



CIVIL AVIATION ADMINISTRATION  
FINLAND



A N N U A L R E P O R T

94

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## REPORT OF THE DIRECTOR GENERAL



Finally, after three difficult years of deep economic recession, gross production in Finland showed a marked upturn of 4 per cent last year. The volume of gross production was, nevertheless, 8 per cent lower than in the period preceding the recession. Since the development of gross national production and that of air transport go hand in hand, also the volume of air traffic enjoyed a considerable boost last year. The Economy of Scales principle plays a significant role in the operation and maintenance of the large number of small airports and the air navigation system of Finland: the positive development of air transport stabilised the economy of the Civil Aviation Administration in the desired way.

Following the favourable development of Finnish national economy, the number of air passengers began to grow in a distinct way in July 1994, resulting in a 5 per cent annual growth at the end of the year. Commercial air traffic operations rose by 1 per cent. It seems that the trend will continue in 1995 with an 8-9 per cent annual increase. Such a positive development requires, however, undisturbed growth of the Finnish national economy as the development of the different sectors of air transport is closely linked to that of the country's economy. Demand for international air traffic services rose by 8.5 per cent and for domestic traffic by 2 per cent. International business travel in general as well as holiday tours from central Europe to Finland showed particularly strong increase while leisure travel from Finland grew very little. The trends of these three sectors of air transport illustrate the duality of the Finnish economic development in a pertinent way: the competitiveness of the export industry and the demand for export products will remain on a high level whereas demand in the Finnish home market and the investment flow are quite modest. In addition, the household sector in Finland is still rather depressed although gradually reviving.



In 1994, as a consequence of the increased demand for air transport services as well as of certain rationalization measures, the economic development of the CAA could be stabilised and even turned slightly profitable. When the 1994 economic result is calculated on the same principle as that of 1993 (FIM -1.3 million) the comparable result for last year is FIM +30 million. This clearly exceeds the profit target of FIM 1 million set by the Council of State. The positive economic result enabled the CAA to take account of holiday-pay liabilities in full as well as extra depreciation of obsolete property during the latest property inventory. After these accounting arrangements, employed in 1994 only, and with profits from the sale of property, the economic results of the CAA Group and the CAA show a profit of FIM 18.5 million and FIM 22.9 million respectively. This result may be regarded as satisfactory, at any rate, especially when taking into consideration that the level of air traffic charges is, on average, lower in Finland than in the other Nordic countries or the rest of Europe. Furthermore, at our small airports the advantages to be gained from the Economy of Scales principle are essentially more modest than in many other countries.

The turnover of the CAA grew by 7 per cent out of which a raise in rents, fees and charges accounted for 4 per cent. The running costs increased, without taking account of the above mentioned balancing arrangements, by 4.4 per cent. Since the apparently notable rise in the operating costs can be explained partly by the holiday-pay cuts in 1993 and partly by the new unemployment insurance fee introduced in 1994, the volume of expenditure grew, in actual fact, hardly at all. Due to our investment programme depreciation measures increased somewhat.

The financial position of the CAA remained good in 1994. Investments which totalled nearly FIM 193 million could almost entirely be funded with own income. During 1994, the CAA investment programme was deliberately slowed down in order that the investment peak in 1995 could be carried out in full. The greatest effort was put into

raising the service level of our main airport, Helsinki-Vantaa. The investment level of the CAA is still quite high and the improvement programme, which consciously takes advantage of the low building costs, will be continued for the next two years at least. More and more of new type of investments, e.g commercial services well-suited to airport environment, have been added to the programme. For instance, the middle terminal under construction at Helsinki-Vantaa Airport will be financed with profits from the new commercial services and hence there will be no pressure on raising air traffic charges on account of the investment. Simultaneously, the venture will markedly improve the basic services offered to air carriers and passengers.

The focus of the CAA investment programme will lie, also in the coming years, on the development of Helsinki-Vantaa Airport as well as on the improvement of the air navigation system. An ultra-modern ATM system, which conforms to European air navigation policy, is being built in order to harmonise the numerous air navigation systems in use today. The new system will be operational in Finland in the beginning of 1997. Helsinki-Vantaa Airport middle terminal with flexible domestic-international transfers and a greater variety of commercial facilities will be completed in June 1996. In addition, the commencement of the second phase of the terminal complex, destined for serving intra-EU traffic, is being considered seriously. As EU-traffic composes the most significant part, nearly 70 per cent, of Finland's international air traffic also in the years to come, its smooth and unrestricted handling will prove a major competition factor to our country. On the other hand, encouraging the expansion of intercontinental gateway traffic, which will also gain from well-thought-out terminal arrangements, is another key element in the Finnish air traffic strategy.

The CAA's principal task is to maintain, operate and develop the Finnish airport network. The CAA has been functioning as a State Enterprise for four years now. During this time 12 Finnish airports, out of a total of 21 offering scheduled services, have

undergone modernisation and expansion and another three are currently being upgraded. At the moment, there are only two CAA airports in pressing need of redevelopment. In a country such as Finland where commercial and industrial centres are few and far between the airports form a uniform infrastructure supporting the country's regional structure. Hence it is our policy to develop the airports as a network also in the future. As a result of the fairly modest air traffic volumes in Finland, Helsinki-Vantaa Airport is the only Finnish airport, despite the recently liberalized air traffic rights in the domestic market, with the possibility of creating a significant international route network. Given the regional structure and traffic policy in Finland, the other end of any domestic air service route is Helsinki-Vantaa Airport almost without exception. It is not, however, the CAA's intention to restrict other kind of development, on the contrary, our tariff and permit policy aim at furthering diversification of offer.

