

SWEDAVIA'S AIRPORT CHARGES 2017

Swedavia's decision

The Group Management for Swedavia, as the managing body¹ for the common charging system for Swedavia's Airport Network, has decided;

to **decrease** the average total charge level at Swedavia's airports by **1.0 percent**, as described below, from 1 April 2017.

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SUMMARY

The consultation process for 2017's airport charges consisted of eight meetings to which we received thirteen formal written responses. We have carefully considered all feedback received prior to making the price decision which is a reduction of airport charges 2017 with 1.0 %. The reduction is carried out in the passenger charge and the ramp handling infrastructure charge. Of Swedavia's ten airports eight will receive a decrease in charges and all are in the interval of -2.5 and +0.5%. The charge decision contains the following seven adjustments;

1. Harmonisation of the passenger charge
2. Reduced Passenger Charge at Stockholm Arlanda Terminal 3
3. Adjustment of the Take-Off Charge at Stockholm Arlanda, Göteborg Landvetter and Bromma Stockholm
4. Adjustment of the Ground Handling Infrastructure and PRM charges
5. Return to cost coverage for Terminal Navigation Charge at Göteborg Landvetter
6. Introduction of Slot Coordination Charge at Göteborg Landvetter
7. Introduction of volume discount

In addition to the above price adjustments, there are also changes to the price model;

8. Return of unused biofuel funds from 2016
9. Revised Traffic Risk Sharing Program
10. Introduction of Investment Risk Sharing

The positive traffic development is anticipated to continue in 2017. The number of departing passengers is expected to reach 20 200 420 (+3.4 %).

Swedavia's 2017 charges are valid as of 1 April 2017 to 31 March 2018.

¹ 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.

2**INTRODUCTION**

The consultation process for 2017's airport charges began on 6 October 2016. Swedavia held eight consultations meetings during October to December and received thirteen formal written responses to the proposal. All meetings are listed in chapter 5.

We have carefully considered all feedback received, both the written and expressed during the consultation meetings. Every year Swedavia strives to enhance the consultation process. Some of the changes we have done in 2016 are;

- The airport users received upfront a comprehensive document, Swedavia Consultation Framework, where the basis for the price model is described as well as the proposed changes,
- Adjustment of the traffic prognosis based on input from the airport users,
- Updated the amount per passenger in the traffic risk sharing program,
- Proposed an investment risk sharing program as a result of the previous year's discussions on Swedavia budgeted investment pace and actual outcome,
- Introduced a ceiling of how much Swedavia can invest above the consulted amount in relation to the investment risk sharing program,
- Shared more detailed look on Malmö's incentive programs,
- Introduced a question and answer paper which collected all oral and written questions and provided answers and comments on those,
- As per request of the users, returned the unused biofuel incentive funds through a decreased charge, rather than offering a prolonged program during 2017.

The decision is to reduce the airport charges 2017 with 1.0 %. The reduction is carried out in the passenger and ramp handling and infrastructure charges. Of Swedavia's ten airports, eight will receive a decrease in charges, and all are in the interval of -2.3 to +0.5 %.

Since the last consultation meeting in December 2016 the actual passenger traffic figures for 2016 shows an increase in the last month of the year and results in that the traffic risk sharing programs generates a return of 11 MSEK, instead of the consulted 8.6 MSEK. This gives a further charge reduction of 2.4 MSEK, which reduced the average charge level from 0.9 to 1.0 %. This reduction is carried out in the passenger (-10.5 MSEK) and take-off charge (+8.1 MSEK) at Stockholm Arlanda.

With the charge decision for 2017, we decrease our airport charges for the third year in a row² and continue with an average charge level 20 % lower than competing and similar airports in Europe.

² -3.7 % in 2015 and -0.8 % in 2016.

Swedavia's charges for 2017 are valid as of 1 April 2017 to 31 March 2018. The updated price list will be published on our website swedavia.se in March 2017.

3 THE TOTAL ADJUSTMENT OF AIRPORT CHARGES

The total charge adjustment of -1.0 % results in a charge reduction of 23.4 MSEK. This reduction is the effect of Swedavia's budget process for 2017 and the eight consultation meetings held in the autumn 2016. The charge adjustment is driven by;

- OPEX reduction 2016 and increase 2017,
- Commercial revenues increasing less than budget.

These two changes isolated should lead to a charge increase but, together with the following factors, a charge reduction is reached;

- A positive traffic development, 5.2 % in 2016 and forecasted +3.4 % for 2017,
- Deferred investments results in a lower operative capital than originally planned,
- Traffic Risk Sharing Program for 2016 creates a return to the airport users of 11 MSEK, and
- Return of 5 MSEK unused biofuel funds.

