated price list will be published on our website, [swedavia.com](http://swedavia.com), at latest 1 January 2019.

---

<sup>3</sup> With the exception of the 2.7 percent charge increase valid from 15 January 2019 according to 2018 year's charge decision.

We have carefully considered all feedback received, both in writing and expressed orally during the consultation meetings. Every year Swedavia strives to enhance the consultation process. The measures we have taken in order to accommodate airport user feedback and requests in the autumn 2018 include:

- Removed the proposed peak/off-peak differentiation in the passenger charge from the charges decision 2019 with the intent to consult peak/off-peak differentiation in the consultation for charges valid from 2020
- Increased the ambition for Swedavia's cost savings programme from 250 MSEK to 290 MSEK
- Retracted the proposed reallocation of costs for baggage systems from the passenger handling infrastructure charge to the passenger charge. The baggage system costs are instead proposed to be allocated to a separate charge, which will be handled in a new consultation
- Applied adjustments to the airports' investment portfolios following user input, and demonstrated long term effects on the charge level from reducing and delaying investment projects in the long term CAPEX plan for Swedavia
- Shared further information regarding drivers in the OPEX development
- Presented the design and purpose of the incentive programmes
- Proposed an implementation of Service Level Agreements (SLAs) with airport users in 2019 at Stockholm Arlanda, Bromma Stockholm and Göteborg Landvetter. The process of implementing the SLAs will be carried out locally per airport with decisions made in the respective AUC, in which quarterly follow-ups are also proposed to occur.

Swedavia has a strategy to promote efficient use of capacity and the proposal for a peak/off-peak differentiation was made to support this strategy. Swedavia has considered user requests and retracted the proposal this year, but will continue to evaluate the benefits of such pricing mechanisms and may return with a revised version of the peak/off-peak differentiation already in the consultations for charges 2020.

The strategy to promote efficient and sustainable use of capacity is reflected in the charges decision for 2019 through the increased proportion of aircraft related charges (such as the increase of the take-off and emission charges).

### 3 THE TOTAL ADJUSTMENT OF AIRPORT CHARGES

The total charge adjustment of 12.6 percent at Swedavia's network of ten airports equals a charge increase of 319 MSEK.

The overall charge adjustment is mainly driven by:

- Higher unit costs due to a lower than expected traffic increase
- A growing asset base following large investments in new airport capacity, resulting in increased capital costs per passenger
- Effects from the traffic risk sharing for 2017 and 2018
- Increased commercial revenue per passenger
- Continued cost focus and decreasing level of OPEX per passenger

The charges increase includes a one-time adjustment consisting of the traffic risk sharing and investment risk sharing programmes for 2018 (in both cases including the final adjustments for 2017) the net sum of which are 53.6 MSEK. This amount is added to the charge level 2019 but will only be valid for one year. As of 1 January 2020, the passenger charge will consequently decrease by 2.5 SEK per passenger (53.6 MSEK/21.45 MPAX), applied for all segments, unless otherwise decided in a new price decision following consultations with the airport users.

The average charge level for Swedavia's airport network is calculated as the total estimated cost base for airport charges, terminal navigation charges, ground handling infrastructure charges and assistance service (PRM) charge divided by the estimated number of departing passengers (excluding infants and crew). The total average charge per passenger equals 133 SEK in 2019, up from 118.1 SEK in 2018.

Swedavia continues to apply a Single Till for the Airport Operations (i.e. excluding Swedavia Real Estate) at network level in 2019, with adjustments being made to the price model and individual charge levels.

These adjustments and changes are described in chapter 4. Items and charges which are not specifically listed will remain unchanged from the previous price list for 2018.

When increasing the charge level 2019, Swedavia decides for a net increase in charges for the first time in five years<sup>4</sup> and despite increasing charges, the average charge level at Swedavia's airports in 2019 is estimated to be around 20 percent lower than at competing and similar airports in Europe.

