



**IATA Submission in Response to the  
SAMFERDSELSDEPARTMENT Hearing on AVINOR's 2013  
Airport Charges**

**14 September 2012**

This submission presents the response of the International Air Transport Association (IATA) to the SAMFERDSELSDEPARTMENT's hearing on AVINOR's proposed charges for 2013. IATA's mission is to represent, lead and serve the airline industry and brings together some 240 member airlines comprising 84% of total air traffic.

Overall, IATA has a number of concerns in relation to the airport charges increases being proposed in the SAMFERDSELSDEPARTMENT's hearing document. Unfortunately, most of these concerns (such as lack of transparency and meaningful consultation, pre-funding, cross-subsidies) have already been communicated to the Ministry on previous occasions and still remain unaddressed. We urge the SAMFERDSELSDEPARTMENT to take into consideration all of our views before setting AVINOR's airport charges for 2013.

Our concerns and comments regarding the airport charges proposals are detailed below:

### **1) Lack of transparency and lack of meaningful consultation**

The information provided in the hearing document does not give any details of the airport's cost base (with the exception of some limited information on the security cost base). This makes it impossible for users to understand why there is a proposed increase in charges. This situation is contrary to some of the most basic ICAO principles in the calculation of charges.

In addition, a public (written) hearing is not considered to be an appropriate form of consultation. A meaningful consultation would involve a face-to-face meeting (or meetings) between the airport authority and users in order to discuss proposals and foster two-way communication between the provider and its customers.

Moreover, it is difficult to understand why the excellent level of transparency shown during the elaboration of the Norwegian National Performance Plan for air navigation charges cannot be replicated for the consultation process for setting airport charges.

Early this year we wrote to the SAMFERDSELSDEPARTMENT suggesting that the implementation of the EC Airport Charges Directive could address these concerns. However, we were disappointed at the Ministry's reply that the Directive would not be implemented for the setting of 2013 charges. We urge the Ministry to ensure that the Directive is implemented as soon as possible.

Even still, the fact that the EC Airport Charges Directive has not yet implemented cannot be used as a justification for not complying with the basic ICAO principles of consultation, transparency, cost relatedness and non-discrimination. It is imperative that these basic principles are met before the 2013 charges are approved by the Ministry.

### **2) Available information suggests that charges should decrease**

Without forecast cost data, it is quite difficult to make an informed opinion on the proposals or to calculate what the level of charges should be. However, historical data suggests that charges should be reduced, rather than increased. For instance, the 2011 audited accounts show that

AVINOR's airport operations earned an 10.8% return on capital<sup>1</sup>, even including the NOK1.2 billion cross subsidy to the medium/small airports (a practice of which IATA does not approve). Considering Oslo airport alone, the return on assets is an unacceptable 28.2%.

In 2011, SAMFERDSELSDEPARTMENT commissioned Deloitte to calculate the cost of capital for AVINOR (split by airport and ANS divisions). Although the report suggested a cost of capital that we considered too high (8.5% pre-tax), it is still already lower than the 10.8% return reported by the airports' segments in AVINOR's financial accounts in 2011.

The above, combined with the current traffic growth in Norway, provides a clear indication that charges should be lower than what is currently being proposed.

### 3) Concerns over pre-funding

As indicated in our response to last year's hearing we fear that the excess cash being collected by AVINOR will be used to pre-finance its capital program. This cannot be accepted for the following reasons:

- ICAO's policies on charges (document 9082) is clear in stating that airport and ANS charges should only reflect the cost of providing the facilities and services being used.

- ICAO's mentions that only in very specific circumstances should pre-funding be considered (when the provider cannot raise the funds by itself – which is not AVINOR's case) and only when specific safeguards are implemented, such as:

- i) Effective and transparent economic oversight of user charges and the related provision of services, including performance auditing and "benchmarking" (comparison of productivity criteria against other similar enterprises);
- ii) Comprehensive and transparent accounting, with assurances that all aviation user charges are, and will remain, earmarked for civil aviation services or projects;
- iii) Advance, transparent and substantive consultation by airports and, to the greatest extent possible, agreement with users regarding significant projects; and
- iv) Application for a limited period of time with users benefiting from lower charges and from smoother transition in changes to charges than would otherwise have been the case once new facilities or infrastructure are in place.

As a matter of principle, IATA and its member airlines do not accept the concept of pre-funding as users are being asked to pay for a facility that does not exist and that they cannot use. However, if the SAMFERDSELSDEPARTMENT continues to consider such measures, it should at least fulfill the conditions set in ICAO's document 9082. In IATA's view, these conditions have not been met. As such, IATA urges SAMFERDSELSDEPARTMENT not to accept any pre-financing component to be included in AVINOR's airport charges for 2013.

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<sup>1</sup> AVINOR audited accounts, Note 5 (segment information). The 10.8% has been obtained by dividing the Operating profit of the segment lines "Oslo airport", "Other large airports" and "Medium & small airports" (NOK 1990.9m + NOK 947.0m + NOK 1,200.6m = NOK 1,738m) by the "assets" allocated to these segments (NOK 7,050.3m + NOK 3,809.0m + 5,280.5m = NOK 16,139.8m). The segments "Air navigation services" and "other" have been excluded from the calculation (the "other" segment has also been excluded because there is no reference that these are airport related activities. It would be beneficial if AVINOR clarified what these activities are as part of a meaningful consultation process).

#### **4) Network charging/cross subsidies among airports**

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.

#### **5) Lack of appropriate justification for the differentials between international and domestic charges**

There is a clear need to understand why the international passenger charge is some 30% higher than the domestic charge. Without a clear cost based justification, IATA cannot support any type of charges differentials. In this regard, we urge SAMFERDSELSDEPARTMENT to provide such information in order to substantiate the existing differentials.

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