

SWEDAVIA'S AIRPORT CHARGES 2020

Swedavia's decision

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

to **increase** the average total charge level at Swedavia's airports by **5.0 percent** as of **15 January 2020**.

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¹ 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.

1**SUMMARY**

The consultation process for airport charges valid from 2020 consisted of seven meetings to which Swedavia received written as well as verbal responses from several airport users/representatives. Swedavia has carefully considered all feedback received prior to our price decision which has resulted in a total increase of airport charges of 5.0 percent as of 15 January 2020.

Swedavia want to express its gratitude to all airport users / representatives who have taken part in the 2019 consultation process and who have provided Swedavia with constructive feedback thus enabling a well worked out and factual price decision. Swedavia will continue to work to keep this constructive dialogue with airport users / representatives for coming consultations as well as in other collaborative forums, for example the Stockholm Forum.

The charge adjustments at Swedavia's individual airports are in the interval of 4.8 percent to 6.1 percent. The charge decision 2020 contains the following changes:

1. Updated level of the take-off charge
2. Updated level of the passenger charge
3. Updated level of the ground handling infrastructure and PRM charges
4. A new cost neutral baggage facility charge
5. Updated traffic risk sharing programme
6. Updated investment risk sharing programme
7. Updated WACC
8. Updated New Destination Discount (NDD) and Passenger Increase Bonus (PIB) programmes
9. Updated level of the slot coordination charge

The number of passengers is expected to reach 19 643 162 (-0.7 percent) for 2020.

2**INTRODUCTION**

The consultation process for 2020's airport charges began 30 August 2019 when Swedavia's initial proposal - the Consultation Framework - was sent out. The first meeting was held 10 September 2019, and a total of seven consultation meetings were hosted by Swedavia at central and local level during September, October and November. All meetings are listed in chapter 5. During the process Swedavia received formal written responses from nine airport users or representatives, in addition to what was discussed in the meetings. Swedavia has responded to the feedback received in three documents distributed to the consultation participants after each central consultation meeting.

The new charges are valid as of 15 January 2020 and the updated price list will be published on Swedavia's website, swedavia.com, before that date.

Swedavia has 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 Swedavia has taken in order to accommodate airport user feedback and requests during the autumn of 2019 include:

- Analysed the possibilities to mitigate a charges increase in order to limit the negative effect on a market with rapidly decreasing traffic figures by;
 - Proposing a temporary reduction of airport charges
 - Presented an in-depth analysis of the importance of the Stockholm Arlanda development programme
 - Together with the airport users assessed potential cost savings by reducing opening hours at regional airports
- Amended the proposed distribution of the charges increase in terms of passenger and aircraft related charges from an even split, 50/50 to a proportional increase in line with current distribution
- Shared further information regarding drivers in the OPEX development
- Consulted a new cost neutral baggage facility charge initiated by airport users
- Clarified connections between central and local (AUC) consultation meetings
- Increased meeting time for central meetings, which now include a session before lunch
- Taking part in the working group 'Stockholm Forum' with the aim to improve the consultation process
- Provided further information on how external charges effect Swedavia's price model
- Creating an investment template which explains e.g. the timeline, costs and results of an investment

Swedavia has also, in dialogue with airport users, decided to implement an incentive programme to promote the use of sustainable aviation fuel. The programme is financed outside of the system for airport charges and will be valid for 2020. The implementation of the incentive is not formally part of this price decision.

The Service Level Agreement implemented at Stockholm Arlanda in 2019 is currently being revised together with airport users. Swedavia's ambition is to add a financial mechanism to the agreement (also financed outside the charges system) from 2020. The allocation of financial means is not formally part of this price decision.

3 THE TOTAL ADJUSTMENT OF AIRPORT CHARGES

The total charge adjustment of 5.0 percent at Swedavia's network of ten airports equals a charge increase of 132 MSEK. The increase 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 of the risk sharing programmes for 2018 and 2019

The overall charge adjustment of 5.0 percent is attained after applying a temporary reduction of 113 MSEK on the underlying cost base increase of 9.3 percent per departing passenger. The temporary price reduction is effective until 14 January 2021.

Swedavia's net cost base for 2020 also includes a one-time adjustment consisting of the traffic- and investment risk sharing programmes for 2019 (including final adjustments for 2018), the net sum of which are 43.1 MSEK, corresponding to 1.6 percent of the charge increase. This adjustment is effective until 14 January 2021.

Consequently, as of 15 January 2021 the passenger charge will increase from the charge level of 2020 by 3.6 SEK per passenger ($(113 \text{ MSEK} - 43.1 \text{ MSEK}) / 19.6 \text{ MPAX}$) applied for all segments. This applies 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 141 SEK in 2020, up from 134 SEK in 2019.