Along with the current passenger forecast, the consulted CAPEX plan is evaluated as optimised and necessary to accommodate new traffic demand. Swedavia monitors the market development closely as we currently see a declining growth

---

<sup>4</sup> -3.7 percent in 2015, -0.8 percent in 2016 and -1 percent in 2017 (not introduced), and -0.5 percent in 2018

in traffic. If market conditions deteriorate further, Swedavia will evaluate an adjustment of its plan and may initiate the next consultation process earlier, in order to consult necessary changes and postponements to the investment plan (along with a lower traffic forecast), and to revise the charge decision accordingly.

### 3.1 Effect on Swedavia's 10 Airports

Airport	Swedavia's Charges in Total (MSEK)		
	Estimated Amount (for corresponding full year 2019)	Change	Percentage Change
Stockholm Arlanda	1 891.6	210.3	12.5%
Göteborg Landvetter	461.5	51.3	12.5%
Bromma Stockholm	175.5	21.5	14.0%
Malmö	142.0	15.2	12.0%
Luleå	62.9	7.0	12.5%
Umeå	50.2	5.5	12.2%
Åre Östersund	26.2	3.0	13.2%
Visby	19.3	2.3	13.3%
Kiruna	14.4	1.6	12.1%
Ronneby	11.1	1.4	14.3%
<b>Swedavia in Total</b>	<b>2 854</b>	<b>319.0</b>	<b>12.6%</b>

*Total charge adjustments at individual airports in Swedavia's airport network*

### 3.2 Cost Development and Traffic Forecast

The Price Model for Swedavia's airport network calculates the cost base for charges 2019 based on the following parameters and their estimations:

#### Operative Capital

Swedavia's operative capital is expected to increase by 9.1 percent (1 338 MSEK) in 2019. The increase is mainly driven by investments to meet the capacity needs of existing and new traffic.

#### Weighted Average Cost of Capital - WACC

A WACC level of 5.8 percent before tax is applied on operative capital in Swedavia's cost base 2019, down from 5.9 percent in 2018.

#### Operating Costs

Operating costs (OPEX) are expected to increase by 2.8 percent (123 MSEK) in 2019. The increase is driven by traffic growth and increased use of own personnel in investment projects. OPEX per departing passenger, adjusted for operational leases and other additional business, and own personnel in investment projects, is

expected to decrease, going from 193 SEK in 2018 to 191 SEK in 2019 (-0.9 percent).

As a tool to manage the development of operating costs, Swedavia introduced a target in 2017; OPEX should not increase more than the sum of 40 percent of the passenger growth and half the inflation. Swedavia considers the continued reduction of OPEX per passenger to be of high strategic importance to deliver long term value to the airport users.

### Depreciations

Depreciations are expected to increase by 12.6 percent (131 MSEK) in 2019. The increase is due to a growing asset base and some assets being depreciated at a faster rate than projected since buildings need to be removed to provide space for the development programmes. Depreciations are carried out according to standard accounting principles.

### Revenue from Commercial Services and other Operating Income

Revenues from commercial activities and other operating income are expected to increase by 6.3 percent (152 MSEK) in 2019. Adjusted for the increased activated projects cost for own personnel, the underlying increase is 4.2 percent (94 MSEK), reflecting an increased commercial revenue per passenger.

### Traffic Forecast

While traffic has continued to grow in 2018 the trend indicates lower growth levels going forward. The projected increase in total passengers for 2018 is 1.4 percent and the passenger traffic forecast for 2019 (presented at the consultation meeting 2 October) is in total 43 387 269 passengers or 21 450 666 departing passengers excluding infants and crew. Compared to 2018, this is an increase of 2.1 percent.

