



No. 15/ZDP/VE/2024
13 December 2024

Pursuant to Article 14.1, 15.1(f), 21.2 and 81 of Law No. 03/L-051 on Civil Aviation, as amended by Law No. 08/L-063 on Amending and Supplementing the Laws Related to the Rationalization and Establishment of Accountability Lines of the Independent Agencies, Article 24 of Law No. 06/L-113 on Organization and Functioning of State Administration and Independent Agencies, Article 20 of Law No. 04/L-250 on the Air Navigation Services Agency and Articles 13 and 15 of CAA Regulation No. 3/2016 Laying Down a Common Charging Scheme for Air Navigation Services, on 10 February 2016 (“Regulation”),

Deciding upon the final proposal of the Air Navigation Services Agency (“ANSA”), on 8 November 2024, on the unit of terminal charges for 2025,

The General Director of Civil Aviation Authority of the Republic of Kosovo issues the following:

DECISION

1. The approval of the 2025 terminal unit charge of EUR 361.82 as proposed by ANSA on 8 November 2024 is hereby rejected.
2. The 2025 terminal unit charge in the Republic of Kosovo is determined in the amount of EUR 333.
3. This fee is charged to airlines by ANSA for terminal air navigation services that the Agency provides in the airspace of the Republic of Kosovo starting from 1 January 2025.
4. ANSA is obliged to seek approval from the CAA for any changes in the capital projects approved to be financed with the terminal unit charge 2025.
5. This Decision enters into force on the day of its signature.

REASONING

In order to assess ANS’s proposal for determining the terminal unit charge for 2025, the CAA has taken into account the following documentation:

- Financial statements of ANSA for 2023 of 20 March 2024;
- Documents submitted by ANSA during the first reporting (basic initial cost to provide the service in 2025 through the reporting tables from Annex II and VI of Regulation 3/2016), of 2 April 2024 under the protocol number 2024/ZDP/122;

- The annual work report of 2023, 02 April 2024;
- CAA's conclusions from the conclusion of the regulatory review of ANSA's first report regarding the 2025 unit charge which were communicated to ANSA on 13 June 2024;
- The report on the financial statements of ANSA of 29 May 2024 for the financial year ended on 31 December 2023 and the Report of the National Audit Office published in June 2024 for the financial statements of ANSA for 2023;
- The documents submitted by ANSA during the second reporting (final basic cost to provide services during 2025 through the Reporting tables from Annex II and VI of the Regulation), of 12 September 2024 with protocol number 2024/BNRREA/275;
- The document "Additional info for unit rate" updated by ANSA on 19 September 2024;
- ANSA's budget request sent to MFLT based on Budget Circular 2025/01, 12 September 2024;
- Budget Circular 2025/02 of MFLT of 10 October 2024, as well as the budget request of ANSA 2025/27 based on the Budget Circular 2025/02 for the period 2025-2027 addressed to MFLT of 15 October 2024;
- The Draft Law on Budget Allocations of the Budget of the Republic of Kosovo for 2025;
- The January-November budget expenditure report and the report of the trainings carried out during 2024 for ANSA of 27 November 2024;
- The report on the budget execution 1 January – 3 December of ANSA and the budget planning for 2025 from MFLT of 03 December 2024;
- ANSA's responses to questions submitted regarding the number of positions, operating expenses, depreciation, cost of capital and investment evidence; on 25 October 2024;
- The updated documents submitted by ANSA during the second completed and amended reporting (final basic cost to provide the service during 2025 through the Reporting tables from Annex II and VI of the Regulation), of 8 November 2024;
- The approved training plan of ANSA for 2025, sent to CAA on 22 November 2024;
- The opinion of the Ombudsperson regarding annual leaves, number A no. 505/2021 of 14 April 2022 delivered to the CAA on 22 November 2024 and the Notice for forwarding the instruction from DMPO regarding the calculation of leave days according to the applicable legislation, submitted on 22 November 2024;
- The preliminary report of Terminal Service Units (TSU) for November and December 2024 submitted by ANSA on 6 November 2024 and 5 December 2024;
- The forecast of the number of passengers and flights for the last months of 2024 and 2025 submitted by LKIA on 25 November 2024;
- Evidence on the implementation of capital projects 2024 approved by the CAA submitted by ANSA in the period 21 November – 5 December 2024;
- ANSA's annual business plan for 2025 of 2 December submitted to the CAA on 3 December 2024;
- The business plan for the period 2025-2029 of ANSA of 2 December submitted to the CAA on 3 December 2024;
- The report on the 2025 terminal charge unit proposal drawn up by ANSA and distributed to airline companies for consultation in accordance with Article 15 of Regulation No. 3/2016 of CAA on 11 November 2024;
- The report from ANSA of 3 December 2024 that after the completion of the three-week period of public consultation (12 November, 2 December of 2024) regarding the