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 117.7 SEK in 2017, down from 118.8 SEK in 2016.

Swedavia continues to apply a Single Till for the airport operations in 2017, with adjustments being made to the charge structure and individual charge levels. The charge decision contains the following seven adjustments;

1. Harmonisation of the passenger charge
2. Reduced Passenger Charge at Stockholm Arlanda Terminal 3
3. Adjustment of the Take-Off Charge at Stockholm Arlanda, Göteborg Landvetter and Bromma Stockholm
4. Adjustment of the Ground Handling Infrastructure and PRM charges
5. Return to cost coverage for Terminal Navigation Charge at Göteborg Landvetter
6. Introduction of Slot Coordination Charge at Göteborg Landvetter
7. Introduction of volume discount

In addition to the above price adjustments, there are also changes to the price model that determines the total average charge level;

8. Return of unused biofuel funds from 2016
9. Revised Traffic Risk Sharing Program
10. Introduction of Investment Risk Sharing

These adjustments and changes are described in chapter 0. Those items and charges which are not specifically listed will remain unchanged and kept to 2016 year's level.

3.1 Effect on Swedavia's 10 Airports

The total charge adjustments 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 2017)	Change	Percentage Change
Stockholm Arlanda Airport	1 544.4 MSEK	-16.9 MSEK	-1.1 %
Göteborg Landvetter Airport	384.8 MSEK	-5.3 MSEK	-1.3 %
Bromma Stockholm Airport	146.0 MSEK	0.5 MSEK	0.3 %
Malmö Airport	132.9 MSEK	0.7 MSEK	0.5 %
Luleå Airport	56.9 MSEK	-1.4 MSEK	-2.3 %
Umeå Airport	50.2 MSEK	-0.8 MSEK	-1.5 %
Äre Östersund Airport	22.7 MSEK	-0.1 MSEK	-0.3 %
Visby Airport	17.2 MSEK	-0.2 MSEK	-0.9 %
Kiruna Airport	12.7 MSEK	-0.1 MSEK	-0.5 %
Ronneby Airport	10.6 MSEK	-0.0 MSEK	-0.4 %
Swedavia in Total	2 378.4 MSEK	-23.4 MSEK	-1.0 %

3.2 Cost development and traffic forecast

The Price Model for Swedavia's Airport Network calculates the cost base for charges 2017 based on the following parameters and their estimations;

Operative Capital

Swedavia's operative capital is expected to increase 17 % (1 700 MSEK) in 2017. The increase is mainly driven by investments to meet the capacity needs of new traffic.

Cost of capital - WACC

Swedavia's WACC is 7 % pre-tax, which is matching the required rate of return from Swedavia's owner. The airports users are against that the WACC equals the owner's target and also that it is set on a long-term basis. Swedavia, together with our owners agree that it is justified to set long-term financial targets and WACC.

This is also supported by the industry and for example expressed in ICAO's Economics Manual, Appendix 3;

Cost of equity capital is a long-term, minimum hurdle rate. The actual recovery of costs in any given year may need to include a cost of equity capital above the CAPM calculation taking into account market fluctuations such that the actual cost of equity capital is achieved over time.

Operating Costs

Operating costs are expected to increase with 5 % (182 MSEK) in 2017. The rise consists of e.g. legal requirements for security control, replacement and procurement of IT equipment and systems, and increased use of own personnel in investment projects. Salaries for existing staff are also part of the annual cost increase.

Included in the 182 MSEK increase there is also an expected cost efficiency post of -90 MSEK.

Depreciations

Depreciations are expected to increase 0.4 percent (4 MSEK) in 2017.

Revenue from Commercial Services and other Aeronautical Services

Revenues from commercial activities and additional aeronautical services are expected to increase by 6 % (126 MSEK) in 2017.

Traffic Forecast

The trend of positive traffic development has also continued in 2016, with +5% total departing passengers, excluding infants and crew. The passenger traffic prognosis for 2017 was consulted as 20 200 420, this number of passengers remain. However, with the traffic pace during the autumn the traffic prognosis meant a growth of 3.7%, with the actual number of passengers growing rapidly in December 2016, 20 200 420 passengers 2017 results in a growth pace of 3.4%.

Airport	Departing Passenger Traffic (excl. crew and infants)			
	2016 Actual	2017 Forecast	Change	Percentage Change
Stockholm Arlanda	12 206 591	12 688 395	481 804	3.9%
Göteborg Landvetter	3 151 868	3 224 925	73 057	2.3%
Other Airports	4 170 546	4 287 100	116 554	2.8%
Swedavia in Total	19 529 005	20 200 420	671 415	3.4 %

The passenger and ton forecast for all airports have been declared during the consultation process as a foundation for setting the PRM charges and the ground handling infrastructure charges.