Thanks to the flexibility of air traffic and the progressiveness of air traffic technology it is possible to enhance long-haul traffic connections without investments in new air service routes. It is highly unlikely that the minor traffic volumes of Finland would ever offer sufficient economic grounds for the heavy investments required for the construction of fast road traffic connections. It is indeed the firm opinion of the CAA that money spent on infrastructure is equally valuable with money used for operational functions and, consequently, the CAA finds that the infrastructures of competing modes of transport should, both for economic reasons and in order to further regional and entrepreneurial equality, adopt the principle of income financing used in the field of air transport.

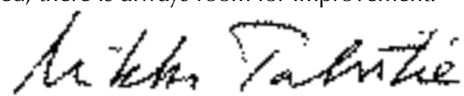
The EEA agreement, which entered into force in the beginning of 1994, liberalized the competition opportunities in western Europe. Also the EEA supplementary protocol took force in July 1994, and so Finland's EU membership in 1995 did not generate any immediate changes in the Finnish aviation policy. Opening of new international air services and opportunity of operating air services in the domestic market of another EEA country, provided that this service is a continuation of an international flight,

are now free from restrictions in the EEA countries for airlines meeting the agreed technical and economic requirements. Now that our national economy has begun to recover, it is fair to expect that the offer of air services will continue to become more varied than before.

Because of the adverse economic situation in Finland, the 1993 CAA decision to liberalize the domestic market for Finnish airlines has had little significance in practice so far. Nevertheless, domestic air traffic in Finland is in need of more competition and wider diversity. Our dense network of airports allows enhancing fast passenger traffic between the most important commercial and industrial centres in Finland without expensive investments in new routes. When the marked unfairness in the competitive situation between the different modes of transport has been corrected especially with regard to the pricing policy of traffic infrastructure, domestic air traffic will undoubtedly expand considerably.

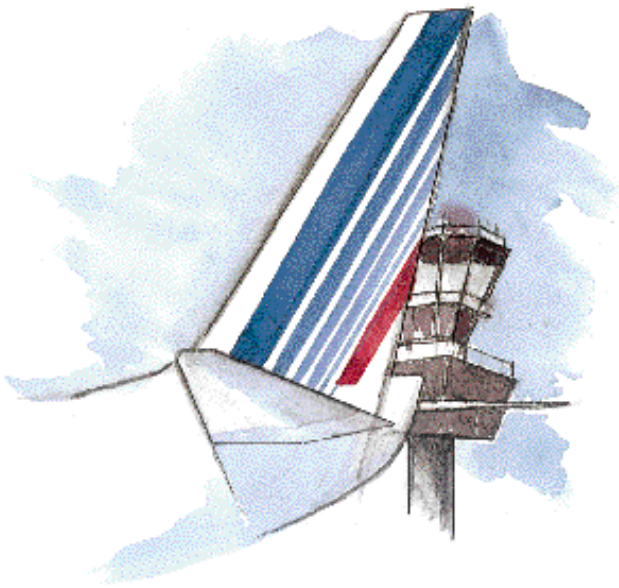
The outlook for 1995 is fairly optimistic. There is no pressure on major raises in the air traffic charges and, moreover, the infrastructure is in good condition. The need to adjust the service level and to enhance the scope of commercial facilities at Helsinki-Vantaa Airport will lead to a slight rise in the number of employees at Helsinki-Vantaa. Nevertheless, the growth rate of expenditure will remain significantly lower than that of air traffic volumes.

It is the primary objective of the CAA to offer and develop for the Finnish air transport industry and air passengers safe, high-quality airport and air navigation services that will promote the country's competitiveness. In order to succeed in this mission in the best possible way, we will have to, in addition to improving the infrastructure, pursue a more customer-orientated policy, place importance on the development of service skills and attitudes of the personnel and, finally, shed the last traces of governmental bureaucracy from our working methods. Even though many important goals have been reached, there is always room for improvement.



*Mikko Talvitie*  
Director General





## CAA'S LINE OF ACTIVITIES AND PRIMARY TASKS

The basic purpose of the CAA is to provide airport and air navigation services for the needs of civil and military aviation. The CAA maintains, operates and develops 25 airports and a nationwide air navigation system.

The CAA is in charge of Finnish Aviation Policy together with the Ministry of Foreign Affairs and the Ministry of Transport and Communications. The CAA also functions as the aviation authority and is thus responsible for flight safety work in Finland.

## CAA'S BUSINESS IDEA

The CAA offers and develops for its customers - air traffic operators and air passengers - safe, high-quality and internationally competitive airport and air navigation services.

The objective is to create, by developing airports and air navigation services, prerequisites for safe, service-orientated and profitable air transport in Finland. Our customers are air carriers, passengers, air cargo customers, the Air Force as well as other sectors of aviation. From the CAA's point of view it is crucial that our customers obtain high-quality services which reflect besides advanced technical know-how, also our willingness to serve the air transport industry and air passengers in the optimum way.

The key elements in the work of the CAA are safety, efficiency and cost-effectiveness. These are also central preconditions for profitability and competitiveness both in the domestic and international market.

The work of the CAA is funded by our customers, ie., by income financing. In the end, the whole scope of CAA's activities, including investments and the regulatory functions, is paid for by the customer.