determination of the terminal charge, they have not received comments from the airline companies;

- The 10-year government bonds of the Central Bank of Kosovo issued on 5 September 2024 in the CBK bond auction;
- Additional information and documentation received by ANSA through electronic communication in the period October-December 2024 for the purpose of determining the terminal unit charge for 2025 during the review period;
- Meetings with officials of ANSA pertaining the terminal unit charge 2025, on 13 June, 28 August and 30 October 2024.

Costs for wages and salaries:

For 2025, ANSA has, in the final proposal delivered on 8 November 2024, proposed a cost of EUR 3,893 million for wages and salaries of 192 employees, which also includes payments for allowances (work experience, overtime allowances, allowances for working conditions the labour market and transitional allowances as well as the compensation of annual leave days accumulated according to the decision of the Ombudsperson and DMPO). This cost represents an increase of 8.3% compared to the CAA determination for this category for 2024. The proposed cost has increased, among other things, due to the 33 new positions that are planned to be recruited in 2025 (24 new air traffic controllers reaching 54 in total, 5 new engineers, reaching 11 in total, 2 meteorological forecasting students aeronautics, 1 maintenance technician and 1 property officer). A significant factor contributing to the cost of wages that has continuously increased is the payment for overtime work, which for 2025 reaches the value of EUR 595,680.74. Because the cost of compensation for overtime and work during holidays has had, over the years, an increasing trend, thus, the CAA requests that ANSA should increase the discipline of expenditures in this regard, especially to address the additional hours that raise costs.

Taking into account the requirement of the Regulation, according to which only the cost of the staff expected to provide the service during 2025 should be charged to the airlines, the CAA has analysed these costs and observed that the cost includes the salaries of 12 month for the new controllers, which cannot be realized because the procedure for their recruitment has not commenced. After the recalculation, the CAA has determined as reasonable and eligible the salary cost of EUR 3.85 million for salaries, compensations to salary and others. The determined number of personnel is 192 as determined by the draft law on budget appropriations 2025 for ANSA.

Other operational costs:

In the final proposal of 8 November 2024, ANSA has proposed operating costs in the amount of EUR 2.715 million or 9% more than what the CAA determined for 2024.

The CAA has reviewed the list of operating expenses of 2025 which has a total value of EUR 2,715,176 million, where it observed that, as in previous years, the sectors with the highest cost are Training (EUR 790,000) and Maintenance (EUR 544,500).

During the review of the implementation of the budget for 2024, it was found that ANSA until 5 December 2024 has executed only EUR 206,984 of the training sector out of the EUR 790,233 that were approved by the CAA mainly due to the non-recruitment/training of 12 new controllers that according to ANSA, this value is around EUR 500,000. As for maintenance, it is noted that out of the EUR 664,000 approved by the CAA for 2024, EUR 330,992 have been expended until

5 December 2024. We emphasize that this trend of not executing the maintenance budget has been present in recent years, which indicates improper planning and improper management of the execution of expenses in this category, therefore it requires special treatment from the management of ANSA since only increases debt to airlines.

According to data from the Ministry of Finance, until 3 December 2024, ANSA executed the budget for operational costs in the amount of EUR 1.194 million, which means that 48% of the operating costs approved by the CAA for 2024 have been executed. Meanwhile, according to ANSA's statement of 4 December 2024, the execution of other operating costs is expected to reach 70% by the end of 2024 after payment of certain pledges.

