

## PRAGUE AIRPORT'S DECISION ON AIRPORT CHARGES FOR THE PERIOD FROM 28<sup>th</sup> MARCH 2021 TO 26<sup>th</sup> MARCH 2022

Prague Airport (PA) has published the final version of its Price List for the period commencing on 28<sup>th</sup> March 2021 and ending on 26<sup>th</sup> March 2022. Following the airport Price List review with air carriers enrolled in the consultation process, PA has decided to set the airport charges and incentive scheme as described in the text below. The adjustments made to airport charges when compared to the current 2020 Price List include changes to Passenger Service Charges, the PRM charge and Charges for the Use of Airport Infrastructure. Landing and Noise Charges remain unchanged. A new incentive scheme, Traffic Recovery After the Covid-19 Crisis, has been introduced.

### SUMMARY

The consultation process regarding the airport charges proposal was launched by PA on 15<sup>th</sup> June 2020. At the airport operator's invitation, 17 air carriers had confirmed their participation in writing prior to the consultation meeting, pursuant to the respective provisions of Article 42f of Act No. 49/1997 Coll. on Civil Aviation, as amended, and amendments and addenda to Act No. 455/1991 Coll. on Trade Licensing (the Trade Licensing Act), as amended.

The proposed Price List was distributed to all participants on 18<sup>th</sup> August 2020. On 2<sup>nd</sup> September 2020, a formal consultation meeting was held in Prague. All participants received Meeting Minutes with supporting documentation where the basis for the price model and proposed changes were described. Subsequently, PA has received three formal written responses to the Price List proposal. We have carefully reviewed the feedback received from airlines, both written and discussed during the consultation meeting, prior to making the final

decision which contains the following several adjustments compared to the previous period of validity:

- Increase in Passenger Service Charges
- Increase in PRM Charge
- Increase in Contractual / Log-term Parking Charges and cancellation of the free-of-charge period upon short-term parking of cargo flights
- Increase in Use of Check-in Desk Charges
- Increase in Use of Passenger Boarding Bridge Charges
- Increase in Bus Charges

All participants have received the annual overview of collected charges and expenses connected with the PRM service in 2019 audited by the statutory auditor PricewaterhouseCoopers Audit, s.r.o.

The attached PA's Price List is valid as of 28<sup>th</sup> March 2021. The updated Price List has been uploaded under the Business section of the PA's website: [www.prg.aero/b2b](http://www.prg.aero/b2b).

Participants of the Price List consultation process may request materials and supporting documentation from the consultation meeting by writing to [adam.pavlik@prg.aero](mailto:adam.pavlik@prg.aero).

## **ADJUSTMENTS TO INDIVIDUAL CHARGE CATEGORIES AND INCENTIVE PROGRAMMES**

### **1. Increase in Airport Charges**

#### **Final Decision**

The **Passenger Service Charge** has been increased to CZK649 from the original CZK568 per every departing passenger and to CZK324 from the original CZK284 per every transfer passenger.

Passenger Service Charge per Every:	until 27/3/2021	from 28/3/2021
Departing Passenger	CZK568	<b>CZK649</b>
Transfer Passenger	CZK284	<b>CZK324</b>

The **PRM Charge** for assistance provided to persons with reduced mobility and orientation has been increased to CZK10 from the original CZK6 per every departing passenger including passengers in transfer.

PRM Charge per Every:	until 27/3/2021	from 28/3/2021
Departing and Transfer Passenger	CZK6	<b>CZK10</b>

Charges for each 20-min interval for the use of Common Desks and Flight **Check-In Desks** have been increased to CZK112 from the original CZK102. The price for Fix Check-In Desk has been increased to CZK97,900 from the current CZK89,000 á month.

Charge per:	until 27/3/2021	from 28/3/2021
Common Desk	20 min / CZK102	<b>20 min / CZK112</b>
Flight Check-in Desk	20 min / CZK102	<b>20 min / CZK112</b>
Fix Check-in Desk	CZK89,000 / month	<b>CZK97,900 / month</b>

All rates of Bus Charges and Use of Passenger Boarding Bridge Charges have been increased by 10%.

Charge per:	until 27/3/2021	from 28/3/2021
1 Bus Ride	First 30 min / CZK525 Each additional 10 min / CZK525	<b>First 30 min / CZK578 Each additional 10 min / CZK578</b>
PB Bridge for ACFT <100 t MTOW / max 120 min	CZK2,300 / case	<b>CZK2,530 / case</b>
PB Bridge for ACFT ≥100 t MTOW / max 180 min incl. AC/Heating	CZK4,300 / case	<b>CZK4,730 / case</b>
AC/Heating Charge for ACFT <100 t MTOW	CZK320 / case	<b>CZK352 / case</b>

The monthly flat rate for **Contractual / Long-term parking** on parking areas for aircraft categories based on wingspan of up to 36m and on the MP HE stand has been increased to CZK62,375 from the original CZK49,900 per month.