## HIGHLIGHTS OF 1994

	1994	1993
	1000 FIM	1000 FIM
<b>Turnover</b>	<b>673,247</b>	<b>627,573</b>
<b>Operating costs</b>	<b>486,419</b>	<b>454,404</b>
<b>Operating profit</b>	<b>190,361</b>	<b>177,648</b>
<b>Result for the accounting period</b>	<b>22,867</b>	<b>-1,331</b>
<b>Investments, total</b>	<b>192,827</b>	<b>263,757</b>
Land areas	2,413	4,828
Machinery and equipment	91,772	119,589
Airports	5,095	25,828
Buildings	92,264	106,550
Other investments	1,283	6,562
<b>Passenger movements, total</b>	<b>7,000,965</b>	<b>6,759,067</b>
Domestic traffic (dep.)	2,012,837	1,976,842
International scheduled traffic (d+a)	3,984,741	3,470,348
International charter traffic (d+a)	950,899	1,080,422
International, total	4,935,640	4,550,770
Other traffic (GA)	52,488	51,455
<b>Flights, total</b>	<b>347,900</b>	<b>370,176</b>
Domestic traffic	59,521	59,126
International scheduled traffic	58,686	57,106
Charter traffic	7,866	8,270
Overflights	10,489	8,530
International flights, total	77,041	73,906
Other civil flights	151,081	173,992
Military flights	60,257	63,152
<b>Personnel, total (Dec., 1994)</b>	<b>1,577</b>	<b>1,590</b>
Airports	1,164	1,168
Air navigation services centres	101	109
Head office	246	251
Internal service units	66	62

## REPORT OF THE BOARD



*The Board members: (front row, from the left) Mr. Matti Puhakka, Director; Ms. Mona Björklund, Director; Mr. Mikko Talvitie, Director General; (back row) Mr. Pertti Yliniemi, Director; Mr. Samuli Haapasalo, Ministerial Counsellor and Mr. Vilho Hänninen, Warehouse Keeper.*

### SERVICE, OPERATIONAL AND PROFIT TARGETS

The Council of State approved the following objectives as the CAA's central service, operational and profit targets for 1994:

- *The CAA shall, within its line of activities and tasks, see to that all aviation operations in Finland are safe, efficient, functional and cost-effective.*
- *The CAA shall attend to the appropriate supply and development of its services in accordance with business principles.*
- *The CAA shall take account of the needs of the customers including those of military aviation and the society in general.*
- *The first priority is to safeguard those airport services which are vital to the operation of scheduled air traffic.*
- *The airports and air navigation system shall be developed according to the demand for the services.*
- *Furthermore, the Civil Aviation Administration shall attempt to improve the profitability of the airports by rationalizing their operations and by developing new sources of revenue and forms of cooperation.*
- *The profit target is a balance between costs and revenue. The profit target for 1994 was FIM 1 million and the actual economic result for the fiscal year was FIM 22.9 million.*



## DEMAND FOR AIR TRANSPORT

### Passenger Traffic

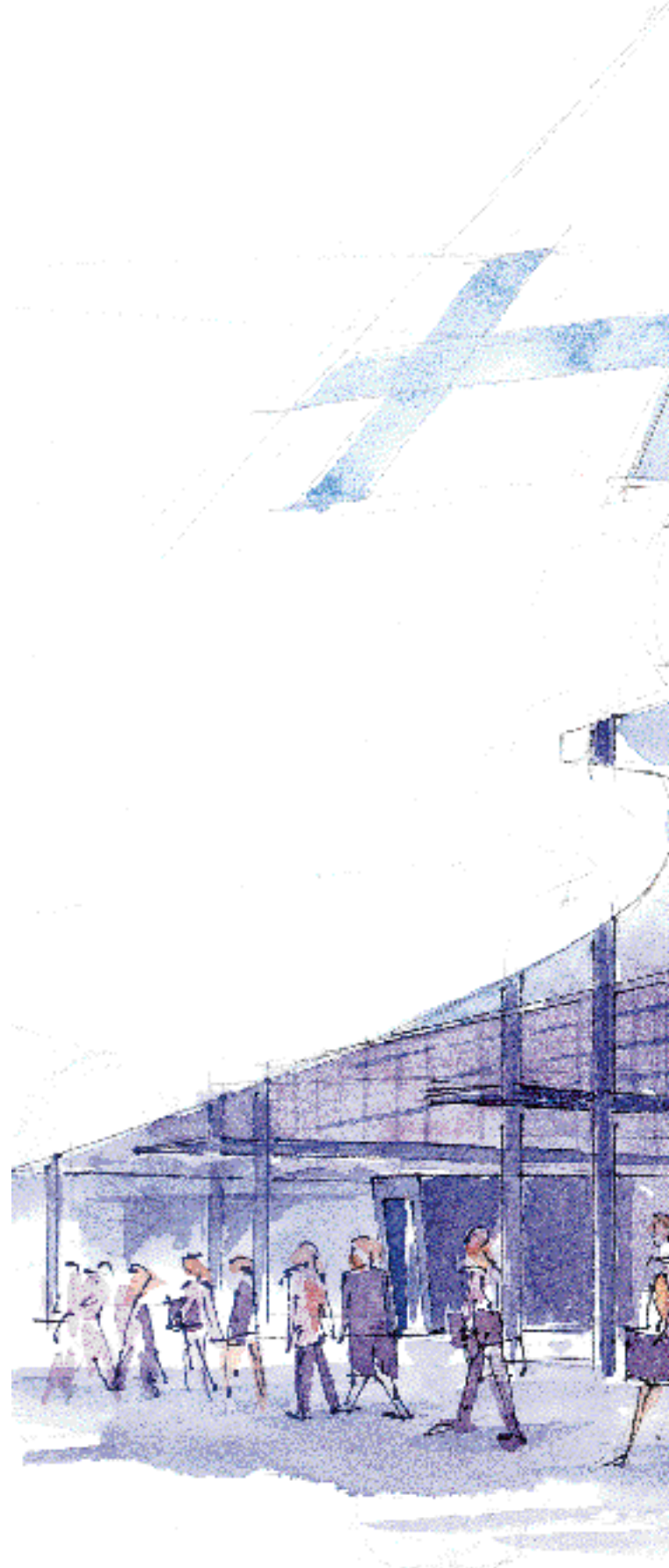
In 1994, the number of passenger movements at CAA airports grew by 6 per cent on 1993 and totalled seven million out of which five million were in international traffic and two in domestic traffic. Despite the promising trend, the amount of passenger movements was still 1.5 million less than in 1990 - the record year in the history of the CAA - and corresponded to the level of 1988.

