Brussels, 19 December 2016

SUMMARY RECORD

AVIATION: AIRPORTS POLICY

Expert Group: Thessaloniki Forum of Airport Charges Regulators
Working Group on Consultation and the Cost of Capital

Brussels, 21 November 2016

Members of the Expert Group

Chair: Commission for Aviation Regulation (IE) and European Commission, DG Mobility and Transport (EC MOVE)

Present (members): Austria (AT), Germany (DE - represented by the Land of Hessen), Denmark (DK), Spain (ES), France (FR), Italy (IT), The Netherlands (NL) and the United Kingdom (UK). Sweden (SE) could not attend the meeting, but has sent contributions beforehand.

INTRODUCTION

Background: the Working Group (WG) was set up following the 2015 plenary of the Thessaloniki Forum (9-10 December 2015) when it was decided that the issues of consultation and the cost of capital require further examination by a smaller group, with the purpose to enhance collaboration and to prepare a set of recommendations. The WG already met on 8 March 2016 in Dublin and on 2 June 2016 in Madrid.

POINTS DISCUSSED

The meeting was aimed to bring to a conclusion the 2 draft papers prepared by the WG and circulated to all members of the Forum before the plenary held on 6 October 2016, in view of their publication by the end of the year.

The WG agreed to take on board the caveats proposed by EC MOVE. There was also common agreement on calling the papers 'recommendations' and providing them similar lay-out to ensure easy reading. Consideration was also given to some suggestions made by other ISAs which do not participate in the WG. ISAs are also mindful not to introduce in the papers too many details on specific national practices or derogations, so that the recommendations could be applicable as widely as possible across MS.

Recommendations on consultation

The draft paper includes some comments or clarifications discussed during the meeting of 6 October 2016.
Recommendations on the cost of capital

The bulk of the discussion concentrated on the draft paper on WACC. ISAs discussed on whether the WACC should take into account both aeronautical and non-aeronautical revenues; some ISAs think that the split does not change significantly the nominal value. ISAs agree that the WACC should consider a transparent remuneration of the non-diversifiable level of risk borne by stakeholders and holders of debt, reflecting the specificities of the local market. Regarding the risk free rate, the 10 year bonds of the MS in which the airport is located is the preferred option. When estimating parameter beta, using peer companies is an acceptable practice. ISAs also discussed the pros and cons of using the arithmetic versus geometric average for estimating the equity risk premium. Regarding the gearing, ISAs' view is that notional gearing may be used, while on the cost of debt the conclusion is that this should be very carefully assessed.

Concluding remarks

Recommendations to be finalised and published shortly.

EC MOVE thanked once again all participants for their involvement and hard work.
Participants

EU Institutions

European Commission – DG MOVE

Member States

Austria – Federal Ministry for Transport, Innovation and Technology
Denmark - Danish Transport and Construction Agency
Germany (represented by the Land of Hessen) – Hessen Ministry for Economy, Energy, Transport and Regional Development
Spain – National Commission for Markets and Competition
France – General Directorate for Civil Aviation and General Council for Environment and Sustainable Development
Ireland – Commission for Aviation Regulation
Italy – National Organisation for Civil Aviation and Transports Regulation Authority
The Netherlands – Authority for Consumers and Markets
United Kingdom – Civil Aviation Authority