Upon reviewing each line of operating costs foreseen for 2025 and the budget execution report during 2024, and taking into account the methodology of the regulation according to which airlines should not pay more than the costs incurred, the CAA has determined as reasonable and eligible an operating budget of EUR 2,443 million for 2025, which also includes utilities in the amount of EUR 145,500.

Depreciation cost and equity cost:

ANSA has proposed that the equity and depreciation cost for 2025 to be EUR 927,152, of which the cost of depreciation in the value of EUR 807,902, while the equity cost EUR 119,251.

a) Cost of depreciation of current assets

The CAA has noted that the list of regulated assets for 2025 has been updated in order to include assets that are financed by the 2024 navigation terminal charge (1. Vehicles 2. Inventory for operational needs 3. Adjustment and renovation of work spaces 4. Supply of KVM switches 5. Renewable energy 6. Equipment for dedicated lines with neighbouring countries Voice + Data 7. Radio for the communication system ground-to-ground and 8. Radar upgrade in Golesh). Of these 8 capital projects approved by the CAA for 2024, projects 1, 2, 3 have been fully implemented and have come into operation in 2024, while no. 7 is expected to come into operation on 1 January 2025, therefore, these are eligible depreciation costs as of 1 January 2025. However, for other capital projects numbered 4,5,6, and 8, ANSA has calculated that their depreciation starts from 1 January 2025 which has not been proven. Based on the evidence collected by ANSA and the public procurement platform, it appears that projects numbered 4 and 5 (Renewable Energy and Supply of KVM switches) have been cancelled, therefore, the CAA does not recognize the depreciation costs for these two projects. While for the project number 8, the contract was signed at the beginning of December and for the project number 6 it was being signed; thus, it is concluded that these assets are not expected to come into operation as of 1 January 2025. The regulatory review has shown that a large portion of the approved capital projects to be financed by the fees was initiated in the public procurement platform during the last quarter of 2024, and this has led to the situation where they will not be operational for the airlines during 2024 as initially planned. Given the specific methodology of recognizing preliminary depreciation for new assets, the CAA requires that the initiation of capital projects financed by the terminal navigation charge shall be done at the beginning of the year. Given that only those assets that are in operation during the charge year can be included in the cost of providing the service, the CAA has postponed the depreciation commencement i.e., from 1 January 2025 as is proposed by ANSA, to 1 March 2025 for the two

above-mentioned projects and therefore, the eligible cost of depreciation of current assets is EUR 724,268.

b) Cost of depreciation of new assets

As for the cost of depreciation of new assets, the CAA has observed that in the adjusted base of assets, ANSA has included the assets of 6 new projects planned for 2025 and for each of them it has provided a reasonable period of time when they are expected to enter into operation as well as the corresponding depreciation. The CAA approves this depreciation cost of the new assets in addition to the depreciation cost of the second floor of the ANSA's building for the reasons stated in the following section of the Decision, which pertains the approved capital projects. Hence, the eligible depreciation cost of the new assets is EUR 36,535.

After the changes mentioned above, it results that the depreciation value of the current and new assets that are expected to serve the airline companies that are eligible is EUR 760,802.

c) Equity cost

ANSA's proposed equity cost of EUR 119,251 has also been amended to reflect the capital projects approved by the CAA to be financed by the charge in 2025 as well as the weighted average of interest rate on debt and return on capital of 4.38% resulting in the amount of EUR 143,722.

As for the weighted average interest rate on debts and return on capital, ANSA has proposed in the final report that it should be 3.35%. Based on Annex 3 of the ICAO Manual on Air Navigation Services Economics and Section 1 of Point 4 of the EUROCONTROL Guide on the System of Route Charges, the CAA has analysed the 10-year government bonds of the Central Bank of Kosovo and during 2024, from the published results of the auction for the 10-year government bonds from the Central Bank of Kosovo on 5 September 2024, the weighted average rate is 4.38%. Based on these data, the CAA has decided that the weighted average of interest rate on debts and return on capital shall be 4.38%.

