

ENAC – ADR Economic Regulation Agreement
Charges Proposal for Year 2019 (Fiumicino and Ciampino)

Minutes of the public hearing, Oct. 2, 2018

Hilton Garden Inn Rome Airport - Aeroporto “Leonardo da Vinci” di Fiumicino

INTRODUCTION

As part of the consultation for the tariff proposal for the year 2019, ADR has provided for two alternative options: the "standard" option in fact ADR has supported an option that provides for substantial tariff stability in the next three years (2019-21) at the level of 2018 charges. For the purpose of its possible application by ENAC, ADR intends to collect the opinion of the users. This option can be chosen as a definitive proposal according to the feedback that will be reserved by the users. In any case, the application remains conditional on ENAC's approval by December 31st of the same and the related implementation discipline aimed at due respect of the correlation with costs.

Session starts at 10:21

ADR's top management, including Mr. Ugo De Carolis, CEO, represent to audience the material included in the presentation made available to users at the start of the consultation.

Q&A session

(IBAR) It is appreciable that ADR does not consult on a closed package but as an open scenario, reflecting the willingness to share outcomes with the users. First of all, a significant gap between planned and realized investments. IBAR requires a thorough analysis of the proposal itself. He asks for clarifications on the slide that shows the average trend ("Application of the rate graduation mechanism: medium-term impacts"); in particular, he asks if the quality bonus is incorporated in both scenarios.

Soleri. clarifies that the bonus is not incorporated in the rates for the forecast period. If it were incorporated it would involve an increase of 20 cents in the tariff.

(IBAR) Highlights the need for a careful analysis for the two scenarios. Asks if the WACC will be re-determined for the next regulatory period.

Soleri. clarifies that the WACC implied is the best estimate to date.

Troncone. The rate differential shown in the slides must be discounted to the period WACC, as required by the rules provided in the ERA; ADR undertakes to sterilize the effect of the revaluation to the WACC, which however must be applied as required by the regulations.

(IBAR) asks to have an indication of the WACC used for the projections.

Soleri. The WACC used for the planned tariffs 2022-2026 is about 200 basis points lower than the one currently applied (on the pre-tax measure).

(IBAR) Concerning the incremental WACC, recalls how ENAC had granted ADR the possibility to apply it with reference to the works for the development of Fiumicino Nord. He asks how this item is treated.

Soleri. Specifies that the incremental WACC is applied from the moment the work is completed. Adds that in 2019 there are no incremental remuneration elements with respect to runway 4.

Bernacchia. (CIA executive op.) Highlights the lack of attention given to today's meeting at the Ciampino hub. It is necessary to consider the importance of Ciampino as a business aviation hub in the reasoning that gives rise to the tariffs.

Troncone. Recognizes the little space reserved for business aviation in today's meeting but remembers how on previous occasions there has been a focus on it. He believes that the restructuring of the terminal has brought Ciampino airport to a level suitable for users. Available to the opening of an operating table to direct customer expectations.

Brown. (IATA) As regards the Runway 4 on the basis of the current and foreseeable air traffic, no other tracks seem necessary in the medium and long term. He asks for clarifications regarding 2022-2026 in terms of traffic forecasts and expected needs. He asks if there are any consultations with the carriers regarding the optimization of existing tracks.

Gregori. Track 4 will be necessary at the time of hourly capacity exceeding 93-94 movements; until then there will be an optimization of the current track system. From 2024 onwards it is expected to reach 93-94 movements, but the construction of the Pista 4 requires at least five years of work. Growth will be tackled differently in the case of EIA delays. There is a plan to maximize the capacity of the current track system, but the effects could be limited by the fact that already today Pista 1 features noise problems to keep under control.

Rudny. (IATA) Thanks for the presentation. As for the comparison with other European countries it would be necessary to know the actual costs for the current year and for future years. He asks for more details about the WACC.

Soleri. As for the whole information set relating to the current five-year period, refer to the presentation published on the website; as regards specifically the graph containing the forecast of the tariff evolution to 2022: since it is precisely a forecast, it does not require complete information on the WACC and on the forecast opex.

Troncone. All the dynamics for the period 2022-2026 will be discussed in 2020; for the short term, the evolution of the opex does not impact on the tariff evolution. The entire opex dynamic has also been the subject of consultation in 2016.

Ligotti. (Consumers UDiCon). Intervenes for an observation on the method: he appreciates the documents transmitted, which however appear excessively technical. It would also be advisable to attach a summary of them.

The works are suspended at 13.08. Resume at 13.58.

Troncone. Highlights the specificity of today's meeting, containing the alternative proposal that has been amply illustrated and which involves preservation of the existing tariffs for some years ahead.

Soleri. Announces that the "Q & A" document will be published on the ADR website within the next 48 hours and informs that the implementation of the proposal will be periodically communicated.

(IBAR) IBAR intends to make its position known, but after knowing additional elements that will be requested in the coming days. He asks how, from a regulatory point of view, ADR's commitment to take charge of a WACC that in the future could be different from the one proposed.

Troncone. ADR has already declared itself available with ENAC to sterilize the effect of the WACC, to make it equal to zero. ADR is available to conduct an additional meeting but requests a common position to support the proposal from the audience, to be communicated to the regulator.

Brown. (IATA) Does not believe that he can confirm its support in today's premises. Regarding the airport and infrastructure development asks whether it is possible to provide a dedicated consultation.

Troncone. ADR is available to conduct a meeting, if necessary.

(IBAR) Highlights how to date there is not a mandate of all the members to declare their availability to the alternative proposal. However, there is no prejudice in this regard.

Soleri. Invite participants to quickly submit their findings to the point.

(Alitalia) He asks to know the status of the construction of the tunnel connecting the two BHS.

Troncone. Ensures that a written reply will be drafted.

After the Q&A session (related document also available on ADR's website), hearing ends at around 2:30 pm