

***Model for adjustment of traffic charges at Copenhagen Airports A/S***  
(15 May 2000)

The statutory framework for the adjustment of traffic charges at Copenhagen Airports A/S (CPH) is set out in section 71 of the Danish Air Traffic Act, involving take-off charges, passenger charges and parking charges.

The adjustment principles described below shall be applied as from 1 January 2003. The principles shall be reviewed in 2008 with a view to a possible amendment by the end of 2008.

Under the model, a ceiling is fixed in advance for changes to the traffic charge level for three years at a time. The first adjustment period runs from 1 January 2003 through 31 December 2005. The second period runs from 1 January 2006 through 31 December 2008. The model does not preclude increased differentiation of traffic charges. CPH may apply to the Ministry of Transport for changes to the traffic charges within the ceiling fixed.

The ceiling is basically fixed through negotiations between CPH and the airlines operating at Copenhagen Airport or with organisations representing them. The procedure is described under A below. If the parties do not reach an agreement by 1 October of the year before the next three-year adjustment period commences, the Ministry of Transport shall fix a ceiling for changes to the traffic charge level for the next coming adjustment period by 31 December of the same year. The procedure is described under B below.

In addition to the above mentioned adjustment, the Ministry of Transport shall, upon specific assessment, and only after prior application from CPH, be in a position to approve a separate increase of traffic charges beyond the ceiling fixed, in the event that CPH incurs substantial cost increases as a result of new specific requirements to the airport by the authorities.

If there are extraordinary circumstances which decisively change the assumptions on which the present adjustment principles are based, the Ministry of Transport may change the principles.

## **A. Negotiated determination of the ceiling on traffic charge changes**

### **Making the agreement**

The ceiling is fixed through negotiations between CPH and the airlines operating at Copenhagen Airport or with organisations representing them.

Well in advance of the commencement of the next adjustment period, CPH is obligated to negotiate with the airlines for the purpose of entering into an agreement for the next period.

The negotiations allow a more flexible adjustment of charges, including that issues such as the supply and quality of services and differentiation of charges can be drawn into the negotiations.

### **Approval of changes in traffic charges**

If an agreement is entered into by the parties, the Ministry of Transport shall base its consideration of CPH's application for changes to the charges on such agreement, unless it is contrary to important interests in society or general traffic considerations.

## **B. Regulatory determination of the ceiling on traffic charge changes**

### **Fixing the ceiling on charges**

For each year during the adjustment period, a maximum allowed change of the level of traffic charges shall be fixed - the charges ceiling - at the change in the net consumer price index for the previous calendar year less a factor X.

Permitted changes during a year which are not off-hand desired to result in changes to the charges may, within the same adjustment period, be included in connection with later changes to the charges. Charge increases that have not been implemented cannot be transferred to later adjustment periods.

The calculation of the traffic charge level is based on actual traffic volumes during the last year before the current three-year adjustment period.

## **Model for determining X**

X is determined based on the following factors:

- Demand for productivity increases;
- The level of charges at competing airports; and
- Traffic growth (number of passengers).

More specifically, X (in per cent) is fixed for the year based on the following formula:

$$X = A + 1/3 * (B - 3\%)$$

- where A is any additional productivity demanded - i.e. productivity demanded over and above the general improvements in the economy reflected in the net consumer price index. A is determined before the beginning of the period for the entire adjustment period. When determining A, special consideration shall be given to maintaining a favourable competitive position vis-à-vis relevant northern European airports.

- where B is the growth (in per cent) in the number of passengers during the past calendar year(t-1) relative to the year before (t-2).

## **Approval of changes in traffic charges**

Upon application from CPH, the Ministry of Transport shall approve traffic charge increases within the ceiling, unless this would be contrary to material interests in society or general traffic considerations.

In the event that CPH does not use or only partially uses its option to increase charges in a given year, such increases may be carried forward to the following year of the adjustment period, whereas they cannot be transferred between adjustment periods. At the beginning of a new adjustment period, the actual traffic charge level in force at the end of the previous adjustment period shall consequently be used as a base. At the beginning of the new adjustment period from 2003-2005, the base for the charges ceiling shall therefore be the actual traffic charge level in force at 31 December 2002.