After finalizing the adjusted list of assets, calculating the depreciation and cost of capital both for the assets that are in operation in 2024 and for those that are planned to be put into operation during 2025 and the application of the rate of 4.38%, the CAA has determined that the cost of depreciation and the cost of capital for 2025 is EUR 904,523.

Capital project approved:

ANSA has submitted a list of capital projects worth EUR 1.050 million, which it has proposed to be financed during 2025 from the 2025 navigation terminal charge.

CAA has analysed this list of capital projects, the reasoning available as well as the level of implementation of capital projects monitored over the years and has decided to recognize the capital projects in the amount of EUR 750,000 as reasonable costs in order to provide the service for airlines as follows:

Capital project	Total value
AMHS (Automatic message handling system)	EUR 600,000

Regulation and renovation of work spaces	EUR 28,608
Equipment for dedicated lines with neighbouring countries Voice+Data	EUR 31,392
Purchase of furniture and inventory	EUR 10,000
Supply with industrial UPS	EUR 80,000
Total	EUR 750,000

The list of projects proposed by ANSA included the construction of the second floor of the ANSA's building. Although the CAA acknowledges the need of ANSA to expand the premises of the facility due to the increase in the number of employees, considering that this project is in the initial phase and neither the conceptual project with the bill of quantity nor the permits for the construction of this facility have been issued, it is unable to approve this capital project. This was also communicated to ANSA's officials, to replace this project with another project, yet, until the decision was issued, no request was received from ANSA.

Clause 2.3.3.2 of Doc. N° 20.60.01 of Eurocontrol "Principles for establishing the cost-base for en route charges and the calculation of the unit rates" states that: *"In order to be taken into account in a given year, facilities and services shall either be in operation, or be expected to be put into operation by the end of that year"*.

Considering that ANSA has been aware of the rule described above and since it has also not submitted any evidence to support that the second floor will be fully functional during (the construction as well as the equipment of the floor so that from there services are provided to airline companies), the CAA has decided that the project cannot have a charge effect during 2025.

Within the total depreciation and capital cost for 2025, EUR 68,585 have been included as ANSA's costs for these new capital projects with the expectation that they will be operational for the airlines within the timeframes determined by ANSA during 2025.

BNRREA will inspect the implementation of these capital projects in the coming year. ANSA is required to seek approval from the CAA for any changes to approved capital projects to be financed with the 2025 terminal unit charge.

Forecast of Terminal Service Units (TSU) 2025:

ANSA has predicted an increase in TSUs of 7% for 2025, respectively it has predicted that it will serve 18,607 units out of 17,389 units reported in the Reporting Table that it will serve during 2024. However, in the preliminary report of terminal service units (TSU) for November and December 2024 submitted on 05 December 2024 ANSA has reported that it will serve 17,474 units during 2024, out of 17,389 units they had initially declared. ANSA has stated that the forecast of 7% was made based on historical data.

The correct forecast of the base of TSUs (year n) is of special importance for ANSA since the forecast for year (n+1) is built on it, while the wrong finding means large adjustments in year n+2. The airport operator has predicted in the communication to CAA that 2024 will end with over 4 million passengers served (17% increase compared to 2023), respectively 13,281 flight departures (14% increase compared to 2023). According to LKIA, the number of passengers in 2025 is predicted to have an increase of 8% compared to 2024, while the number of flights will increase by 11% (under the forecast load factor of 83% compared to 85% during 2024). This forecast is based on the flight schedule for the winter season 2024/2025 and the applications received by the

airlines for the summer season of 2025. Moreover, according to LKIA, this scenario is based on the offer of the incentive program of the airport operator LKIA and the state incentive program that is expected to be offered next year, which will therefore have a positive effect on traffic.

The forecast of the airport operator was shared with ANSA and the latter did not have any remarks or comments on this forecast.

The CAA has made a calculation on the traffic and the projected number of TSUs during 2025 based on the data and traffic forecast from the airport operator LKIA as the best-informed data of the number of flights. The CAA expects for the 2024 to end with 17,474 terminal units of service, while during 2025 it predicts that 19,222 terminal units will be served, which is 10% more than in 2024.