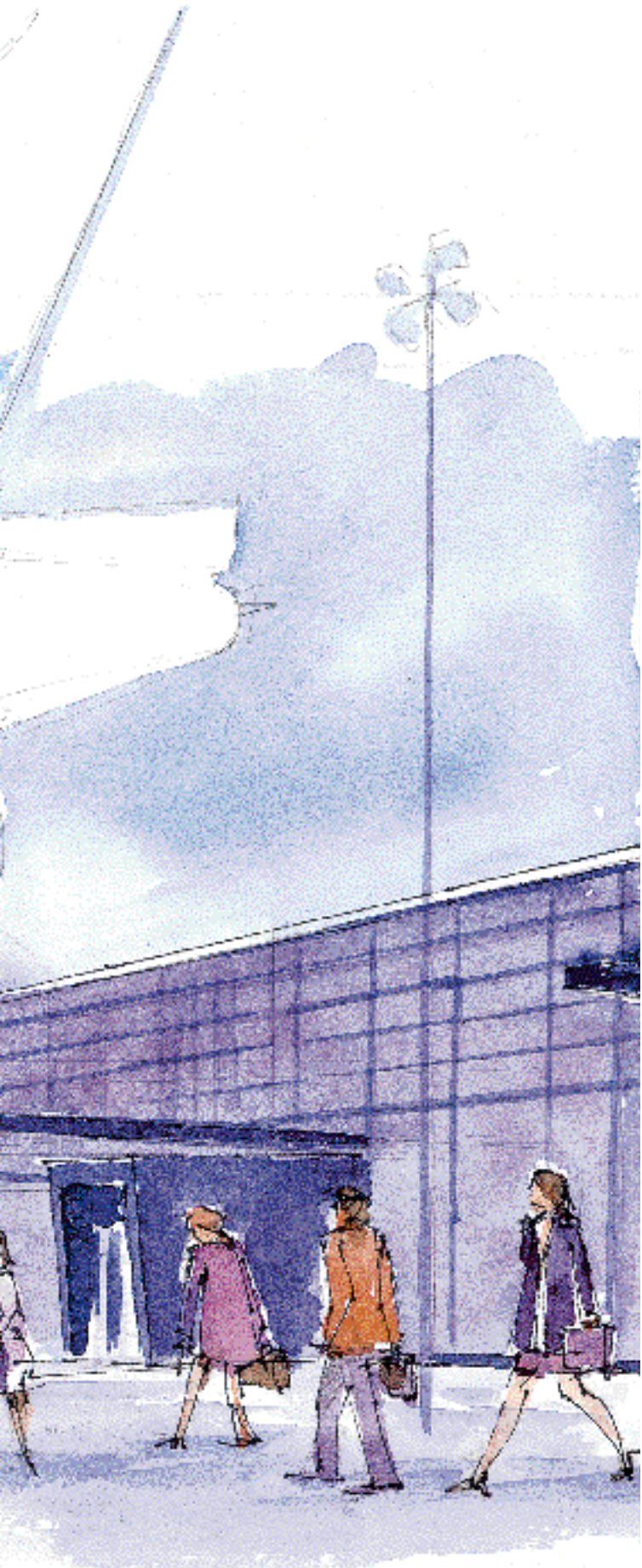
After three successive years of decline there was a distinct upturn in international air traffic with an 8 per cent growth in 1994. The forceful increase in international scheduled traffic, which had started in 1992, sustained: the nearly four million scheduled passenger movements equal a growth rate of 15 per cent on 1993. However, approx. 5 per cent of the growth can be explained by the conversion of charter flights to the Canary Islands and Mainland Spain into scheduled ones. Without this measure the amount of charter passengers would have turned positive. As it was, the number of passenger movements in charter traffic was 951 000 - 12 per cent less than in 1993.

East European traffic accounted for the greatest percentual increase in international scheduled traffic in 1994. The so called gateway traffic through Helsinki-Vantaa Airport rose by as much as 50 per cent raising the share of international gateway passengers to 13 per cent of the total number of departing passengers. Furthermore, intercontinental traffic, still showing strong growth, answered for 13 per cent of the country's international scheduled traffic. Intra-EU traffic forms 65 per cent of all international scheduled traffic in Finland.

The most popular charter traffic destinations were Greece, the Canary Islands and Turkey. Also, the amount of charter flights from central Europe to Finland has continued to grow.