4 ADJUSTMENT OF PRICE MODEL, CHARGING STRUCTURE, AND INDIVIDUAL CHARGES

Below are the changes carried out in 2017, we describe the decision, which purpose they have, views expressed by the airport users, and our motivation for the decision.

4.1 Harmonisation of the Passenger Charge

Decision

Removal of the current differentiation between domestic and international passengers at all Swedavia airports, results in that the passenger charge at each airport is the same regardless of destination. The harmonised passenger charge will differ between our airports.

Year	2016				2017	
Traffic Segment/ Airport	International		Domestic		All Traffic	
	Regular	Transfer	Regular	Transfer	Regular	Transfer
Arlanda	97	58	55	33	81*	49
Bromma	108	65	60	36	66	40
Landvetter	69	43	48	29	62	38
Malmö	56	34	48	29	52	31
Luleå/Umeå	71	n/a	49	n/a	48	n/a
Kiruna/Östersund/Visby/ Ronneby	71	n/a	48	n/a		

**Reduced passenger charge at Stockholm Arlanda Terminal 3: 66 SEK*

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

Purpose

A harmonisation of the passenger charge fulfils the requirements of the EU Commission (formal notice 2014-4136 given 26 September 2014), for Swedavia to abolish a separation of domestic and international passenger charges. The timeline committed by Swedavia is to complete the harmonisation in 2017. The formal requirement was addressed to Stockholm Arlanda which exceeded the limit of five million yearly passengers. Since the notice, also Göteborg Landvetter has exceeded the limit of five million yearly passengers. Because Swedavia has an Airport Network of ten airports, we will harmonise the passenger charges at all airports.

Views from the airport users

Swedavia first communicated the upcoming harmonisation of the passenger charge in 2014. Therefore this necessary step comes to no surprise to the airport

users. The airlines receiving a reduced passenger charge 2017, compared to 2016, are of the opinion that it is high time for Swedavia to make the changes. On the other hand, the airlines with an increased passenger charge wishes for a prolonged introduction timeline. A proposal has also been received to introduce the new passenger charge in December 2017.

Swedavia's motivation for the decision

Swedavia decided 2015 to make the harmonisation in two steps, first change was done as of 1 April 2016 where the difference in the passenger charge at Göteborg Landvetter was reduced. The full step was planned to be done as of 1 April 2017. Swedavia has since 2014 been open about the requirements from the EU Commission at our consultations and the two step approach was consulted with the airport users in 2015. The proposal to introduce the passenger charge in December, instead of April as all other charges, is complicating Swedavia's charge model and we do not see clear advantages to take this step. Therefore the new passenger charges will be introduced as of 1 April 2017.

4.2 Reduced Passenger Charge at Stockholm Arlanda Terminal 3

Decision

A reduced passenger charge at Stockholm Arlanda Terminal 3, with the charge level of 66 SEK.

The terminal is only available for traffic within Sweden, according to requirements of the Swedish Customs, and has limitations when it comes to aircraft sizes. For a full list of allowed aircraft models, for more information please see Arlanda's Airport Regulations³, *Appendix A-12-2013 Tables aircraft parking stands and push-back procedures*.

Arlanda Terminal 3 will from the summer schedule 2017 be slot coordinated, see acslot.se⁴ for more information on the slot principles. The introduction of slot coordination is to ensure that in case of congestion (which is a risk in peak times), the independent body Airport Coordination Sweden distributes the slots according to the Worldwide Slot Guidelines of IATA.

Purpose

Arlanda Terminal 3, which has a lower standard of infrastructure and service than the other Arlanda terminals, is handling less than 1 % of Arlanda's total passenger volume. It is a terminal with low usage, and it is estimated that the terminal, with its current infrastructure and available traffic at Terminal 4, can handle at least double as many yearly passengers. The reduced passenger charge aims at creating motivation for existing traffic at Arlanda Terminal 4, which is crowded, too relocate to terminal 3, as well as for new traffic to be established.

³ <https://www.swedavia.net/en/Arlanda/Airport-Regulations/>

⁴ <http://acslot.se.loopiadns.com/Docs/S17ARNcapacityDOC.pdf>

Views from the airport users

The airports users who has expressed an opinion about a reduced passenger charge has wished for it not to be introduced with the argumentation that it is a limited traffic which can move from Terminal 4 to 3 due to the limitation in aircraft sizes. Another airport user states that the terminal should be open for Schengen or non-Schengen traffic instead of today's domestic.

