

PRESS RELEASE

Paris, December 4th, 2023

To take into account changes in the macro-economic context, the French Transport Regulatory Authority (ART) is updating its methodology for determining the return on capital in the airport sector.

Following an extensive consultation with stakeholders, and in order to take into account the changing macro-economic context disrupted by the health crisis, environmental challenges and the evolving geopolitical climate, the French Transport Regulatory Authority (ART) is updating its methodology for calculating the weighted average cost of capital (WACC) of the regulated airport perimeter. The guidelines published today are intended to contribute to the establishment of a stable, robust and sustainable economic regulatory environment, capable of promoting efficient investments in airport infrastructures, in the interests of passengers.

DETERMINING THE WACC OF THE REGULATED PERIMETER IS AT THE HEART OF THE TARIFF REGULATION ENTRUSTED TO ART

With jurisdiction over the airport sector since 1 October 2019, ART is responsible for approving the proposed tariffs for the fees charged by France's largest airports.

As part of this process, ART verifies that the capital invested in the regulated perimeter of activities, determined by decision of the Minister in charge of civil aviation, benefits from a "fair return", in line with market expectations, considering the specific risks to the activity. This verification is carried out in comparison with a weighted average cost of capital (WACC) calculated on this perimeter.

While the main principles for determining the WACC are laid down by law, different methods of calculation are possible, with no consensus emerging either in financial literature, among practitioners or among stakeholders in the sector (airport operators and airlines).

In a recommendation issued in February 2020, ART set out the methodological framework it would use, after consultation with stakeholders, to determine the WACC for the regulated perimeter of airports under its jurisdiction.

AT THE END OF 2022, ART STARTED TO UPDATE ITS METHOD FOR DETERMINING THE WACC IN RESPONSE TO A DISRUPTED MACRO-ECONOMIC CONTEXT

At a time when stakeholders of the airport sector have been facing major uncertainties for several years, linked to the health crisis, the macro-economic context, environmental challenges and the geopolitical climate, ART initiated an update of its methodological framework for determining airport WACCs at the end of 2022.

These recent shocks have been accompanied by an upward reassessment of airport business risk by market participants, as well as significant increases in observed inflation and interest rates.

In this troubled context, where the financing conditions for new assets deviate significantly from the rate of return needed to cover the average cost of financing historic assets, ART wanted to be able to make adaptations to the methodological framework it uses to determine airport WACCs, so as to balance a dual objective: (i) the stability of its regulatory framework and (ii) taking into account atypical short-term situations to encourage airport operators to invest efficiently.

ART RELIED ON EXTENSIVE STAKEHOLDER CONSULTATION TO FIND THE RIGHT BALANCE TO THE BENEFIT OF END-USERS

In line with its values of expertise, transparency, dialogue and independence, ART updated the methodological framework for determining airport WACCs, on the one hand by making available to stakeholders the work of a consultant it had commissioned to support its reflections on how to take account of the effects of the new market environment, and on the other hand by organizing a public consultation, from 18 April to 18 June 2023, to gather the positions of interested parties before publishing its guidelines.

This approach made it possible to understand the specific expectations of the sector, to seek consensus and, where this was not possible, to identify points of balance between sometimes conflicting positions on the assumptions and calculation methods to be used to estimate the various parameters involved in determining the WACC.

THE GUIDELINES PUBLISHED BY ART ARE ACCOMPANIED BY TWO DOCUMENTS DESIGNED TO ENCOURAGE THE APPROPRIATION OF THEM BY STAKEHOLDERS

The guidelines published today by ART are intended to contribute to the establishment of a stable, robust and sustainable regulatory environment, which, in particular, promotes efficient investments in all French airport infrastructures, in the interest of end-users.

For the sake of transparency, they are accompanied by two other documents: (i) a note explaining and providing reasons for the changes made to the elements submitted for public consultation, in light of the comments made by respondents; (ii) an example illustrating the implementation of this methodological framework for determining the WACC of the regulated perimeter of a fictitious regional airport.

For further details (in French):

- [Les lignes directrices relatives à l'appréciation des niveaux de coût moyen pondéré du capital \(CMPC\) des périmètres régulés des aéroports relevant du champ de compétence de l'Autorité de régulation des transports](#)
- [L'application chiffrée à fin septembre 2023](#)
- [Le traitement des réponses à la consultation publique](#)
- [La consultation publique](#)
- [Le rapport du consultant](#)

About the French Transport Regulatory Authority (ART)

Since 2010, the French railway sector has had an independent authority to accompany its gradual opening to competition: the Autorité de régulation des activités ferroviaires (Araf). Law 2015-990 of 6 August 2015 on growth, activity and equal economic opportunity extended the regulator's powers to road activities - coach transport and motorways. On 15 October 2015, Araf became the Autorité de régulation des activités ferroviaires et routières (Arafer), with the mission to contribute to the proper functioning of public service and competitive activities for the benefit of rail and road transport customers.

With competence for the regulation of airport charges since 1 October 2019, Arafer became the Transport Regulatory Authority (ART) on that date. Lastly, Law No. 2019-1428 of 24 December 2019 -mobility act- extended ART's powers and missions to the opening up of mobility and ticketing data, as well as to the regulation of infrastructure manager activities and security activities carried out by RATP in Île-de-France. Its opinions and decisions are adopted by a college of five independent members chosen for their economic, legal or technical skills in the field of digital services or transport, or for their expertise in competition matters. It is chaired since 4th August 2022 by Philippe Richert, Vice-President and Acting President.