

# **Guidelines on route incentive discounts**

March 2017

## 1. Introduction to route incentive discounts and definitions

Growth by attracting more traffic to the airport is an essential part of the strategy of Copenhagen Airports A/S (CPH). This strategy shall be carried out on commercial conditions. Route incentive discounts are commonly offered by the airports which CPH competes with, in order to attract new airline companies and to get existing companies to expand. Therefore, it is also necessary for CPH to be able to offer route incentive discounts to our customers.

Applicable ICAO guidelines and applicable Danish legislation specify the requirements which shall ensure that discounts are provided on a non-discriminatory basis and that discounts are managed in an objective and consistent manner. The guidelines and procedures of CPH are prepared in consideration hereof.

These guidelines are prepared in conformity with clause 6.3 of the charges regulation, according to which CPH i.a. may grant exemptions from the charges regulations if CPH deems a temporary reduction of charges to be justified for commercial reasons.

In these guidelines, the following definitions are used:

Destination Airport: The airport which the relevant route connects CPH to. Destination Airports are determined on the basis of IATA Airport Code.

EU Destination: The Destination Airport is situated within the European Union (EU).

Non-EU Destination: The Destination Airport is situated outside the European Union (EU).

Seat Capacity: The average total monthly seat capacity of the route (number of seats per month on the route).

## 2. Criteria for granting route incentive discounts

- The route from CPH to the desired Destination Airport is not serviced at the time of initiating service on the route, however see section 5 below.
- Route incentive discounts are solely granted for year-round routes.
- Route incentive discounts will not be granted in situations where an airline company initiates service on a route ("the New Route") in immediate continuation (maximum 8 weeks break in the route activity) of another company's termination – as part of a material restructuring of routes, etc. – of the same route ("the Original Route"), unless CPH estimates that the route in question is not sustainable at the time of the new initiation of service. CPH makes an individual assessment in each specific case, upon which route incentive discounts may be obtainable on the New Route based on the parameters and other criteria stated in these guidelines. In the assessment of the sustainability of the route, CPH focuses on i.a. the traffic development on the Original

Route, including load factor, route frequency and type of aircraft, as well as whether the Original Route was serviced without route incentive discount.

- The route must not have been served by the airline company or a company affiliated with the airline company within the previous 2 traffic programmes.

Route incentive discounts must be agreed upon prior to the start-up of the route, and is contingent on an application from the airline company to CPH.

If the criteria for granting route incentive discounts are satisfied, the level of the discount and the length of the discount agreement will be determined in accordance with the parameters stipulated in sections 3-5.

### **3. Parameters decisive for the level and duration of the discount**

The following parameters are decisive for the level and duration of the route incentive discount:

- The level of the Seat Capacity at the time of initiating service on the route. Larger Seat Capacity results in more favourable discount terms.
- Whether the Destination Airport is an EU Destination or a Non-EU Destination. Non-EU destinations result in more favourable discount terms than EU Destinations.

It is possible to obtain route incentive discount on take-off charges as well as passenger charges.

The two types of discount can be fixed as either high or low, and the term of the discount agreement may vary from 1 and 5 years for each of the discount types.

The airline company is entitled to a discount on the take-off charge on the specific route, if the general criteria for granting route incentive discounts are satisfied, cf. section 2. Whether the discount on the take-off charge shall be high or low, depends on whether the specific Seat Capacity is more (high discount) or less (low discount) than 1,500.

If the specific Seat Capacity is more than 3,500, the airline company will also be granted a discount on the passenger charges on the route. Whether the discount on the passenger charge shall be high or low, depends on whether the Destination Airport is an EU Destination (low discount) or a Non-EU Destination (high discount).

For both discount types, the duration of the discount depends on the Seat Capacity:

If the Seat Capacity is less than 1,500, a discount on the take-off charge will be obtained for one year.

If the Seat Capacity is between 1,500 and 3,000, a discount on the take-off charge will be obtained for two years.

If the Seat Capacity is between 3,000 and 3,500, a discount on the take-off charge will be obtained for three years.

If the Seat Capacity is between 3,500 and 4,600, a discount on both take-off charge and passenger charge will be obtained for three years.

If the Seat Capacity is between 4,600 and 5,900, a discount on both take-off charge and passenger charge will be obtained for four years.

If the Seat Capacity is more than 5,900, a discount on both take-off charge and passenger charge will be obtained for five years.

The route incentive discount shall be reduced gradually over time in accordance with section 4 below. Irrespective of the term, all agreements are commenced on step 1.

#### **4. Scope of the level and duration of the route incentive discount**

Route incentive discounts are stipulated for periods of 12 months. The gradual reduction of each of the two types of discount during the discount period shall comply with the schedule below.

Discounts on take-off and passenger charges (per cent)

Step (year)	MTOW		Pax	
	Low	High	Low	High
<b>1</b>	80	100	80	90
<b>2</b>	N/A	90	60	70
<b>3</b>	N/A	80	40	50
<b>4</b>	N/A	40	20	30
<b>5</b>	N/A	20	10	20

#### **5. Discount to other airline companies**

In the event that other airline companies wish to operate a route at a time where a company is already granted a route incentive discount, or has entered into an agreement on route incentive discount, such companies may also obtain a discount during the term of the initial discount agreement, subject, however, to changes resulting from differences in the Seat Capacities of the companies.

The same discount model will be used for the calculation of route incentive discounts granted to the other companies, provided, however, that the level of the discount cannot at any time exceed the level which has been granted to the first company, just as the discount will cease at the same time as the discount granted to the first company ceases.

## **6. Reassessment of route incentive discounts**

CPH evaluates, on an ongoing basis, if the actual traffic corresponds to the pre-conditions of operation on the route to which a route incentive discount has been granted.

In case reductions in the Seat Capacity on a route compared to the initial pre-conditions occur during the discount period, CPH will undertake a reassessment of the discount and carry out any necessary adjustments accordingly.

Reassessment is carried out on the basis of the information on actual traffic available at the time of the reassessment, compared to the information on the operation upon which CPH based the initial decision on granting route incentive discount.

In reassessing an already granted route incentive discount, CPH applies the same criteria and parameters, which were applied for the initial decision on granting route incentive discount.

## **7. The process for entering into an agreement on route incentive discount**

An airline company wishing to obtain route incentive discount on a route must enter into a discount agreement with CPH prior to initiation of service on the route. In preparation for entering into an agreement on route incentive discount, the airline company must contact CPH and provide the following information:

- Name and address of the airline company
- Contact information for the relevant contact person with the airline company
- IATA Airport Code for the Destination Airport
- The desired date for initiation of service on the route.
- Information on the aircraft, which is to be used in servicing the route, including information on:
  - o The aircraft type
  - o MTOW
  - o Seat capacity of the aircraft
- Weekly number of departures on the route.

CPH will as soon as possible – and no later than 10 business days after receiving all relevant information – inform the airline company about whether the airline company is entitled to route incentive discount on the route in question. If the criteria for granting route incentive discount are met, CPH will submit an offer for route incentive discount regarding the relevant route to the airline company, including information on level and duration of the route incentive discount.

The airline company obtains the route incentive discount on the terms and conditions stated in the offer and these guidelines, if the airline company accepts the offer from CPH prior to initiation of service on the route.