Stands S51–S56 at the Apron South area have been closed, alongside stands S11–S13.

### Purpose

After a thorough analysis, PA set out to increase airport charges for several reasons:

- The proposal to increase **Passenger Service Charges** is motivated by the necessity to ensure sufficient funds to secure financing of standard airport operations. This is a direct consequence of the traffic slump as a result of the Covid-19 crisis.
- In accordance with the applicable legislation (EC Directive No. 1107/2006), the **PRM Charge** should be reasonable, transparent and derived from costs, which the proposed

price for meeting the expected operating performance within a reasonable time horizon of two years will allow.

- **Charges for the Use of Airport Infrastructure** need to be adjusted due to a continuous increase in operating and capital expenditure in recent years. This intention was already transparently announced during last year's consultation. Charges for the use of buses and bridges have not been adjusted since 2013. Increasing wages and inflation, the completed replacement of the airport bus fleet, the gradual replacement of boarding bridges and their retrofitting with air conditioning units, investment in automated baggage sorting and the installation of new check-in desks and self-bag-drop counters have led to a continuous increase of infrastructural costs to a level at which these services already had to be subsidised from other revenue streams, even in the very successful period preceding the current crisis.

### **Position of Airport Users**

Some users objected that the proposed increase of charges will have a detrimental impact on airlines' operations as higher costs are not going to stimulate traffic resumption. They claimed that airport charges should remain at their current level and pointed out that no other European airports were about to increase prices nowadays.

### **PA's Final Decision Motivation**

The costs of airport infrastructure are fixed to a large extent, even in the long-term. Throughout the past five years, the PA's Departing Passenger Charge has only been decreased, either directly or in the form of a volume incentive support derived from the actual traffic performance delivered by each individual carrier. Given the expected volume of traffic in the upcoming period, the current pricing is unsustainable.

The major positive news for all carriers operating at PA is the fact that, despite the unprecedented loss of income as a result of the Covid-19 crisis, landing charges have not been increased, whilst the maintenance and refurbishment activity on aprons and runways has not been slowed down.

## **2. Cancellation of the free of charge period upon short-term parking of cargo flights**

### **Final Decision**

The originally provided free-minute bonus for CARGO flights is cancelled upon both uninterrupted parking and when the aircraft is towed out at the Apron East area.

### **Purpose**

The proposal to cancel the free-of-charge period upon short-term parking of cargo flights is based on both operational and economic grounds. In general, cargo flights are less punctual in adherence to defined schedules which, in effect, applies increased pressure on airport resources. By this adjustment PA focuses on more efficient use of airport infrastructure. According to the proposed Price List, the burden of increased prices will mostly be carried by

passengers. The profitability of passenger flights is mainly derived from the income generated by Passenger Service Charges. This major source of Prague Airport's (PA) revenue is completely absent with cargo traffic. Since all other charges applied remain the same (notably Parking and Landing Charges), the current rentability of the cargo segment and the entire Area-East at PA is insufficient.

### Position of Airport Users

The proposed cancellation of free parking minutes for cargo flights only represents an unjustified, discriminatory charge increase and results in disadvantages of cargo compared to passenger carriers.

Unequal treatment becomes transparent as almost all passenger aircrafts are carrying belly freight along with passengers and their luggage. Commercial carriers receive a significant part of their revenue from transporting cargo and passengers onboard their aircraft. Since the outbreak of the COVID-19 pandemic and the resulting aviation crisis, commercial airlines have become even more dependent on securing non-passenger revenue streams and focus on cargo as a solution.

### PA's Final Decision Motivation

At present, PA does not want to resort to differentiation of pricing according to the type of traffic, its specifics and diverse contribution, in order to support more efficient use of airport infrastructure and generate additional funds. Yet, at the same time, PA insists that any incentive or discount provided needs to be justifiable and based on solid economic grounds. The cost-base principle must be observed. Any discounted pricing policy should only be kept in effect providing the resulting benefits outweigh the cost.

In general, PA currently operates eight different categories of parking stands (related to different charge categories). The free-of-charge period has covered only three of them. The adjustment further reduces the free-of-charge period to just two categories of parking charges (stands).