The distribution of the charges increase and other changes are described in chapter 4. Items and charges which are not specifically listed will remain unchanged from the previous price list for 2019.

3.1 Effect on Swedavia's 10 Airports

Airport	Swedavia's Charges in Total (MSEK)		
	Estimated Amount (for corresponding full year 2020)	Change	Percentage Change
Stockholm Arlanda	1 816.0	83.5	4.8%
Göteborg Landvetter	472.2	24.1	5.4%
Bromma Stockholm	167.1	8.5	5.4%
Malmö	134.1	6.7	5.3%
Luleå	61.6	3.0	5.1%
Umeå	51.5	2.7	5.5%
Åre Östersund	20.6	1.1	5.6%
Visby	17.3	1.0	6.1%
Kiruna	13.8	0.7	5.4%
Ronneby	12.0	0.6	5.2%
Swedavia in Total	2 766.0	132.0	5.0%

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 2020 based on the following parameters and their estimations:

Operative Capital

Swedavia's operative capital is expected to increase by 10.6 percent (1 675 MSEK) in 2020. The increase is driven by investments to meet the capacity needs of existing and new traffic.

Weighted Average Cost of Capital - WACC

A WACC level of 5.5 percent before tax is applied on operative capital in Swedavia's cost base 2020, down from 5.8 percent in 2019.

Operating Costs

Operating costs (OPEX) are expected to decrease by 0.1 percent (22 MSEK) in 2020.

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 0.5 percent (73 MSEK) in 2020. 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 2.6 percent (71 MSEK) in 2020.

Traffic Forecast

The traffic has had a negative development in 2019, and the decline is projected to continue in 2020, albeit at a slower pace. The forecasted decrease in total passengers for 2019 is 4.8 percent and the passenger traffic forecast for 2020 (presented at the consultation meeting 5 November) is in total 39 731 316 passengers or 19 643 162 departing passengers excluding infants and crew. Compared to 2019, this is a decrease of 0.7 percent.

Airport	Departing Passenger Traffic (excl. crew and infants)			
	2019 Forecast	2020 Forecast	Change	Percentage Change
Stockholm Arlanda	12 605 826	12 514 818	-91 008	-0.7 %
Göteborg Landvetter	3 332 243	3 371 766	39 523	1.2 %
Other Airports	3 843 512	3 756 578	-86 755	-2.3 %
Swedavia in Total	19 781 582	19 643 162	-138 420	-0.7 %

Swedavia's passenger forecast 2019-2020

4 ADJUSTMENTS OF PRICE MODEL AND INDIVIDUAL CHARGES

This section contains the changes carried out in 2020 accompanied by; descriptions of the decision, views expressed by airport users and Swedavia's motivation for the decision.

4.1 Updated level of the Take-Off Charge

Decision

The average take-off charge per tonne at Swedavia's airports is increased by 12.5 percent. The increase is carried out through adjusted levels at all Swedavia's airports.

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	29 (25)	43 (39)	27 (25)	5 975	500	29 (25)	43 (40)	7 175	
Göteborg Landvetter	500	30 (25)	53 (45)	30 (25)	6 975	500	32 (25)	55 (45)	9 050	
Bromma Stockholm	500	34 (30)	65 (60)	68 (60)	10 825	500	34 (30)	70 (65)	11 350	
Malmö	500	32 (30)	51 (50)	42 (40)	7 775	500	32 (30)	57 (55)	9 350	
Luleå	500	21 (20)	54 (50)	33 (30)	7 050	500	21 (20)	59 (55)	9 375	
Umeå	500	21 (20)	54 (50)	33 (30)	7 050	500	21 (20)	59 (55)	9 375	
Åre Östersund	500	21 (20)	54 (50)	33 (30)	7 050	500	21 (20)	59 (55)	9 375	
Visby	500	21 (20)	54 (50)	33 (30)	7 050	500	21 (20)	59 (55)	9 375	
Kiruna	500	21 (20)	54 (50)	33 (30)	7 050	500	21 (20)	59 (55)	9 375	
Ronneby	500	21 (20)	54 (50)	33 (30)	7 050	500	21 (20)	59 (55)	9 375	

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

Views from the airport users

Most airport users objected to Swedavia's initial approach to distribute the charges adjustment equally between passenger- and aircraft related charges, preferring instead to distribute increase proportionally with current charges distribution.

Swedavia's motivation for the decision

Swedavia's initial proposal was based on the ambition 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. After consulting with the users Swedavia decided to carry out the adjustment along with user requests.

4.2 Updated level of the Passenger Charge

Decision

The average passenger charge at Swedavia's airports is increased by 3.3 percent.