Adaptation for 2023:

Based on Annex VI of the Regulation, the under of over recovery as a result of the difference between revenues and expenses for 2023 begins to be carried over/adjusted in 2025.

Regarding the adaptation, during the reporting, ANSA has correctly calculated an over recovery of cost for 2023 in the amount of EUR 986,725 and has proposed that this value be returned to the airlines in the next 4 years.

Based on the financial statements of ANSA for 2023, the corresponding adjustment of depreciation and the cost of capital for the capital projects implemented during 2023, as well as the adjustment from previous years, it results that ANSA has closed 2023 with a balance of EUR 986,725. This amount will be returned to the airlines over 4 years (EUR 246,681 in each year), and will be added to the over recovery instalment from 2021 in the amount of EUR 70,540 and 2022 in the amount of EUR 236,677, resulting in EUR 553,897, an amount that ANSA must return to the airlines during 2025.

It should be noted that the over recovery cost, in accordance with Clause 67 of the EUROCONTROL Charge Manual, is considered a debt to the users and as such an effort should be made to return it to the users (airlines) in a reasonable time, especially considering ANSA's current capacity to repay this debt.

Based on the above-stated facts and consideration and taking into account:

- That ASHNA's proposal for a 2025 terminal charge in the amount of EUR 361.81 calculated under the forecast increase in service units in 2025 for 7% under the base of 18,607 units, represents a charge reduction of 1% compared to the 2024 charge in the amount of EUR 360.59;
- That ASHNA is obliged according to the Regulation to prove the efforts to improve the cost efficiency, meaning that in the conditions of increased traffic implies a reduction of the charge per unit;
- Decision no. 05-V-286 of 26 May 2016, through which the Assembly of the Republic of Kosovo has instructed the CAA to undertake the necessary measures from its scope to create greater competition in order to lower travel prices;
- That CAA aims to establish a balance between operators who provide services under natural monopoly conditions and those who accept these services;
- Financial incentives provided by the airport operator and approved by the CAA to increase the attractiveness of the airport;

- Financial incentives provided by the Government of the Republic of Kosovo to the airlines that are expected to enter into force in this charge year;

The CAA decided as follows:

- Terminal unit charge for 2025 be EUR 333
- Under the forecast of 10% increase in the number of terminal units served during 2025 compared to 2024, the total costs of ASHNA to provide quality and safe service during 2025, eligible to the CAA, are expected to be EUR 7.20 million. These costs will be covered by the terminal navigation charge and other revenues.

Taking into account the above-mentioned facts and in accordance with Article 14.1, 15.1(f), 21.2 and 81 of Law No. 03/L-051 on Civil Aviation, as amended by Law No. 08/L-063 on Amending and Supplementing the Laws Related to the Rationalization and Establishment of Accountability Lines of the Independent Agencies, Article 24 of Law No. 06/L-113 on Organization and Functioning of State Administration and Independent Agencies, Article 20 of Law no. 04/L-250 on the Air Navigation Services Agency and in accordance with the Regulation (AAC) Laying Down a Common Charging Scheme for Air Navigation Services, the General Director of the Civil Aviation Authority of Kosovo has decided as in the enacting clause of this Decision.

[signature and seal]

Burim Dinarama

Acting General Director

Instruction on the legal remedy: Pursuant to Article 15.7 of Regulation No. 3/2016, within 7 days upon the issuance of this Decision, ANSA may resubmit for approval to CAA the new proposal for the terminal unit fee for the 2025 through the Reporting Tables and the narrative that details the calculation of each of the eligible costs and demonstrates the need to incur these costs during 2025. The new proposal must be submitted in original printed form and in electronic copy to CAA.

To be served on:

- Air Navigation Services Agency
- Minister of Environment, Spatial Planning and Infrastructure,
- Airline Companies Committee in PIA “Adem Jashari”
- Central Public-Private Partnership Department, MFLT
- Prishtina International Airport “Adem Jashari”
- CAA archive