## 3. Incentive scheme

### Final Decision

Effective 1 January 2021, a new Incentive Scheme 3.16 Traffic Recovery After the Covid-19 Crisis is applied for existing carriers providing scheduled or non-scheduled passenger transport during the calendar year 2021, provided their overall 2021 seat capacity has reached a minimum of 55% of their seat capacity allocated on routes to/from PA in 2019, or they have transported at least 55% of the total volume of passengers paying the passenger service charge in full when compared with their 2019 results.

Period of Validity	Amount Refunded per Each Departing Passenger Paying in Full
1/1/2021–31/12/2021	<b>CZK54</b>



### **Purpose**

The introduction of this incentive is motivated by the need to support the fastest possible return to pre-crisis volumes of scheduled and non-scheduled passenger traffic. This incentive scheme represents clear proof that in the next fiscal year, PA is not aiming to earn outstanding profits or finance large development projects, but rather to generate enough capital for standard operational financing. PA is willing to share the risks and benefits with airlines.

### **Position of Airport Users**

Several users objected that the originally proposed threshold of a minimum 65% of either seat capacity or passenger volume was set too high and needed to be revised. There was a proposal to differentiate between airlines and reward those who deliver higher volumes with a progressively higher discount.

### **PA's Final Decision Motivation**

PA decided to decrease the originally proposed threshold to 55% from the original 65%, taking into account the arguments of airport users and the latest medium-term forecast and financial plan for 2021. The revised threshold is motivating and realistically achievable yet, at the same time, should ensure that sufficient funds are collected in order to support everyday airport operations.

PA decided not to further progressively differentiate the discount per traffic volume. The main objective of this incentive scheme is to provide an equal opportunity for any carrier who takes the risk and allocates their capacities on routes to/from PA. Moreover, any attempts to set more detailed volume ranges with differentiated discount rates must be based on a solid mid-term prediction of traffic and revenue development. As a second wave of the pandemic strikes, the current extremely volatile environment constitutes a major difficulty in the calculation efforts.

### **OTHER AIRPORT USERS' VIEWS ON THE PRICE LIST PROPOSAL**

- **Rather than introducing new incentives, abolish the incentive scheme altogether in exchange for reduction of charges for all airlines operating at PA.**

### **Airport Users' Comments**

PA's incentive scheme is already way too complex and complicated and adding another incentive scheme is only going to worsen the situation. The passenger service charges are going to be increased, the extra cost can be partially recovered if certain conditions are met, but it would be a lot more effective to cancel the incentive scheme altogether and reduce charges for all airlines to benefit.

The scheme is discriminating, predominantly under its volume-based part, rewarding only very specific group of carriers serving PA. Airlines operating their routes to/from PA are faced with substantial increases of airport charges which will result in decreased passenger demand.

**PA's Statement**

Compared to the newly introduced Traffic Recovery After Covid-19 Incentive Scheme, a flat reduction of airport charges would bring short term benefits for airlines but would result in low motivation of airlines to develop their traffic to/from PA.

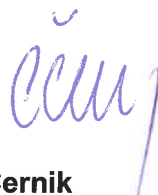
PA's incentive support represents a complex commercial tool helping to deliver key Airport strategies, drafted, endorsed and applied by PA in line with national and European regulations, irrespective of preferences, priorities or business model applied by a specific airline. All airlines operating flights to/from PA are equally eligible to qualify for the benefits of PA's incentive programmes.

The Incentive Scheme offered at PA leads to the improved overall welfare of all users, not just the welfare of those which receive the support directly. Incentives lead to cost savings generated by economies of scale and increased commercial revenues. The costs of the incentive support are recovered from the beneficiaries, not from others. The incentives are not designed to cross-subsidise new entrants or incumbents.

The primary purpose of PA's route incentive support is the support of new entrants, particularly the development of new routes and additional frequencies on existing routes. The volume incentives serve as a motivation for carriers to boost traffic volumes and thereby contribute to achieving economies of scale for PA. Volume or loyalty discounts generally present a standard commercial and marketing tool used in any industry to grow business and to promote the company's strategy. Other PA incentive schemes usually contribute to the more efficient use of the airport infrastructure.

The efficiency of the incentive scheme is closely monitored on a regular basis. If an incentive does not provide the required outcome, it is either modified or cancelled. Unlike the frequent practice at many competitive European airports and despite the demand from certain airlines, PA does not provide any hidden benefits in the form of commercial bilateral agreements (although such conduct is not considered to be unfounded and in breach of the Airport Charges Directive). PA's pricing policy creates a stable and competitive market environment which stimulates the growth of connectivity.

Yours sincerely,



**Jiri Cernik**  
*Member of the Board of Directors*  
Prague Airport