

14th October 2013

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Høring - Lufthavnsavgifter for Avinors lufthavner i 2014

Dear Mr. Kolstad,

With this letter we respond to your hearing announcement, published on your website September 12th 2013. Although we welcome that one of the concerns highlighted in our previous correspondence is being addressed (the closing of the gap between international and domestic charges differentials), there remains a number of serious concerns about the charges changes proposed for 2014. This relate to the level of transparency, user involvement, cost-relatedness of charges and cross subsidies from network charging. These concerns are explained in more detail below:

1) Lack of involvement and participation

As we had previously mentioned in our correspondence (our letter dated 14th September 2012), we do not see that a proper involvement of Norwegian airport users with regards to charges changes has been initiated. We do not consider the publication on the website in form of a public hearing as an appropriate form of a consultation. This is not in line with the EU Charges Directive neither with ICAO document 9082, where meaningful consultations must be held. As per your letter Ref 10/1898 dated 29th June 2012, you had stated that the Ministry of Transport and Communications intends to implement the Directive. The key principles on airport charges are clearly outlining the need for charges being cost-related, non-discriminatory, transparent and consulted with the users.

2) Lack of transparency

The information provided in the published documents does not provide enough details on the cost base. We are not in a position with this limited information to understand how the cost has developed and what is included in the 2014 plan and if sufficient efficiency targets have been identified. In summary, there is no possibility to understand how cost, revenues and charges are related. We therefore request that you provide us with the following information:

- Breakdown of the cost structure into the relevant cost categories (Staff Cost, Operational Costs, Depreciation, Other).
- Breakdown of the above mentioned cost categories over the years 2012, 2013 (forecast) and 2014 (plan).
- In case of significant variances in costs over previous years, we would expect further explanations to understand the variances.
- Information about the development of Avinor's staffing position, i.e. staff numbers for the years 2012, 2013 forecast and 2014 plan.
- Details on the methodology used to set airport charges: Asset base, WACC, Depreciation, Contribution from commercial activities.
- Further details on investments: In our letter dated 14th September 2012, item #3 we had raised our concerns over pre-funding. We still do not have information about investments like the pier expansion and urge you to provide us with meaningful information about current and planned investments.
- Information about the revenue split from the aviation and non-aviation sector, historic and forecast.
- We do not follow your information on over- / under recoveries and require further information about the historical development.

3) Traffic growth and charges increase

Traffic growth has generally been underestimated the previous years and based on current trends and year to date actual data traffic looks again to have been significantly underestimated for 2013 and thus as well for 2014. Although we recognize that the price proposals do not show an overall significant increase, the significant traffic growth provides a clear indication that charges should be reduced, rather than increased.

4) Cost of Capital

A **post-tax** WACC of 6.1% is significantly higher than would be expected for similar operators. In order to better understand your proposals, we request proper justification and transparency on the cost of capital.

5) Network charging

IATA has already written on previous occasions to the SAMFERDSELSDEPARTMENT highlighting that larger airports should not cross-subsidize the costs of usage of the smaller, regional airports. This follows the logic that airlines (and passengers) should only pay for the facilities they use.

Although users understand the State's aim to avoid significant charge increases at small airports (i.e. if the charges of each airport reflect their true costs), an artificial (lower) level of charges should be achieved by cross subsidies from users of larger airports.

The required information mentioned above will allow us to properly review, evaluate and better understand the proposal for Avinor 2014 charges. Meaningful consultations should follow and we will be happy to receive your timing proposals.

Sincerely,



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