Year	2019	2020
Traffic Segment/ Airport	All Passengers (Transfer)	All Passengers (Transfer)
Stockholm Arlanda Terminals 2,4 & 5	89 (53)	91 (55)
Stockholm Arlanda Terminal 3	70 (42)	91 (55)
Göteborg Landvetter	65 (39)	67 (40)
Bromma Stockholm	77 (46)	79 (47)
Malmö	55 (33)	56 (34)
Luleå/Umeå	59 (n/a)	63 (n/a)
Kiruna/Östersund/Visby/ Ronneby	55 (n/a)	59 (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.

The differentiation of the passenger charge at Stockholm Arlanda's Terminal 3 has been removed with this price decision, given that the lower charge has had no effect in increasing the number of passengers at that terminal.

Views from the airport users

Apart from the general view on the charges distribution, described in 4.1, a couple of airport users objected to the removal of the lower charge at Arlanda's Terminal 3.

Swedavia's motivation for the decision

Swedavia has decided upon this adjustment of the passenger charge to align with the user request of keeping the present distribution of passenger- and aircraft related charges. The removal of the differentiated charge at Terminal 3, though opposed by some, was also supported by many airport users. Swedavia is of the opinion that the lack of new traffic at Terminal 3 has shown that the lower charge has not had the desired effect and has chosen to instead aim efforts to increase traffic in general, which is reflected in updated incentive programmes.

4.3 Updated level of the Ground Handling Infrastructure and PRM charges

Decision

The charges for ground handling infrastructure and PRM for 2020 have been set according to the principle of cost coverage as previously agreed upon with airport

users. A major change has been carried out this year as the costs for baggage facilities (previously part of the passenger handling infrastructure charge) has been reallocated to a new cost and revenue neutral baggage facility charge as a result of a user-initiated dialogue started in 2018. This reallocation explains the large decrease in the passenger handling infrastructure charge apparent at several airports.

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 ³)	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Stockholm Arlanda	4.4	5.1	21.3	2.0	1.7	1.0	0	0	11.0	13.4
Göteborg Landvetter	6.2	6.4	13.2	4.4	10.8	10.6	5.9	2.9		
Bromma Stockholm	4.9	5.6	6.6	4.6	8.5	8.8	7.2	7.2		
Malmö	4.0	4.8	8.1	8.6	6.8	7.7	1.9	1.6		
Umeå	4.5	5.2								
Luleå	4.6	4.6								
Åre Östersund	3.5	4.1								
Visby	1.6	2.6								
Kiruna	2.2	2.5								
Ronneby	4.3	4.7								

Updated Ground Handling Infrastructure and PRM charges in SEK

Views from the airport users

No specific views have been expressed regarding the Ground Handling Infrastructure Charges. Some airport users have urged Swedavia to evaluate the option of outsourcing the PRM services to achieve lower charge levels.

Swedavia's motivation

Swedavia has adjusted the PRM and Ground Handling Infrastructure along with the principle of cost coverage. The updated cost forecasts have been shared with airport users in the local AUC consultations. The request to outsource the PRM service has been noted and is being evaluated by Swedavia.

4.4 A new baggage facility charge

Decision

Following a request from ground handling agents made in 2018, Swedavia has decided to implement a fully cost neutral reallocation of costs for baggage facilities, including BRS, from the Passenger Handling Infrastructure Charge to a new Baggage Facility Charge. The cost base for the baggage facility charge is to

be considered part of Swedavia's general airport infrastructure costs and thus subject to the Act (2011:866) on Airport Charges.

The new charge is implemented at the airports where baggage facility costs are currently assigned to the Passenger Handling Infrastructure Charge; Stockholm Arlanda, Göteborg Landvetter, Bromma Stockholm and Malmö.

The costs reallocated to the new Baggage Facility Charge is in full relation 1:1 to costs being removed from the Passenger Handling Infrastructure Charge.

Year	2019	2020
Airport	SEK per passenger	SEK per passenger
Stockholm Arlanda	n/a	22.3
Göteborg Landvetter	n/a	12.2
Bromma Stockholm	n/a	4.7
Malmö	n/a	2.9

Baggage facility charge in SEK per airport

Views from the airport users

The airport users have been in support of this proposal which also was initiated by a user request.

Swedavia's motivation for the decision

Swedavia believes that the baggage facilities may be better defined as general airport infrastructure rather than ground handling infrastructure and thus supported the user request.

4.5 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. No alteration to the design of the programme has been made for the charges 2020.

The risk sharing per passenger is calculated as the average charge level per departing passenger (141 SEK in 2020), reduced with the average discount per additional passenger (69 SEK). This means that the eligible amount per passenger for 2020 will be 72 SEK.

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 2020 will be carried into the cost base for charges 2021. 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 2019 will be reflected in the price level of 2021.