93 per cent of the international scheduled traffic was handled at Helsinki-Vantaa Airport. The amount of Helsinki-Vantaa's international traffic increased by 9 per cent on 1993. The total throughput of international traffic at Turku, Pori and Vaasa Airports, all located on the west coast of Finland, increased by 50 per cent on the previous year.





Domestic traffic began to grow in March 1994 and the favourable trend sustained through the year except for the summer months. The increase was 2 per cent on 1993. Relatively, domestic traffic grew fastest at Vaasa Airport with a growth rate of 9 per cent. Other airports with faster than average growth rate in domestic traffic were Kittilä, Lappeenranta, Mariehamn and Kuusamo.

### **Amount of Aircraft Movements**

The number of aircraft movements in domestic traffic rose to 60,000 which is 1 per cent more than in 1993. There were 59,000 international scheduled flights, an increase of 3 per cent on the previous year. On the other hand, international charter flights fell by 5 per cent to 8,000 flights. The greatest drop, -13 per cent, was in general aviation operations. Military aviation accounted for 60,000 aircraft movements which is 5 per cent less than the year before. The total number of operations declined by 6 per cent mainly due to the considerable fall in general aviation. Overflights through the Finnish air space increased by as much as 30 per cent.

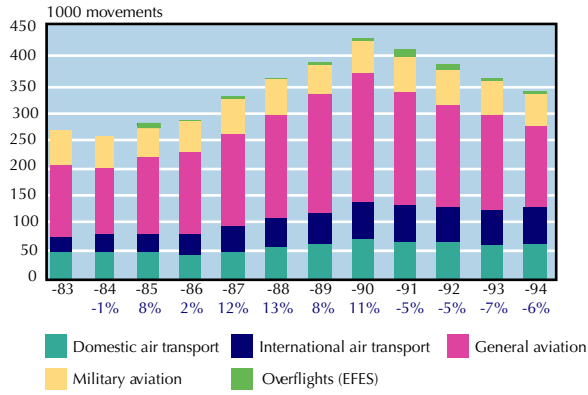
Turbo-prop traffic in Finland developed by 4 per cent to 45,000 movements which make 69 per cent of domestic scheduled traffic. The number of movements by Saab 340s and ATR 72s was approx. 17,000 for each aircraft type. Domestic operations with jet aircraft decreased by 6 per cent.

Almost 84 per cent of international operations were flown with narrow-body jet aircraft: MD 80s accounted for approx. 18,000 movements and DC9s for c. 14,500 movements. The amount of international traffic flown with turbo prop aircraft went down by 31 per cent to 6,000 operations. Flights with wide-body aircraft grew by 48 per cent to 3,500 movements.

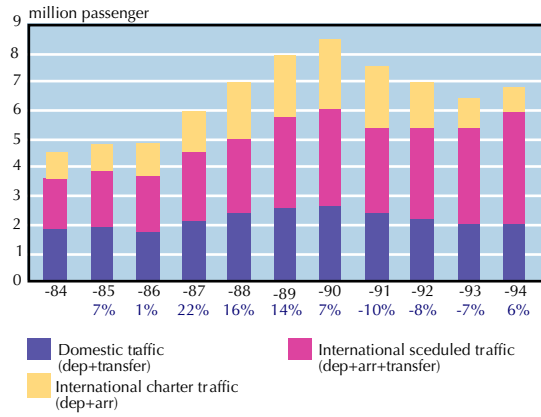
### **Cargo and Mail**

The amount of air cargo increased considerably in 1994: the growth was 21 per cent to 80,000 tonnes out of which 92 per cent was international freight. Also, the amount of air mail developed favourably: the 1994 total of 60,000 tonnes was 6 per cent more than in 1993. Of the share of international mail the total volume was 60 per cent.