Airport	Departing Passenger Traffic (excl. crew and infants)			
	2018 Forecast	2019 Forecast	Change	Percentage Change
Stockholm Arlanda	13 423 794	13 767 325	343 531	2.6 %
Göteborg Landvetter	3 405 324	3 487 309	81 985	2.4 %
Other Airports	4 189 451	4 196 032	6 581	0.2 %
<b>Swedavia in Total</b>	<b>21 018 569</b>	<b>21 450 666</b>	<b>432 097</b>	<b>2.1 %</b>

*Swedavia's passenger forecast 2018-2019*

## 4 ADJUSTMENTS OF PRICE MODEL AND INDIVIDUAL CHARGES

This section contains the changes carried out in 2019 accompanied by; descriptions of the decision, views expressed by airport users and Swedavia's motivation for the decision.

### 4.1 Adjustment and updated level of the emission charge

#### Decision

Swedavia increases the emission charge from 50 SEK/kg NO<sub>x</sub> to 100 SEK/kg NO<sub>x</sub> emitted during a standard Landing and Take-off (LTO) cycle. In addition to the charge level adjustment, the average taxi times applied in the LTO cycle have been updated according to actual average taxi times to better reflect current operative conditions at the airports. The total average increase of the emission charge is 102.7 percent.

Airport	Taxi time per LTO cycle (Minutes)
Stockholm Arlanda	<b>17:30</b> (15:00)
Göteborg Landvetter	<b>13:00</b> (09:50)
Bromma Stockholm	<b>13:00</b> (12:10)
Malmö	<b>12:00</b> (13:00)
Luleå	<b>12:30</b> (11:30)
Umeå	<b>09:00</b> (10:00)
Åre Östersund	<b>08:30</b> (08:30)
Visby	<b>07:30</b> (07:10)
Kiruna	<b>07:30</b> (10:20)
Ronneby	<b>07:00</b> (06:10)

*Updated average taxi times per LTO cycle at Swedavia's airports (new taxi time in bold, old taxi time in parenthesis)*

#### Views from the airport users

A couple of airport users have urged Swedavia to withdraw the proposal to increase the emission charge by 100 percent. It is stated that such a high increase risks having a market distorting effect, and that the measure is misguided as it is counter-productive in regards to promoting environmentally friendly aircraft, as there is a relation between lower NO<sub>x</sub> emissions and higher fuel consumption.

#### Swedavia's motivation for the decision

Swedavia increases the emission charge, in line with the strategy to increase the share of aircraft related charges. Swedavia aims to incentivise efficient use of capacity, both from a cost perspective and out of environmental concern. Swedavia does not believe that an increase of aircraft related charges will have a market distorting effect. With the new charges decision costs allocated to aircraft



related products account for 45 percent of the cost base, but only 29 percent of the charges.

In regards to the relation between fuel consumption and NOx emissions Swedavia agrees that there can be an inverted relation when considering the design setup of a single unique engine. The correlation on an aggregated level however is positive between fuel consumption and NOx emissions, as the main driver for both is the size of the aircraft and the engines, not the configurations in the design of the engines.

## 4.2 Updated level of the Take-Off Charge

### Decision

The average take-off charge per tonne at Swedavia's airports is increased by 58.9 percent. The increase is carried out through adjusted levels at Stockholm Arlanda, Göteborg Landvetter, Malmö and Bromma Stockholm.

Airport	Passenger Flights					Non Passenger Flights			
	Minimum	MTOW 0-25	MTOW 25-100	MTOW 100-175	Capped MTOW 175-	Minimum	MTOW 0-25	MTOW 25-175	Capped MTOW 175-
Stockholm Arlanda	500	<b>25</b> (10)	<b>39</b> (20)	<b>25</b> (10)	5 425	500	<b>25</b> (10)	<b>40</b> (35)	6 625
Göteborg Landvetter	500	<b>25</b> (20)	<b>45</b> (30)	<b>25</b> (20)	5 875	500	<b>25</b> (15)	<b>45</b> (40)	7 375
Bromma Stockholm	500	<b>30</b> (25)	<b>60</b> (50)		9 750	500	<b>30</b> (25)	<b>65</b> (60)	10 500
Malmö	500	<b>30</b> (20)	<b>50</b> (40)	<b>40</b> (30)	7 500	500	<b>30</b> (20)	55	9 000
Luleå	500	20	50	30	6 500	500	20	55	8 750
Umeå	500	20	50	30	6 500	500	20	55	8 750
Åre Östersund	500	20	50	30	6 500	500	20	55	8 750
Visby	500	20	50	30	6 500	500	20	55	8 750
Kiruna	500	20	50	30	6 500	500	20	55	8 750
Ronneby	500	20	50	30	6 500	500	20	55	8 750