Swedavia's motivation for the decision

Stockholm Arlanda has a capacity problem with full terminals, especially at peak times. That Swedavia in this situation have one terminal which have potential to ease the situation at Terminal 4, is a possibility we need to explore. During the consultations 2016, the airport users have been encouraged to come with alternative suggestions for how the number of passengers can be increased at Terminal 3, with the existing infrastructure. No suggestions have been received. A reduced passenger charge, is what Swedavia believes can create short- midterm change and better capacity usage at Stockholm Arlanda.

4.3 Adjustment of the Take-Off Charge at Stockholm Arlanda, Göteborg Landvetter and Bromma Stockholm

Decision

The take-off charge at Arlanda and Landvetter is increased for aircrafts above 25 MTOW. At Bromma there is a slight total increase of the take-off charge by a redistribution, with a higher minimum charge but a lower charge per ton for aircrafts with higher MTOW than 25 tons. The redistribution has a breakeven point at an MTOW of 33 tons, with a slight charge reduction for aircrafts above it. The total increase of the take-off charge for all Swedavia's airports is 33 %.

Segment/ Airport	Passenger Flights				Non Passenger Flights		
	Minimum	MTOW 0-25	MTOW 25-100	MTOW 100-175	Minimum	MTOW 0-25	MTOW 25-
Arlanda	250	10	38 (20)	28 (15)	250	15 (10)	40 (35)
Landvetter	250	10	26 (22)	20 (15)	250	15	40
Malmö	250	15	35	25	250	20	50
Bromma	500 (250)	20 (15)	20 (35)	20 (25)	500 (250)	20	20 (50)
Luleå	250	20	50	30	250	20	55
Umeå	250	20	50	30	250	20	55
Kiruna	250	20	50	30	250	20	55
Äre Östersund	250	20	50	30	250	20	55
Visby	250	20	50	30	250	20	55
Ronneby	250	20	50	30	250	20	55

Take-off charge (SEK per ton). New charges bold, with parenthesis showing charge 2016.

The charge is capped at MTOW above 175 tons, as previously.

Please note that since the last consultation meeting in December 2016 the take-off charge for Arlanda has been adjusted for the return of the result of the traffic

risk sharing 2016 (see chapter 2). Consulted was 36 SEK for MTOW 25-100 and 30 SEK for MTOW 100-175.

Purpose

Increases at Arlanda, Landvetter and Bromma are made since these airports finance decreases in other charges and the volume discount. The reason for that the take-off charge is increased is driven by Swedavia wanting to increase the share of aircraft (ton) related charges in comparison to passenger related charges. Swedavia currently has a high proportion of passenger related charges (approximately 73 % in 2016). This means that for flights with a high load factor, every additional passenger is costly. The advantage of increasing the aircraft related charges is that it encourages effective usage of capacity with full airplanes, which also has a positive effect on the environment. This increase in the take-off charge results in that the proportion of passenger related charges is reduced with three percentage points, to approximately 70 %.

Views from the airport users

Swedavia's high proportion of passenger related charges is driven by previous charge increases were made to the passenger charge per request of the airport users. The passenger charge is included in the "tax box" (where passenger related infrastructure charges in general are collected as a tax in the passenger ticket), hence paid by the traveller directly in the ticket price. The airport users expressing an opinion want the passenger charge share of the total charges to remain high.

The different level of increases at the three airports has been questioned, where one airport user now is of the opinion that a take-off at Arlanda will be more expensive, while at Bromma it will be cheaper.

Swedavia's motivation for the decision

The increase of the take-off charge is made due to (1) to finance reductions in other charges and the volume discount, (2) to increase the proportion of ton related charges to encourage a high load factor to have better capacity usage and less impact on the environment, and (3) the redistribution at Bromma is because the airport has many small aircrafts taking off and the capacity is limited. These smaller aircrafts mostly uses the same infrastructure and runway as the larger aircrafts, at a higher cost per ton, and the charge at Bromma is now reflecting this.

4.4 Adjustment of the Ground Handling Infrastructure and PRM charges

Decision

Adjusted Ground Handling Infrastructure and PRM charges as shown in table below, bold figures indicates a change compared to 2016.