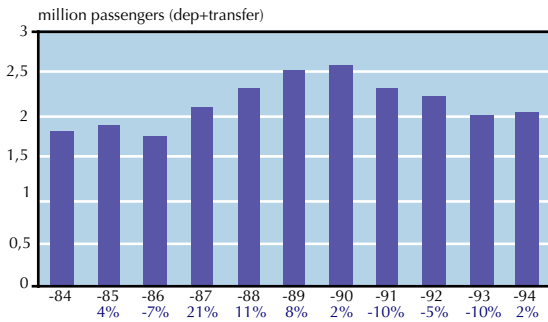
MOVEMENTS 1984-1994



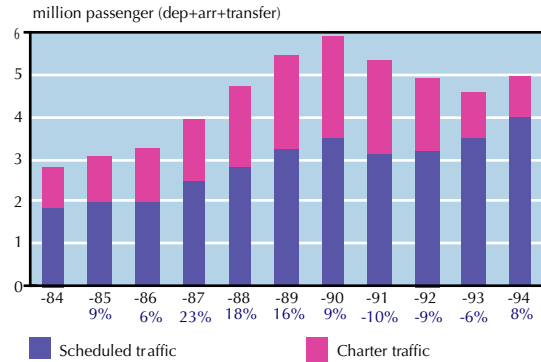
AIR TRANSPORT 1984-1994



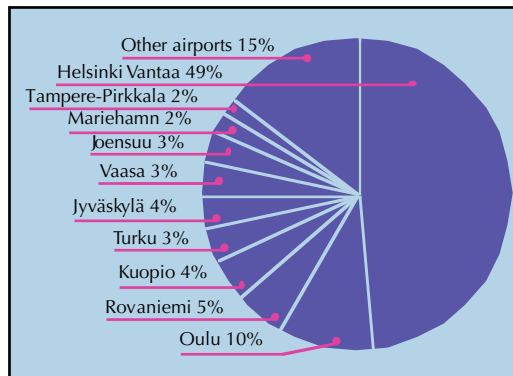
DOMESTIC SCHEDULED TRAFFIC 1984-1994



INTERNATIONAL TRAFFIC 1984-1994

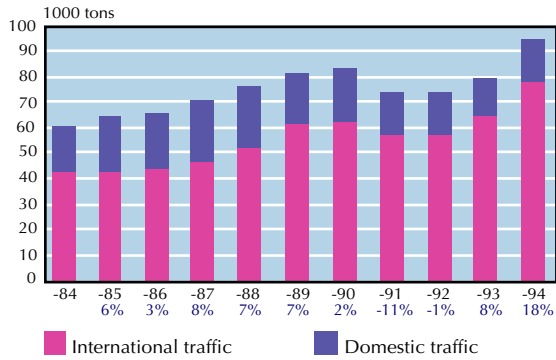


DOMESTIC TRAFFIC DESTINATIONS 1994



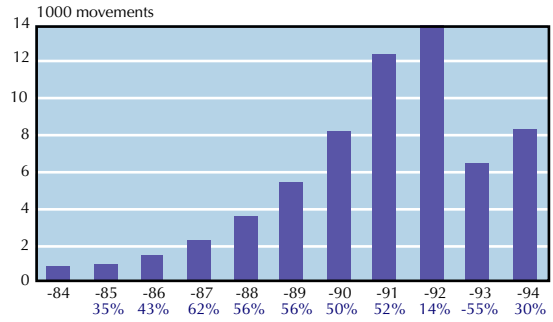


FREIGHT TRAFFIC 1984-1994

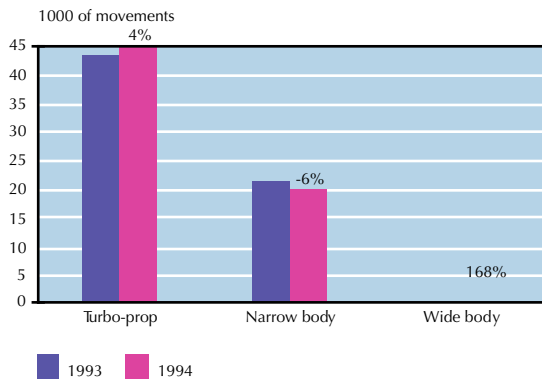


OVERFLIGHTS 1984-1994

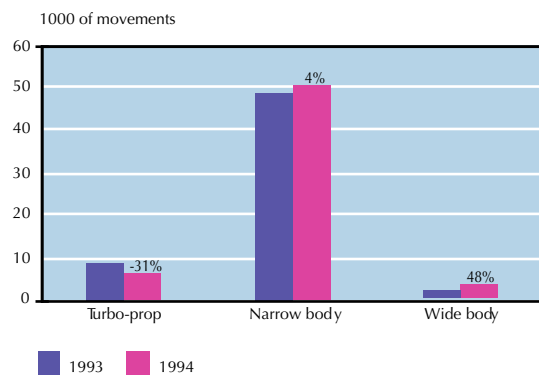
TAMPERE FIR



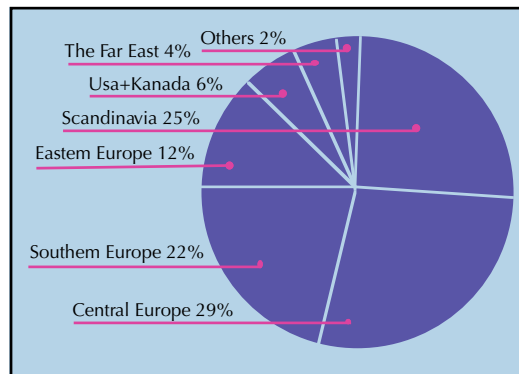
TYPE OF AIRCRAFT IN SCHEDULED DOMESTIC TRAFFIC



TYPE OF AIRCRAFT IN SCHEDULED INTERNATIONAL TRAFFIC



INTERNATIONAL TRAFFIC DESTINATIONS 1994



### AIRPORTS 1994

	Number of passengers		Number of landings		
	Domestic	International	Air transport	Military aviation	Others
Helsinki-Vantaa	1 947 831	4 593 551	53 506	1 436	7 461
Oulu	394 201	18 984	4 866	2 046	7 469
Turku	137 298	121 418	5 889	1 179	10 880
Rovaniemi	221 679	23 775	2 679	9 427	5 006
Kuopio	182 024	9 566	1 954	9 532	5 761
Vaasa	138 070	46 860	3 143	1 000	4 302
Tampere-Pirkkala	63 882	67 187	2 989	9 730	11 588
Jyväskylä	145 226	7 819	2 226	4 826	7 576
Joensuu	119 664	9 595	1 963	155	7 559
Maarianhamina	92 556	1 797	1 426	0	1 747
Ivalo	87 015	2 839	1 000	711	1 099
Kajaani	83 235	2 011	936	304	1 292
Kemi-Tornio	76 897	794	1 035	86	1 860
Kruunupyy	72 570	3 926	1 241	580	1 858
Kuusamo	61 045	164	676	32	205
Kittilä	59 704	3 719	750	608	557
Pori	48 371	19 242	2 417	161	6 731
Savonlinna	36 512	1 136	1 160	41	558
Varkaus	31 576	109	1 376	14	451
Lappeenranta	29 204	936	1 400	50	2 596
Enontekiö	2 610	10	163	17	141
Helsinki-Malmi	0	202	0	98	56 208
Kauhava	0	0	0	12 164	1 751
Utti	0	0	2	3 168	1 322
Halli	0	0	0	2 892	811

### AIR NAVIGATION SERVICES CENTERS 1994

	IFR-flights	Overflights
South Finland (Tampere)	150 000	8 236
North Finland (Rovaniemi)	29 000	2 253

## DEVELOPMENT OF AVIATION SERVICES AND BUSINESS ACTIVITIES

The CAA has three basic service products: passenger services, air navigation services and manoeuvring area services.