*Take-off charge in SEK per tonne. New charges in bold, previous charges in parenthesis*

### Views from the airport users

Many airport users have expressed the opinion that the increase of the take-off charge is too large and risks creating a market distortion when the balance between passenger- and aircraft related charges becomes skewed. Other users, while not supportive of the increase itself, prefer increases to be put on aircraft related charges, which they believe are incentivising efficiency, such as higher load factors.

### Swedavia's motivation for the decision

The increase of the take-off charge is made to increase the proportion of aircraft related charges to encourage a high load factor for better capacity usage and less impact on the environment per passenger. The effect of the decision is that from 2019, the share of tonne or aircraft related charges at Swedavia's airports will be 29 percent, while the cost share of products financed by aircraft related charges remains much higher, approximately 45 percent.



### 4.3 Updated level of the Passenger Charge

#### Decision

The average passenger charge at Swedavia's airports is increased by 2.1 percent.

Year	2018	2019
Traffic Segment/ Airport	All Passengers (Transfer)	All Passengers (Transfer)
Stockholm Arlanda Terminals 2,4 & 5	89 (53)	<b>89</b> (53)
Stockholm Arlanda Terminal 3	66 (40)	<b>70</b> (42)
Göteborg Landvetter	64 (38)	<b>65</b> (39)
Bromma Stockholm	66 (40)	<b>77</b> (46)
Malmö	52 (31)	<b>55</b> (33)
Luleå/Umeå	51 (n/a)	<b>59</b> (n/a)
Kiruna/Östersund/Visby/ Ronneby	48 (n/a)	<b>55</b> (n/a)

#### *Passenger Charge in SEK per airport*

The reduction of the passenger charge for transfer passengers remains 40 percent at Stockholm Arlanda, Bromma Stockholm, Göteborg Landvetter and Malmö airports.

In order to align with last year's price decision (valid for 2018), all amounts in the table above will be reduced with 3.2 SEK in the period 1-14 January 2019.

#### Views from the airport users

Airport users are opposed to Swedavia's increase of charges, in particular the overall charge level. Although opposed to the increase as such, some airlines would prefer it if Swedavia allocated a larger portion of the increase to a passenger related charge. Other airport users argue that increases in the passenger charge are to the disadvantage of efficient carriers with high average seat load factors.

#### Swedavia's motivation for the decision

Swedavia's pricing strategy is to promote efficient and sustainable use of airport infrastructure. As such, Swedavia has opted for only a lesser increase of the passenger charge in order to achieve a higher proportion of aircraft related charges by allocating the main part of the increase to the take-off charge and the emission charge.

#### 4.4 A new price list for charges outside official operating hours at six airports

##### Decision

A new price list for charges outside official operating hours is introduced at Umeå, Luleå, Åre Östersund, Visby, Kiruna and Ronneby airports. Besides an increase of the charge, the number of weight intervals for the charge is decreased from three to two, as there is no noticeable difference in costs for serving an aircraft with an MTOW between 5.7-27 tonnes and an aircraft with an MTOW above 27 tonnes. It is Swedavia's intention that this charge will apply to all movements, regardless of type (including ambulance flights, etc.).