Airport	PRM		Ground Handling Infrastructure Charges							
	2016	2017	Passenger Handling		Ramp Handling		Glycol Handling		Fuel Handling	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Arlanda	3.8	3.7	12.4	18.2	8.1	6.2	0.0	0.0	13.39	12.5
Bromma	3.3	3.3	3.8	4.8	7.2	12.6	6.25	5.4		
Landvetter	4.2	5.0	12.0	11.8	16.0	16.7	8.7	8.2		
Malmö	3.9	4.0	6.0	7.4	9.1	11.0	1.8	2.2		
Luleå	2.4	2.9								
Umeå	1.7	2.5					<i>n/a</i>			
Åre Östersund	1.6	1.9								
Kiruna	1.8	2.0								
Visby	1.4	1.5								
Ronneby	2.8	2.4								

Purpose

The Ground Handling Infrastructure and PRM charges are as of 1 April 2017 fully cost based and therefore adjusted at all airports.

Views from the airport users

Some charges, such as the Passenger Handling at Arlanda, are increased and the airport users have expressed that it seems like Swedavia's costs are greater than previous year.

The increases are also creating a larger risk for the ground handling companies since the invoice from Swedavia is addressed to them and they in turn invoice the airlines and have a period where there is a cost but no income. The ground handlers have therefore asked Swedavia if the invoice can be directly sent to the airlines, alternatively that some costs included in the Ground Handling Infrastructure charges are allocated to the Passenger- or Take-Off charge.

Swedavia's motivation for the decision

The Act on Ground Handling (SFS 2000:150) and Regulation (EC) No 1107/2006 – rights of disabled persons and persons with reduced mobility when travelling by air, states that Swedavia can levy charges for the provided infrastructure and services. According to Swedavia these charges shall cover the cost they create. In 2016 not all charged were cost based and therefore the effect on individual charges 2017 seems large. With the example of Passenger Handling at Arlanda; in the charge level 2016 there was a deficit of 3 SEK per passenger. This has now been adjusted in the charge, as well as another 2.80 SEK for new self-service equipment.

The plan forward is that all Ground Handling Infrastructure and PRM charges continuously will be cost based and adjusted on a yearly basis.

When it comes to the request of the ground handlers, Swedavia will in 2017 do an oversight of the cost structures and analyse if there is a possibility to allocate costs differently between different charges. Any proposed changes will be consulted with the airport users in the autumn 2017.

4.5 Return to cost coverage for Terminal Navigation Charge at Göteborg Landvetter

Decision

Up until 2014, Göteborg Landvetter was part of the *Common European Charging Scheme* for air navigation services. This scheme credited the outgoing balance of a year, two years later. This meant that the outgoing balance for 2014 was credited in 2016 and this was the last credit. From 2017 onwards the Terminal Navigation Charge at Göteborg Landvetter is based on the principle cost coverage. The charge per service unit as of 1 April 2017 is 720 SEK.

Year	Departures	Departing tons	Service Units (MTOW/50) ^{0.7}	Terminal Charge - Unit Rate	Terminal Charge - Revenue	Costs (equipment & facilities, share of CNS/MET)	Costs ATC staff (LFV)	Total Cost Base	Adjustment of Cost Base	Net Cost Base	Result
2010	30 194	1 519 582	29 022	794	23 043 430						
2011	34 371	1 809 901	34 350	882	30 296 406						
2012	30 131	1 688 369	31 533	914	28 820 754						
2013	29 848	1 723 359	32 055	630	20 194 796						
2014	30 158	1 743 953	32 510	795	25 845 126						
2015	33 475	1 900 728	35 615	775	27 601 821	10 141 000	15 494 000	25 635 000	-2 469 000	23 166 000	4 435 821
2016F	34 074	1 978 035	36 862	600	22 117 072	10 766 000	15 216 000	25 982 000	-5 854 000	20 128 000	1 989 072
2017F	34 162	2 003 889	37 230	720,9	26 841 000	11 625 000	15 216 000*	26 841 000		26 841 000	0

* Depending on final agreement with LFV

Purpose

That the revenues from the Terminal Navigation Charge at Göteborg Landvetter covers the corresponding costs for providing the service.

Views from the airport users

None received.

Swedavia's motivation for the decision

See 'Purpose'.

4.6 Introduction of Slot Coordination Charge at Göteborg Landvetter

Decision

As of the summer schedule 2017, Göteborg Landvetter will be upgraded to a slot coordinated level 3 airport. This means that it will be coordinated by the external non-profit organisation Airport Coordination Sweden (ACS) and included in the charging system for the Slot Coordination Charge, which currently exists at Stockholm Arlanda and Bromma Stockholm airports. Furthermore, with the summer schedule 2017 all movements, not only commercial movements as previously, but also General Aviation, will require a slot at Bromma Stockholm.