**Passenger Services** are services offered to passengers and air cargo customers at passenger and air cargo terminals and in their near vicinity. These comprise of terminal facilities with the various services, ground access arrangements in the airport area as well as rescue and other security arrangements.

**Air Navigation Services** are services given to airlines and pilots prior to and during the flight. These services include acquiring and distributing relevant information to pilots as well as ATC services to ensure the smoothness and safety of air traffic.

**Manoeuvring Area Services** are ,e.g., runways, taxiways, apron areas, hangars and other services and facilities required for operation of aircraft on the ground.

The other CAA services complement the three

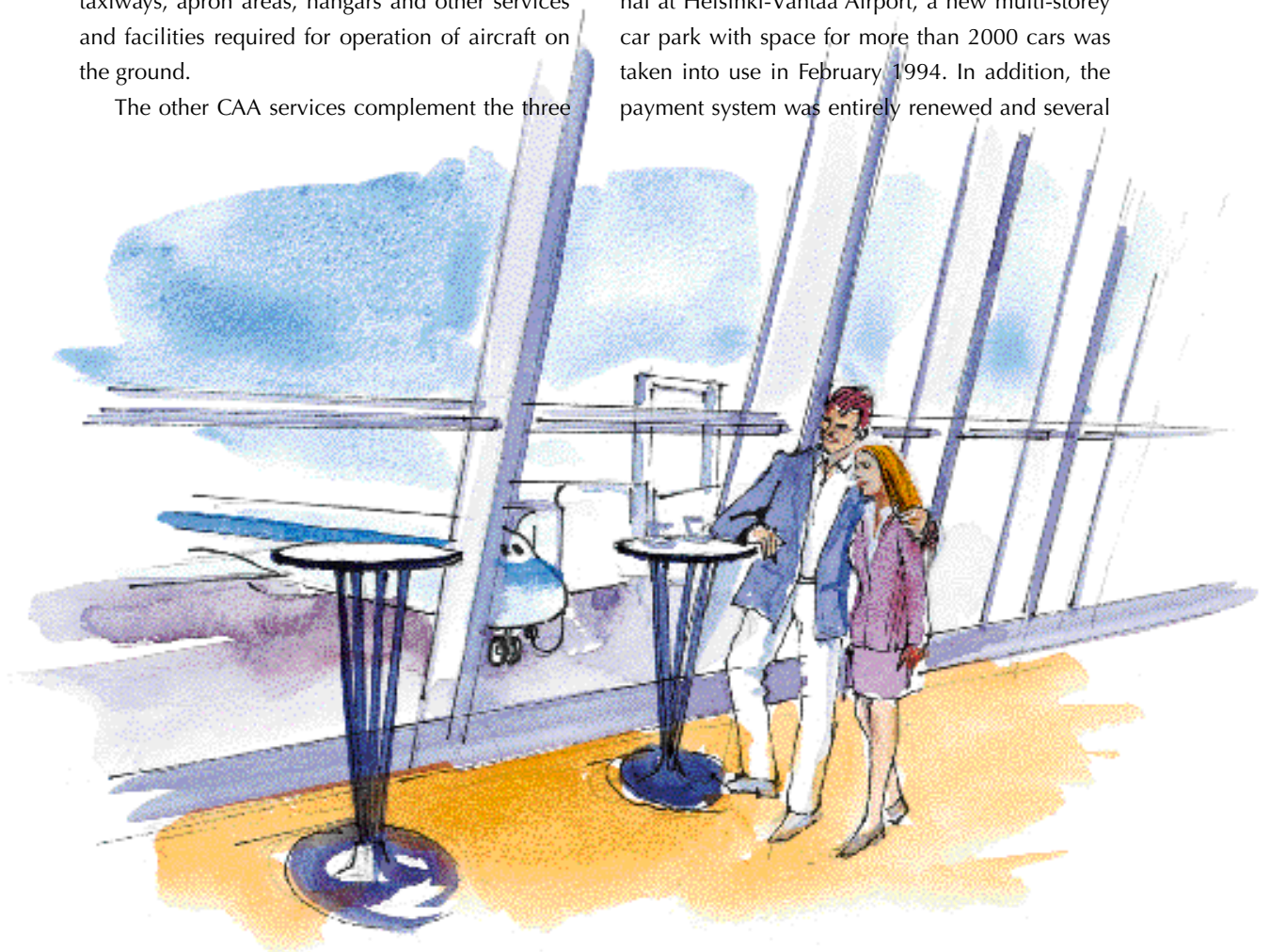
basic services. Commercial services such as shops and restaurants are usually offered in cooperation with other companies.

## DEVELOPMENT OF PASSENGER SERVICES

During its four years of existence, the CAA has placed great emphasis on the furthering of passenger services, for instance, by refurbishing terminal buildings and improving ground traffic arrangements.

As many as 14 terminals at CAA airports have undergone expansion in the last four years. Annually, the sum of FIM 150-200 million has been invested in the improvement of passenger facilities. One of the reasons for the high level of investment has been the relatively low building costs brought about by the economic recession in Finland.