Time after closing or before opening	MTOW	Summer (15 April until 14 October)	Winter (15 October until 14 April)
Price up to 30 minutes	< 5.7 tonnes	SEK 1 565	SEK 1 765
	> 5.7 tonnes	SEK 2 350	SEK 2 950
Price between 30 minutes and 3 hours	< 5.7 tonnes	SEK 9 390	SEK 10 590
	> 5.7 tonnes	SEK 14 100	SEK 17 700
+ price per additional 30 minutes period begun after 3 hours	< 5.7 tonnes	SEK 1 565	SEK 1 765
	> 5.7 tonnes	SEK 2 350	SEK 2 950

*New charges for operating outside official opening hours*

##### Views from the airport users

Swedavia has received feedback from a couple of airport users who are opposing the increase and the remodelling of the price list, referring to the fact that arrivals outside of opening hours is usually due to factors beyond the control of the airline, such as delays caused at other airports (which may often be another Swedavia airport).

##### Swedavia's motivation

The current charge for operating outside official hours does not cover Swedavia's actual costs when serving aircraft arriving or departing outside of regular opening hours. Swedavia's costs are fixed in many aspects when servicing flights that arrive more than 30 minutes outside official operating hours; both the Air Traffic Control Towers and hourly paid staff charge a minimum of 180 minutes in these circumstances. The new charge is designed in relation to this and to achieve cost coverage for the service provided.

#### 4.5 Updated level of the Ground Handling Infrastructure and PRM charges

##### Decision

The charges for ground handling infrastructure and PRM for 2019 have been set according to the principle of cost coverage as previously agreed upon with airport users.

The adjustments made to the charges are shown in the table below, bold figures indicate a change compared to the previous price level.

Airport	PRM (SEK per passenger)		Ground Handling Infrastructure Charges							
			Passenger Handling (SEK per passenger)		Ramp Handling (SEK per tonne)		Glycol Handling (SEK per litre)		Fuel Handling (SEK per m <sup>3</sup> )	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Stockholm Arlanda	3.8	<b>4.4</b>	19.7	<b>21.3</b>	1.8	<b>1.7</b>	0	<b>0</b>	11.5	<b>11.0</b>
Göteborg Landvetter	6.1	<b>6.2</b>	11.0	<b>13.2</b>	6.3	<b>10.8</b>	6.2	<b>5.9</b>		
Bromma Stockholm	5.3	<b>4.9</b>	5.5	<b>6.6</b>	8.1	<b>8.5</b>	5.7	<b>7.2</b>		
Malmö	4.0	<b>4.0</b>	7.2	<b>8.1</b>	5.8	<b>6.8</b>	2.3	<b>1.9</b>		
Umeå	3.7	<b>4.5</b>								
Luleå	4.1	<b>4.6</b>								
Åre Östersund	2.6	<b>3.5</b>								
Visby	1.3	<b>1.6</b>								
Kiruna	2.3	<b>2.2</b>								
Ronneby	3.2	<b>4.3</b>								

*Updated Ground Handling Infrastructure and PRM charges in SEK*

### Views from the airport users

The airport users have expressed concerns regarding the PRM charges, and have suggested that Swedavia should evaluate outsourcing the PRM services in order to reduce costs and allow for a lower charge level.

The inclusion of costs for the baggage systems in the passenger handling charges has been questioned by Swedavia's ground handling companies who believe that these costs would be more rightly allocated as general airport infrastructure.

### Swedavia's motivation

The Ground Handling Infrastructure and PRM charges are based on cost coverage as agreed upon with airport users and therefore adjusted with every new price decision. The cost per PRM assignments has been decreased, but the charges are increasing following a higher growth of PRM assignments than the average traffic increase. Swedavia will evaluate the option of outsourcing, but would only implement such a solution if clear cost efficiencies are expected.

Swedavia believes that all costs for airport infrastructure should be allocated to the charge where it is most relevant, and agrees with the proposal put forward by the ground handling companies. The solution for reallocating the baggage system costs without having a distorting effect among airlines would be to establish a new airport charge for the baggage systems. This option was presented late in the consultation process, and as such Swedavia intends to invite to a separate consultation to allow for this – cost and revenue neutral – reallocation at a later date than 1 January 2019.