The slot coordination costs for ACS is from 2017 shared between all the departures at the three slot coordinated airports Arlanda, Landvetter and Bromma. The level of the charge is determined by dividing the total slot allocation costs at all coordinated airports with the number of forecasted departures at these airports. The new charge from 1 April 2017 will be 14 SEK (15.8 SEK in 2016), consisting of 7 SEK to cover the operators' share of ACS' Costs, and 7 SEK to cover Swedavia's costs. Swedavia receives an invoice from ACS with 7 SEK per departure, which in turn is charged in the Slot Coordination Charge. To simplify the handling, Swedavia also invoices the other 7 SEK on behalf of ACS which earlier were sent from ACS to the member airlines. This means that Swedavia is invoicing the full 14 SEK.

Slot Allocation Costs (SEK)	951 800
<i>Airport Coordination Sweden</i>	<i>1 210 000</i>
<i>Revenue Slot Charge Q1 2017</i>	<i>- 258 200</i>
Forecasted Departures 1 Apr 2017 - 31 Dec 2017	136 862
<i>Stockholm Arlanda</i>	<i>91 588</i>
<i>Bromma Stockholm</i>	<i>18 970</i>
<i>Göteborg Landvetter</i>	<i>26 304</i>
Slot Charge (SEK)	7,0

Purpose

The purpose of making Göteborg Landvetter slot coordinated level 3 is with the help of ACS to be able to handle the increased number of departures and allocate the slots according to the IATA Worldwide Slot Guidelines.

Views from the airport users

A suggestion has been to keep Göteborg Landvetter as a Level 2 coordinated airport and solve congestion problems with schedule adjustments.

Swedavia's motivation for the decision

Swedavia has decided to upgrade the airport Göteborg Landvetter to a level 3 coordinated airport since the schedule adjustment measures that have been put in place has not sufficiently solved the problem with lack of capacity and congestion.

4.7

Introduction of volume discount

Decision

The introduction of a volume discount, which is in addition to the existing discount programs Passenger Increase Bonus (PIB) and New Destination Discount (NDD). The volume discount is based on the total number of yearly departing passenger for an airline group at all ten Swedavia airports. Airline groups with more than 500.000 departing passengers receive a discount on their

passenger charge. More passengers entitles to a higher discount, starting with 3 % up to 15 % according to the table below.

Intervall - number of departures	Discount passenger charge
1- 500 000	0 %
500 001- 1 000 000	3 %
1 000 001- 1 500 000	6 %
1 500 001- 2 000 000	9 %
2 000 001- 2 500 000	12 %
2 500 001-	15 %

The volume discount is incremental which means that only those passengers in an interval receive the corresponding level of discount. For example, if an airline group has 1 400 000 departing passenger in a year, for the first 500 000 passenger no discount is granted, for passenger 500 001 to 1 000 000 3 % is granted, and for passenger 1 001 to 1 400 000 6 % is granted.

The discount is paid out after the year is completed and is based on the average passenger charge per airline group at all ten Swedavia airports. Volume discount is not granted for passengers qualified for New Destination Discount or Passenger Increase Bonus.

Purpose

The volume discount has been designed to encourage long-term stable growth for a range of airlines, and at the same time be attractive. The discount reflects the effect of more volume and economies of scale for Swedavia. The intervals has been made to encourage airline groups below the entry level of 500 000 departing passengers to grow to reach the first level, and for airline groups with enough passengers to qualify for the discount to grow further and reach the next interval. Both segments together can by e.g. increasing their load factor, add more departures at existing routes, or establish new routes, create a long-term stable volume growth. Airlines with many passengers are strengthening Swedavia as a hub and are feeding traffic within and outside Sweden.

Long-term stable volume growth in Swedavia's airport network reduces our business risk. Swedavia's business is characterized by a large proportion of fixed

infrastructure cost, which means that increased number of passengers naturally creates cost efficiency when the cost is split on more departures and /or passengers. In addition, with more passengers we are facing capacity challenges and there is a risk that the investment plan becomes volatile. At times, new investments can create redundant capacity, at a large cost, and on the other hand some periods are characterized by lack of capacity and a phase of planning. In investment heavy periods, which Swedavia is currently facing, large long-term airlines results in a substantially lower risk that investments are not optimally dimensioned or executed at the wrong time.

Views from the airport users

When the proposal of a volume discount was discussed, the airport users expressed opinions of both for the proposal and also against it. The supporters mentions that it is important and that it should be encouraged that there is a commitment from the airlines, both when it comes to number of departures and feeding the hub with passengers. Also, it is mentioned that a prospering foundation should be provided where airlines with many passengers can develop further and expand. Those opposing the volume discount has expressed that the first interval of the discount is too hard to reach, that it is a limited number of airlines reaching the highest level, and that the already fierce competition between airlines are now becoming unfair when the price for the same route can vary between airlines. The suggestion to create an additional discount program for seat load factor has also been received.

