

## FINAVIA'S DECISION ON AIRPORT CHARGES FOR 2020

The Finnish Act on the Airport Network and Airport Charges (210/2011) requires the airport operator to publish its decision to change the level of airport charges as well as justification for these changes at least two months before the changes start to apply.

With this pricing decision Finavia Oyj informs the airport users about the changes in Finavia's pricing that apply starting from 1.1.2020. The updated price list will be published on our website, [www.finavia.fi/termservices](http://www.finavia.fi/termservices), at the latest 1 January 2020.

### 1 DECISION IN ACCORDANCE WITH THE ACT ON THE AIRPORT NETWORK AND AIRPORT CHARGES

Finavia's decision is to increase 2020 airport charges by 3.9 % as indicated in Finavia's proposal sent to airport users on 29 August 2019.

Passenger charge per departing passenger will change by 7.0 % for local passengers and by 6.1 % for transfer passengers. Landing charge will increase by 3 %. Security charge will increase by 2.2 %. Finavia also introduces a new growth incentive for passenger number increase in non-Schengen traffic.

Finavia has carefully considered all feedback received from the airport users, both expressed during the consultation meetings and received in writing by email. Based on the feedback received from airlines, Finavia has altered its original pricing proposal. Differences in Finavia's pricing decision compared to the proposal in August are the exclusion of off-peak incentive and the revision of landing charge chart for passenger traffic as per requests from airport users.

In Finavia's charges proposal sent to airport users on 29 August 2019 Finavia communicated about plans to introduce an off-peak incentive in its pricing. Finavia aims to promote efficient use of infrastructure and the initial proposal to introduce off-peak incentive was made to support this goal. Removing off-peak incentive from 2020 pricing decision does not change Finavia's views or aims to find ways to support more efficient use of infrastructure and Finavia will continue to assess the benefits of including peak/off-peak elements in its pricing in the future.

#### 1.1 CHANGES IN THE PASSENGER CHARGES

Finavia uses two passenger charge categories, one for passengers in local traffic (local charge) and one for transfer passengers (transfer charge). The price increases for these two passenger charge categories will be applied as follows: local passenger charge increases by 7.0 % from 8.60 € to 9.20 € and transfer passenger charge increases by 6.1 % from 4.10 € to 4.35 €. These changes reflect Finavia's increased cost base especially due to increased investments in the transfer area and the non-Schengen terminal.

Finavia's ratio between local and transfer passenger charge is in-line with the industry standard, i.e. the major competing hubs in Europe. As common industry practice, lower transfer passenger charge is justified by the lower need for landside infrastructure, higher traffic growth, significantly higher market growth potential, and higher non-aviation spend by the transfer passengers. Furthermore, winning in the fiercely competitive traffic between Europe and Asia is one of the cornerstones of Finavia's strategy, which requires attractive pricing.

## 1.2 CHANGES IN THE LANDING CHARGES

There are currently ongoing airside infrastructure maintenance and development investments in several of Finavia's airports. In order to generate income to cover the increased costs Finavia increases the landing charge for all weight classes. The total landing charge increase for 2020 will be +3.0 %. Landing charge changes will be applied for both passenger traffic and other traffic based on separate landing charge charts. There will be no changes to the minimum landing charges for 2020.

In the consultation meeting held with airlines on 11 September 2019 Finavia proposed to change the passenger traffic landing charge in such a way that the increase in the landing charge would have been higher for the lighter aircraft and lower for the heavier aircraft. The aim with the proposal was to make the charges more even for different weight classes and equal towards airport users. In the consultation meeting and also in separate email correspondence after the meeting one airline opposed the proposed landing charge chart and proposed that Finavia would apply the same increase for all weight classes making, in this view, price increases more equal for the airlines. There were no other comments from any other airlines regarding this price element. After hearing airport users' views, Finavia has decided to alter its pricing chart for passenger aircrafts as proposed and applies an even price increase for all weight classes with price increase in each weight class equalling 3 %.

The landing charge charts are included in the appendix of this decision.

## 1.3 CHANGES IN THE SECURITY CHARGE

Security charge is collected from each departing passenger to cover the costs of securing civil aviation operations according to the EU regulation number 300/2008. Main elements of the security operations are screening of passengers and baggage, access control, and the related equipment and infrastructure. The regulation enables full cost recovery for the security operations.

Finavia's growth driver is international transfer traffic, but half of these passengers are exempted from the security screening due to their origin keeping the security charge revenue growth lower than overall passenger growth. In order to cover costs from security services Finavia increases the security charge by +2.2 % from €4.88 to €4.99 per departing passenger for 2020.