#### 4.6 Updated level of the Slot Coordination Charge (formally not part of Swedavia's price decision)

##### Decision

The slot coordination charge is set by Airport Coordination Sweden (ACS) and communicated in Swedavia's consultation process each year. The charge is set to cover ACS's costs for the slot coordination. The level of the slot coordination charge has been revised for this year to reflect the new traffic and cost forecasts.

Airport	Slot Coordination Charge
Stockholm Arlanda	15.10
Bromma Stockholm	15.10
Göteborg Landvetter	15.10

*Charge level 2019, SEK per departure*

##### Views from the airport users

No specific opinions have been expressed to Swedavia.

##### Swedavia's motivation for the decision

The purpose of the adjustment of the slot coordination charge is to facilitate for ACS to handle the increased number of departures and allocate slots according to the IATA Worldwide Slot Guidelines.

#### 4.7 Updated Traffic Risk Sharing Programme

##### Decision

The traffic risk sharing program was introduced in 2016 to handle traffic forecast deviations between what was consulted and the actual outcome for a specific year.

The risk sharing per passenger is calculated as the average charge level per departing passenger (133 SEK in 2019), reduced with the average discount per additional passenger (65 SEK). This means that the eligible amount per passenger for 2019 will be 68 SEK.

The programme has a threshold at forecast deviations of +/- 4 percentage points, meaning that no compensation is made for traffic deviations four percentage points below or above Swedavia's consulted traffic forecast.

The deviation of consulted and actual number of passengers multiplied with the eligible amount per passenger will be included in the next price decision taken. Deviations for 2019 will be carried into the cost base for charges 2020. Since the price decision is made prior to knowing the actual outcome of a full year, all deviations from the forecast the price decision is based on will be transferred into the next price decision. As an example, late deviations in 2018 will be reflected in the price level of 2020.

### **Views from the airport users**

Views among users differ about whether Swedavia's forecast for 2019 is too high or too low. No specific requests have been raised in regards to the proposed continuation of the traffic risk sharing programme.

### **Swedavia's motivation for the decision**

The programme is in place to function as a long term model for traffic risk sharing which can be updated yearly with the charge level, discounts and traffic forecast for the coming year. This method takes into account the full aspect of aviation charges and commercial revenues and costs.

## **4.8**

### **Updated Investment Risk Sharing Programme**

#### **Decision**

No alteration to the design of the programme has been made for the charges 2019. The consulted investment amount for 2019 is 3 224 MSEK.

Swedavia's investments are part of the operative capital in the price model of which the capital cost is calculated. The consulted amount of investments naturally has an impact on the overall charge level. In order to handle investment forecast deviations Swedavia introduced an investment risk sharing in 2018. This means that any deviating amount between consulted investments and actual outcome is returned in the following year. The deviation can be both positive and negative, meaning that if the investment outcome is lower than consulted, Swedavia returns the deviating amount to the users in the coming year by inserting the funds in the price model. In case the investment outcome is higher than consulted there is a cap of +5 percent, which equals approximately a charge increase of 0.2 percent, which Swedavia can add to the price model the following year.

As for the traffic risk sharing programme, deviations taking place after the price decision has been made will be reflected in the next charges decision. This means that deviations occurring prior to the charge decision for 2019 will be adjusted in the charge level 2019, while deviations occurring after the price decision, will be adjusted in the charges decision for 2020.

### **Views from the airport users**

Several users have maintained the opinions expressed last year in regards to the investment risk sharing. While not requesting the programme to be removed, it is stated that it would be preferred if the investment forecasts are correct from the beginning. A correct forecast gives the right charges for that specific year.

Airport users have also expressed the opinion that the investment risk sharing programme is lacking in the aspect that it is not taking deviations of individual investments into account, only the overall investment amount for all airports. This is believed to lead to the replacement of individual investments with other projects

which have not been consulted, without the overall amount for investments being adjusted.