Views from the airport users

There has been no intense discussion regarding Swedavia's traffic forecast for 2020, but some users have indicated that they feel that it may be too optimistic. 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 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.

4.6 Updated Investment Risk Sharing Programme

Decision

No alteration to the design of the programme has been made for the charges 2020. The consulted investment amount for 2020 is 3 223 MSEK.

As for the traffic risk sharing programme, investment 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 2020 will be adjusted in the charge level 2020, while deviations occurring after the price decision, will be adjusted in the charges decision for 2021.

Views from the airport users

No specific views have been expressed by the users regarding the investment risk sharing programme.

Swedavia's motivation for the decision

Swedavia strives to make as accurate investment forecasts as possible but will continue with the investment risk sharing to minimise any negative effects for airport users from deviations occurring due to inaccurate investment forecasts.

4.7 Updated WACC

Decision

For 2020 Swedavia applies a WACC of 5.5 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

Airport users have questioned Swedavia's WACC based on the same arguments raised in last year's consultation; that Swedavia's market risk premium is based on a study that do not fulfil the right criteria, and that the benchmark used to assess the Beta value does not take fully into account that Swedavia is a state-owned company. It has also been proposed that Swedavia should lower the WACC as to not give a high return to the owner in times like these, when the traffic is decreasing while Swedavia is increasing costs by investing in capacity.

Swedavia's motivation

The Swedish Transport Agency has after its evaluation not objected against nor pointed out any faults in Swedavia's methodology to determine the WACC in last year's price decision, and Swedavia has consequently applied the same methodology and parameters this year.

4.8 Updated NDD and PIB Programmes

Decision

The updated NDD programme results in harmonised levels for nine airports with discounts levels of 80/60/40 %.

The programme at Malmö is limited to three years, as the other airports, but keeps the 100% discount on the passenger and take-off charges in order to accommodate for the extraordinary competition situation the airport is under.

Existing NDD programme for intercontinental traffic remains unchanged.

Departing Airport	Charge	Year 1	Year 2	Year 3	Year 4	Year 5
9 Airports	Take-Off	100 %	75 %	50 %		
	Passenger	80 %	60 %	40 %		
MMX	Take-Off	100 %	100 %	100 %		
	Passenger	100 %	100 %	100 %		

NDD for European Destinations – new levels

The PIB programme is instead of a one-year evaluation extended to three years. Meaning that all volume from year one above 50 000 departing passengers is also discounted year two and three if it remains.

The passenger growth is evaluated per airport group and the total for all Swedavia's airports, i.e. on network level. All airports have the same discount levels. The existing programme for intercontinental traffic is unchanged.

Departing Airport	No. Passengers	Charge	Year 1	Year 2	Year 3
10 Airports	0-500	Passenger	0 %	0 %	0 %
	501- 50 000	Passenger	60 %	0 %	0 %
	50 001-	Passenger	60 %	40 %	20 %

PIB for European Destinations – new levels

Views from the airport users

The opinions of the airport users differ, from those proposing all incentive programmes to be removed resulting in a reduced charge level, to those appreciating Swedavia acting and believing in higher passenger volumes.

Swedavia's motivation

With the current traffic development Swedavia strengthens the NDD and PIB programmes with the target to increase passenger volumes. Larger volumes will contribute to lower charge levels for all airport users.

4.9

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	16.0
Bromma Stockholm	16.0
Göteborg Landvetter	16.0

Charge level 2020, 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 departures and allocate slots according to the IATA Worldwide Slot Guidelines.

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, October and November 2019. Please note that the local consultation processes in the AUC's at Stockholm Arlanda and Göteborg Landvetter carries on throughout the year.

The consultation process covered the following meetings and material:

Swedavia Consultation Framework	109 pages
Consultation Meeting 1	September 10
Main presentation	52 pages
Meeting minutes	7 pages
Swedavia's response to airport user feedback 1	8 pages
Consultation Meeting 2	October 17
Main presentation	55 pages
Meeting minutes	9 pages
Swedavia's response to airport user feedback 2	6 pages
Consultation Meeting 3	November 5
Main presentation	42 pages
Meeting minutes	7 pages
Swedavia's response to airport user feedback 3	6 pages
Local Consultation Meeting Bromma Stockholm Airport AUC	September 24
Main presentation	25 pages
Meeting minutes	3 pages
Local Consultation Meeting Malmö Airport AUC	September 25 (AM)
Main presentation	24 pages
Meeting minutes	2 pages
Local Consultation Meeting Stockholm Arlanda Airport AUC	September 25 (PM)
Main presentation	101 pages
Meeting minutes	9 pages
Local Consultation Meeting Göteborg Landvetter Airport AUC	September 26
Main presentation	48 pages
Meeting minutes	14 pages

Swedavia Price Decision Airport Charges 2020 (this document) 15 pages

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