Detailed calculations and costs of security services were included in Finavia's pricing proposal material presented to airport users in consultation meetings.

## 1.4 NEW INCENTIVE

In addition to the existing new routes incentive Finavia introduces a new non-Schengen growth incentive for a three-year-period of 2020-2022 to increase traffic at non-Schengen part of terminal at Helsinki Airport.

Incentive is a 3.0 euros discount per departing non-Schengen passenger increase in comparison to previous year. Scheduled services with minimum 2 flights per week per IATA season are eligible for the incentive. Incentive is set for a three-year period with an annual revision of amounts and specific terms. Incentive is not applicable if airline is eligible for a new route discount for the route in question.

The discount is available to all airlines who meet the set transparent criteria and the scheme does not favour any specific airline. All routes eligible to the incentive will receive the same discount, regardless of the airline's current passenger volume or other operations at Helsinki Airport.

In addition to improving efficiency of capacity usage, Finavia's growth incentive is likely to produce pro-competitive effects by encouraging market entry to the non-Schengen market.

The incentive is Finavia's investment for attracting more traffic and passengers. More traffic will eventually benefit all airport users as larger passenger volumes will lessen the pressure to increase unit prices to cover increased costs deriving from the investment programme.

The incentive is available equally for all airlines operating and opening routes that meet the prerequisites. The aim of the new incentive is to attract more traffic and passengers to the airport and improve the efficiency of the use of infrastructure.

The aim of Finavia's scheme is to improve the efficiency of the use of airport infrastructure, promote traffic growth, increase passengers' ability to travel and transport and to encourage competition. The chosen discount is relevant in achieving this aim. Finavia has invested into non-Schengen terminal area and traffic growth in this part of the terminal would increase efficiency of the investments.

Finavia believes that the new incentive will benefit all airport users in the form of smaller unit costs as passenger volumes increase. We also note that the incentive has a limited duration time.

The discounts and their costs have not been taken into account when setting airport charges and thus incentives are not financed by income charged from airport users.

Income losses derived from incentives can be considered as the cost of these incentives to Finavia. These costs are offset by the commercial income generated by the increased number of passengers which respectively derive from the new traffic generated as a result of the incentives.

Detailed definition and calculations of non-Schengen growth incentive were presented during the consultations. Revised figures and calculation parameters were included in the consultation meeting minutes sent to airport users.

## 1.5 JUSTIFICATION

The main reason behind the decided unit charge change of 3.9 % for 2020 is to limit the rapidly widening deficit of the aviation business. The sizeable Helsinki Airport Development Programme widens the deficit significantly from two directions: depreciations and capital cost both rise significantly due to increasing asset base. The aviation deficit is partially offset by non-aviation income, but overall, also price increases are needed to cover the increasing costs. Finavia's continuous work to improve cost efficiency has had positive results, for example staff cost is growing slowly compared to the volume growth. Also, administration and overhead costs have remained practically on the same level since 2017. Finavia considers the price increase reasonable when considering the inflation expectation of 1.5 % for 2020 by the Ministry of Finance, the size of the Helsinki Airport Development Programme investments being made, and the very low level of aviation charges compared to other European capital airports.

Finavia's long-term pricing history shows very moderate average charges increases of 1.0 % in 2004-2019. During the same period inflation has on average been 1.4 %. A price increase of 3.9 % is larger than what Finavia has shown in the previous years but necessary to cover costs as traffic volumes are not growing at the same pace as costs.

Detailed calculations and costs, information about Finavia's aviation business deficit and a profit and loss statement of Finavia's aviation business were included in Finavia's pricing proposal material and were presented to airport users in consultation meetings.

Finavia's weighted average cost of capital (WACC) is 5.6 %. A detailed description of calculation parameters has been sent to airport users as part of Finavia's pricing proposal.

## 1.6 DISAGREEMENTS ON THIS DECISION

In case of disagreement, airport users can refer the decision above to the Finnish Transport and Communication Agency for processing as according to the Act on the Airport Network and Airport Charges, Section 12.

## 2 OTHER CHARGES

### 2.1 CHANGES IN THE PRM CHARGE

Assistance to passengers with reduced mobility is offered as according to the EU regulation number 1107/2006. According to the same regulation airport levies this PRM charge on airport users for the purpose of funding this assistance.