Swedavia's motivation for the decision

The aim of the volume discount is to create long-term stable growth and reduce the business risk by better planning for future capacity needs. The program is designed to be inclusive, transparent and non-discriminatory by making the conditions to participate the same for all airlines. It is inclusive since 58 % of all Swedavia passengers qualify for the discount, and 10-12 airlines (being part of five airline groups) are estimated in 2017 to receive volume discount.

The intervals are made to encourage further growth, hence the entry interval has the most number of airlines and for each interval with more passengers there are decreasing numbers of airlines who qualifies. There are 10-12 airlines at the entry level and three at the highest levels.

Regarding the argument that the volume discount creates unfair competition, Swedavia has the same price list and incentive offer for all airlines. We do not limit this offer, the program is open for all airlines and at all Swedavia's 10 airports.

4.8 **Return of unused biofuel funds from 2016**

Decision

In 2016, Swedavia introduced an incentive program for biofuel. In total 5 MSEK were allocated which the airlines could apply for as a contribution when they used biofuel.

When Swedavia proposed the program in 2015, the airline users opposed that the program would be financed by airport charges. With the environment in mind and the thought that once in place the funds will be used, Swedavia decided to go ahead with the incentive program for biofuel.

With 2016 being over, the result is that no qualified airline has applied for the incentive program and the full 5 MSEK remains. The decision is therefore to return the unused funds for 2016 into the airport charges of 2017 and not allocate any new funds in 2017.

Purpose

To reinsert the unused funds for biofuel and review the forms of environmental charges and discounts.

Views from the airport users

All airport users welcome the reinsertion of the unused 5 MSEK. However, the users also make it clear that the environment is important and they are positive to continuous discussions on how we together can make a difference. It was not the initiative to encourage biofuel itself that they opposed, rather that it was financed through airport charges.

Swedavia's motivation for the decision

The environment, both on and around the airports, as well as generally in Sweden is and will continue to be a top priority of Swedavia. The introduction of the biofuel program had good intentions but sadly no effect, since no airline participated. We will carry on the work to support the reduction of emission and noise on and around our airports. This will most likely materialise in our price list 2018, after suggestions and consultations with the airport users.

4.9 **Revised Traffic Risk Sharing Program**

Decision

The traffic risk sharing program was introduced in 2016 to handle traffic forecast deviations, from what has been consulted and the actual outcome for a specific year. Every passenger deviating from the forecast was eligible for 40 SEK, in cases of both traffic increases and declines. When Swedavia's forecast was lower than the outcome, Swedavia inserts 40 SEK per passenger in the price calculation, and in case of a higher forecast, deducts 40 SEK per passenger.

40 SEK was the estimated marginal effect per passenger for the program in 2016. The decision for 2017 is to, instead of using marginal effect, take the yearly actual

charge level per departing passenger (117.7 SEK in 2017) as a base and reduce the amount with the average discount per additional passenger (51 SEK). This means that the amount for 2017 will be 67 SEK.

The threshold of only considering traffic forecast deviations of +/- 4 % remains.

Purpose

To create 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 new method also takes into account the full aspect of aviation charges and commercial revenues and costs, not as previously where only the aviation charges were included.

Views from the airport users

The airport users has since the introduction questioned the calculation resulting in 40 SEK per passenger and also opposed that not commercial result were taken into account. During the consultations for 2017 charges, the users have welcomed that Swedavia is changing methodology and also including our commercial business. However, the reduction for average discount per additional passenger was not agreed, where the users means that the cost for discounts are already covered in the actual charge level and by removing 51 SEK, the discount is taken into account twice.

Swedavia's motivation for the decision

Swedavia aims to simplify the methodology for calculating the eligible amount per passenger, with higher or lower traffic outcome compared to consulted forecast. There are no assumptions of marginal effect and we use the same figures as when determining the charge level of the year, it is possible to trace and recognize the figures.

That the marginal effect was set for the aviation segment and not including commercial was due to the plan to introduce a dual till already in 2017. This introduction is now further away in time and therefore it is motivated to include the commercial results.

The traffic risk sharing program is only taking effects from deviations into account. In the actual charge level the cost for the incentive programs⁵, as well as all other revenues and costs, are included and shared amongst all passengers. One additional or lost passenger does not affect the estimated costs of the incentive programs for the other (forecasted number of) passengers in the price model. Therefore to reduce the eligible amount with the average discounts is not equal to a double deduction but an approximation of the marginal effect from traffic deviations.

