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Traficom's Instructions on Consultation and Transparency

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1 Act on the Airport Network and Airport Charges (210/2011)

- Light handed regulation in use in Finland
 - obligatory consultation
 - the pricing decision can be referred to the Traficom for processing
 - In case of disagreement with the decision Trafi will examine the justifications for the modification of the system or the level of airport charges
 - Ensure that the decision comply with the law
- AMB can choose the regulatory till
 - single, dual or hybrid till
- No additional regulatory measures in use (no approval of charging system and/or the level of charges, including incentive-based charging methods or price cap regulation)
- According to Act the charges should in general be cost-related, non-discriminatory, transparent, objective and based on the service level offered

2 Consultation and Transparency

2.1 General

- Consultations should be constructive and should not merely provide information with a predetermined outcome, this is, the views of airport users should be taken into account
 - The pricing decision shall be justified, taking into account any requirements and other statements presented by airport users
- Detailed consultation documentation shall be provided in advance of any consultation (according to timelines set in the Act)
- There should be sufficient opportunity for preparation of comments and to seek clarifications
- Airline associations are allowed to attend the consultations but it is recommended to make clear that who they are speaking for

2.2 What is consulted on?

2.2.1 Level and structure of charges

- According to Section 7 of the Act on Airport Network and Airport Charges, Finavia shall consult with users on the operation of the system of airport charges, the level of airport charges and, as appropriate, the quality of service provided
- AMB (Airport Managing Body) should include at least the following:
 - The level and structure of charges
 - Structure of charges: disaggregation of the level of charges into the component charges: e.g. landing, take-off, lightning and parking of aircraft, and processing of passengers and freight
 - Linkages between the structure of charges, the cost of services, the projected revenue and the investment plans

2.2.2 Incentive Schemes (normally rebates and discounts) on the normally payable charges

- Charges can be differentiated (and in some cases modulated)
 - Charges may be differentiated according to the quality and scope of services and their costs or any other objective (Section 6)
 - Charges may be modulated for issues of public and general interest (Section 5)
- Consultation and transparency on these schemes is required to discourage discriminatory schemes

- Schemes shall be objective, transparent, non-discriminatory and equal
- In general, schemes should be funded from the benefits generated from them. Costs associated with such charges should not be allocated to those other users not benefiting from them. (ICAO principles of cost-relatedness and no cross subsidization)
- An analysis of the incentive's effectiveness and feasibility of covering the costs should be provided by the airport
- If bilateral contract are used
 - users not subject to these contract should be made aware of the existence of bilateral contracts
 - AMB should endeavour to set their general charges schemes and incentives as if the bilateral agreements were not present
 - AMB should be able to justify that bilateral agreements do not breach the section 5 of the law.
- More on this issue see the recommendations from the Thessaloniki Forum of Airport Charges Regulators "Non-Discrimination under the Airport Charges Directive" published in November 2018

2.2.3 New infrastructure

- Can be separate or part of the consultation
- Users should be made aware of the effect they have on charges
- Agreement should be reached between AMB and users on the size of the projects requiring consultation

2.2.4 Quality of service

- The quality of service of service level agreements should form part of the consultation process including the cost implication

2.3 Transparency for the consultation process

- AMB and airport users shall provide at least the information described in the Section 10 of the Act on Airport Network and Airport Charges
- Information provided by AMB should include:
 - The methodology to set the charges and what regulatory till is in use:
 - should be based on sound accounting principles
 - It has to be clearly described which costs are included and to what extent non-aeronautical revenues are being used to offset aeronautical costs

- AMB should provide users with detailed historic and forecast information on costs and commercial revenues and methodology to calculate them
- Historical and forecast data of the airport charges, corresponding to five years preferably
- The level of detail should be sufficient to allow users to analyse whether charges are based on costs (i.e. cost-relatedness) and how they take account of the infrastructure and the quality of service
- Details on the estimation of the WACC should be included (see Traficom's recommendations for WACC calculations)
 - Details of services covered by airport charges
 - Traffic forecasts and the model used for these forecasts

2.4 Cost-relatedness

- The main principle is that cost-relatedness should be applied at the product level
- applying cost-relatedness at a higher level is possible to support the desired efficiency and development of the airport and to reduce administrative burden
- Aggregation can be used e.g. for the homogeneous services used by homogeneous users
- Any discrimination should be avoided
- Aggregation shall be consulted in a transparent manner with the users