The aim of the charge is to cover the costs to the airport from providing these services. The demand for assistance has grown rapidly at Helsinki airport. Compound average growth rate of PRM passengers from 2012 to 2018 was 11.2 %. Growth of PRM passengers in the first half of 2019 was 21.5 %. We expect the demand for assistance to continue growing rapidly also in the coming years. A growth in the demand for assistance increases pressures to develop the service and influences the costs of providing this service.

In the consultation meeting held with airlines 11 September 2019 Finavia presented its proposal to increase PRM charge by 6 cents (+23 %). Many of the airlines present at the consultation meeting opposed the increase and considered the increase to be too high. The increase compared the 2019 level is admittedly relatively large, but the unit price increase of 6 cents can be viewed moderate. Finavia did not increase PRM charge from 2018 to 2019 and the level of Finavia's PRM charge can be considered moderate when putting it into context of European average levels of PRM charges. Airport users' views on Finavia's PRM charge proposal do not lead into a need to revise Finavia's charge proposal.

In order to cover costs from PRM services Finavia increases the PRM charge by +23 % from €0.28 to €0.34 per departing passenger for 2020.

Detailed calculations and costs of PRM services were included in Finavia's pricing proposal material presented to airport users in consultation meetings.

### 2.2 OTHER ITEMS

Air Navigation Services Finland Oy will publish its pricing decision regarding terminal navigation charges of regional airports separately.

Finavia also changes its de-icing handling fee from 0.77 to 0.88 euros per litre to cover the deficit of the service.

Detailed calculations and costs of regional terminal navigation services and de-icing service were included in Finavia's pricing proposal material presented to airport users in consultation meetings.

Vantaa, 29 October 2019

FINAVIA OYJ

**APPENDIX 1 - AIRPORT CHARGES FOR 2020**

(Only charges that are to change starting from 1.1.2020 are shown. For the remaining changes we refer to the current Finavia's Terms of Services that can be found from Finavia's website [www.finavia.fi/termservices](http://www.finavia.fi/termservices).)

**1 CHARGE CHANGES IN 2020****1.1 PASSENGER CHARGES**

| Passenger charge per departing passenger | 2019   | 2020   | Change |
|--|--------|--------|--------|
| Passenger charge (local passengers)      | 8.60 € | 9.20 € | 7.0 %  |
| Passenger charge (transfer passengers)   | 4.10 € | 4.35 € | 6.1 %  |

**1.2 LANDING CHARGES**

Passenger traffic – landing charge 2020

| MTOW                | EUR          |                |             |
|---------------------|--------------|----------------|-------------|
|                     | Fixed charge | Charge per ton | Lower limit |
| 0 - 2 000 kg        | 10.85        | 1.70           | 0.0 tons    |
| 2 001 - 5 700 kg    | 14.25        | 1.59           | 2.0 tons    |
| 5 701 - 35 000 kg   | 20.13        | 4.02           | 5.7 tons    |
| 35 001 - 200 000 kg | 137.92       | 5.77           | 35.0 tons   |
| over 200 000 kg     | 1090.55      | 4.48           | 200.0 tons  |

Other traffic – landing charge 2020

| MTOW                | EUR          |                |             |
|---------------------|--------------|----------------|-------------|
|                     | Fixed charge | Charge per ton | Lower limit |
| 0 - 2 000 kg        | 11.80        | 1.80           | 0.0 tons    |
| 2 001 - 5 700 kg    | 15.40        | 1.80           | 2.0 tons    |
| 5 701 - 35 000 kg   | 22.06        | 4.30           | 5.7 tons    |
| 35 001 - 200 000 kg | 148.17       | 8.50           | 35.0 tons   |
| over 200 000 kg     | 1550.74      | 8.50           | 200.0 tons  |

**1.3 SECURITY CHARGE**

Security charge per departing passenger

| 2019     | 2020     |
|----------|----------|
| 4.88 EUR | 4.99 EUR |

The security charge is not levied upon INT-INT transfer passengers who arrive from an airport that complies with the criteria in EU regulation number 300/2008, nor is it levied upon DOM-INT-passengers at Helsinki Airport, as they are security checked already at the regional airport.

**1.4 PRM CHARGE**

PRM charge per departing passenger

| 2019     | 2020     |
|----------|----------|
| 0.28 EUR | 0.34 EUR |

Assistance to passengers with reduced mobility is offered as according to the EU regulation number 1107/2006. According to the same regulation airport levies this PRM charge on airport users for the purpose of funding this assistance.

**1.5 OTHER FEES**

De-icing handling fee per litre

| 2019     | 2020     |
|----------|----------|
| 0.77 EUR | 0.88 EUR |