⁵ The cost seen for one year, mid- and long term the business case for the incentive programs is positive and they bear their own cost and generates a positive result.

4.10 Introduction of Investment Risk Sharing

Decision

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 the previous year's Swedavia has not, for different reasons, been able to invest as much as has been consulted. This means that the users have paid capital costs for projects which did not take place as planned within the charging year.

Therefore, in order to handle investment forecast deviations Swedavia introduces an investment risk sharing. This means that the deviation amount between consulted investments and actual outcome are returned in the following year. In detail this means that the effect on the charges are returned, which is the average capital cost. As an example, Swedavia consults 1 000 MSEK and the actual outcome is 800 MSEK. The deviation is 200 MSEK and in order to get the average deviation 200 MSEK is divided by 2 which is 100 MSEK. The capital cost of 100MSEK is 100 MSEK multiplied with Swedavia's WACC of 7 %. In this example the average capital cost of the deviation is 7 MSEK. Hence, 7 MSEK would be returned in the price model the following year.

The deviation can be both positive and negative, meaning that if the investment outcome is lower than consulted, Swedavia return the funds to the users in the coming year by inserting the funds in the price model. In case that the investment outcome is higher than consulted there is a ceiling of +5 %, which equals approximately a charge increase of 0.2 %, that Swedavia can add to the price model the following year. If the investments are expected to exceed +5 % a new consultation will be initiated.

The investment risk sharing program will start 2017, with the consulted investment amount for 2017 being compared to the actual outcome of 2017 and the deviation taken into consideration in the price level of 2018.

Purpose

To reduce the effect of forecast deviations for investments by returning funds for investments that were not started or where less funds were spent than budgeted.

Views from the airport users

During the consultation process the airport users mentioned that it will be preferred if the investment forecast is correct instead of correcting the forecast the following year. A correct forecast gives the right charges for that specific year. There was also a concern that Swedavia is using the program to be able to invest more than consulted without any risk, since the following year's charges will be affected. Also, it is requested that the risk sharing shall be applied already on the outcome of 2016 and reflected in the charges 2017.

Swedavia's motivation for the decision

The introduction of an investment risk sharing program is based on the discussions during the previous year's consultation and the deviations from the investment plan. Swedavia shares the views of the users that the best option is if the forecast equal the outcome every year. We strive to come there, however we are not there yet and until then we see a need to put this program into place.

Since the users expressed a concern that Swedavia will "overinvest" we have added a ceiling of +5 % of the consulted investment amount. The intention from us has never been to use this program to invest more than consulted but to create fairness for the users.

The ordinary consultation process is that you consult e.g. a charge or price mechanism for the following year's charges. Swedavia will apply the investment risk sharing going forward, i.e. from 1 April 2017 and it will affect the charges 2018. We do not retroactively apply the program on 2016.

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 continuously updated throughout the consultation process during the autumn 2016. The whole consultation process covered the following meetings and material;

Swedavia Consultation Framework	62 pages
Consultation Meeting 1	October 6
Main presentation	49 pages
Meeting minutes	11 pages
Consultation Meeting 2	October 20
Main presentation incl. Q&A	46 pages
Swedavia Investments 2017	13 sheets
Meeting minutes	10 pages
Attachment to minutes: IATA presents the view of their members	17 pages
Consultation Meeting 3	December 2
Main presentation	63 pages
Q&A	4 pages
IATA Counter proposal	27 pages
Meeting minutes	9 pages
Swedavia PRM Charges	22 sheets
Local Consultation Meeting	October 4
Malmö Airport AUC	
Main presentation	26 pages
Meeting minutes	3 pages

Local Consultation Meeting 1 Stockholm Arlanda Airport AUC Main presentation Meeting minutes	October 12 45 pages 6 pages
Local Consultation Meeting 2 Stockholm Arlanda Airport AUC Main presentation Arlanda Investments Meeting minutes	October 25 24 pages 1 page 6 pages
Local Consultation Meeting Göteborg Landvetter Airport AUC Main presentation Attachment: Passenger Handling Infrastructure Charge Attachment: Ramp Handling Infrastructure Charge Attachment: Glycol Handling Charge Attachment: PRM Charge Meeting minutes	October 12 89 pages 1 page 1 page 1 page 2 pages 24 pages
Local Consultation Meeting Bromma Stockholm Airport AUC Main presentation Meeting minutes	October 14 13 pages 2 pages

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