#### **Swedavia's motivation for the decision**

The investment risk sharing programme is in place to reduce the effect of forecast deviations for investments by returning funds for investments that were not started as planned or where less funds were spent than budgeted. Swedavia shares the view of the users that the best option is if the forecast equals the outcome every year. Swedavia strives to achieve higher forecast accuracy, but the reality is that deviations occur and the risk sharing programme has been introduced to minimise any negative effects such deviations might impose on airport users.

As users expressed concerns that Swedavia will use the risk sharing to “overinvest”, a cap of +5 percent of the consulted investment amount was added to the programme last year.

## **4.9 Updated WACC**

### **Decision**

For 2018 Swedavia applies a WACC of 5.8 percent (before tax) in the price model. The WACC level will be revised and consulted, based on the methodology set 2017, with every new price decision.

Swedavia's WACC is calculated using the CAPM methodology for evaluating the required return on equity and the Hamada formula for deciding the systematic risk of Swedavia (the levered Beta value). The airport users who participated in the consultation process have received a detailed description of the parameters and how they are applied in the calculation.

### **Views from the airport users**

Several airport users have questioned the method used to determine Swedavia's market risk premium. According to an alternative source users have recommended, Swedavia's market risk premium should be lower, and accordingly also the WACC. Furthermore, several airport users disagree with Swedavia's choice of benchmark airports when assessing the Beta value, arguing that Swedavia has a lower risk than average due to Swedavia being owned by the Swedish state. It has also been proposed that Swedavia should lower the WACC in investment heavy periods to limit the need for increased charges, resulting in a lower return to the owner.

### **Swedavia's motivation**

The input from the airport users has been considered in the calculation of the WACC. The study conducted by PwC that Swedavia uses as a source for the market risk premium is country specific for Sweden (as opposed to the source recommended by airport users) and the Beta evaluation is based on the available benchmark airports listed on European stock markets. Risk evaluation of Swedavia's business is independent of owner structure, whereas the fact that

Swedavia is being state owned is reflected in the WACC through a lower cost of debt achieved in the financial markets.

## 5 THE CONSULTATION PROCESS AND DISTRIBUTED MATERIAL

For all details of the price structures and adjustments of individual charges, please see the material that has been distributed and updated throughout the consultation process during September and October 2018. Please note that the local consultation process in Stockholm Arlanda AUC carries on throughout the year. A similar process for Göteborg Landvetter AUC is currently being set up.

The consultation process covered the following meetings and material:

<b>Swedavia Consultation Framework</b>	103 pages
<b>Consultation Meeting 1</b>	<b>September 12</b>
Main presentation	40 pages
Meeting minutes	14 pages
<b>Consultation Meeting 2</b>	<b>October 2</b>
Main presentation	43 pages
Meeting minutes	20 pages
<b>Consultation Meeting 3</b>	<b>October 16</b>
Main presentation	38 pages
Meeting minutes	17 pages
<b>Local Consultation Meeting Stockholm Arlanda Airport AUC</b>	<b>October 3</b>
Main presentation	43 pages
Meeting minutes	8 pages
Presentation Service Level Agreements	14 pages
<b>Local Consultation Meeting Göteborg Landvetter Airport AUC</b>	<b>October 9</b>
Main presentation	60 pages
Meeting minutes	14 pages
Appendix to minutes	7 pages
<b>Local Consultation Meeting Malmö Airport AUC</b>	<b>October 10</b>
Main presentation	29 pages
Meeting minutes	2 pages



---

<b>Local Consultation Meeting Bromma Stockholm Airport AUC</b>	<b>October 11</b>
Main presentation	27 pages
Meeting minutes	3 pages
<b>User counter proposal</b>	16 pages
<b>Swedavia's collected response to airport users</b>	18 pages
<b>Swedavia Decision Airport Charges 2019 (this document)</b>	16 pages

Participants of the consultation process may request material from any of the meetings listed above, by writing to [consultation@swedavia.se](mailto:consultation@swedavia.se).