To raise the service level of the domestic terminal at Helsinki-Vantaa Airport, a new multi-storey car park with space for more than 2000 cars was taken into use in February 1994. In addition, the payment system was entirely renewed and several







new parking-related services were introduced.

In spring 1994, the construction work of the first phase of Helsinki-Vantaa terminal extension, or middle terminal, began. The extension, which will connect the two existing terminals, is due for completion in June 1996. The future building complex will house a wealth of commercial, conference and other service facilities as well as attractive waiting and lounge areas for international passengers. Moreover, it will allow direct international - domestic transfers between the present terminals. The floor area of the extension will equal that of the domestic terminal. On completion, this FIM 190 million project will increase the passenger capacity of the international terminal by 20 per cent to 6 million annual passengers.

The expansion of Oulu Airport terminal building was finished in the autumn of last year. The passenger facilities of this second largest airport in Finland were trebled. The total costs were FIM 33 million.

The FIM 9-million terminal extension at Kittilä Airport was completed in the summer of 1994. The focus was on enlarging the waiting and baggage claim areas which are particularly important during the peak tourist season.

Also Ivalo Airport in the Finnish Lapland was

expanded during 1994. The aim was to improve baggage handling and create more space for departing passengers. The expenses totalled FIM 9 million.

The extension of Joensuu Airport, the building costs of which amounted to FIM 10 million, was inaugurated last December. Special attention was paid to upgrading the facilities for international traffic. At the same time, the car parking area was enlarged.

Plans for a completely new passenger terminal and adjacent areas at Tampere-Pirkkala Airport were perfected in 1994. Construction of the apron and car parking area for the future terminal was started in the summer. The terminal building, which will create enhanced possibilities for serving international passengers, will be taken into use in spring 1996. The project will be funded jointly by the CAA, the communities in the Tampere area and the Ministry of Labour.

A noteworthy change concerning passenger services took place on August 1994, when the Act on Security Control (305/94) took force. As a consequence, by the end of 1996 the CAA will gradually assume responsibility for the airport security checks from the police. During 1994, security checks with CAA personnel were started at Enontekiö, Rovanie-

mi, Kemi-Tornio, Kuusamo, Kajaani, Joensuu and Tampere-Pirkkala Airports.

## DEVELOPMENT OF AIR NAVIGATION SERVICES

The chief venture in the air navigation services sector is the FATMI, a comprehensive renewal of air navigation equipment and system covering the whole country. The project comprises the overall reconstruction of the Air Navigation Services Centre for South Finland, located in Tampere, the tower and approach controls at Helsinki-Vantaa Airport as well as a nationwide data network for exchanging messages between air traffic control units.

The FATMI system will be fully operational in 1997. New premises for the Air Navigation Services Centre for South Finland were inaugurated in spring 1994. In addition to the area control, the new building contains premises for the flight rescue centre, training simulator and facilities for software maintenance and development system as well as for the staff of the Centre and FATMI project offices.

In 1994, the training prospects of air navigation services personnel were furthered considerably with the foundation of the new Air Navigation Services Institute. The expansion and renovation work of the former CAA Training Center was initiated in sum-

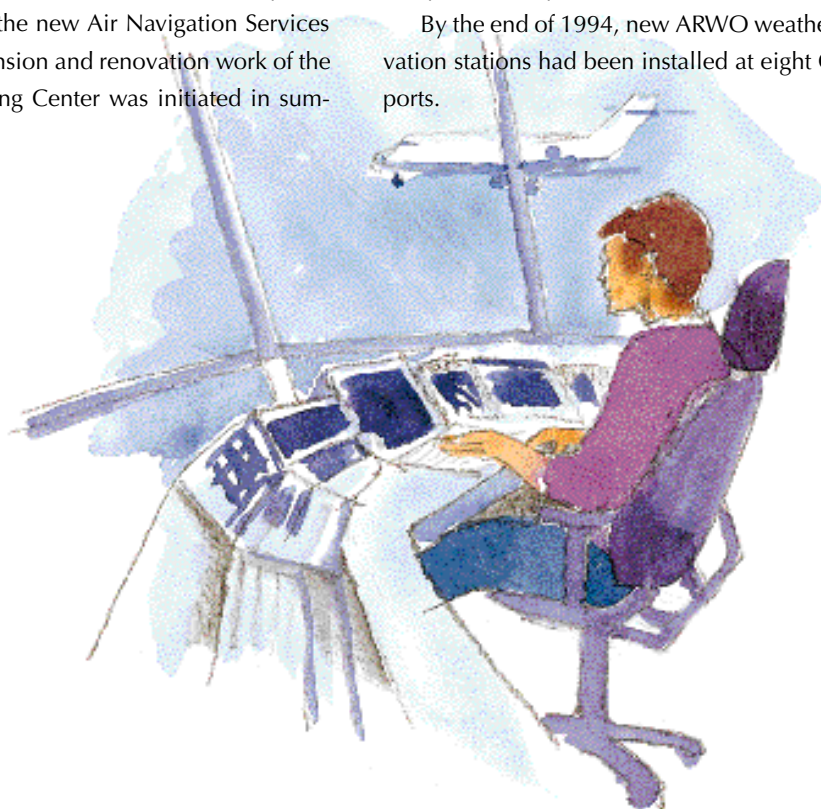
mer 1994, and the new premises with a state-of-the-art ATC simulator system will be taken into use in 1995. Besides basic and advanced training for the CAA's own personnel, the ANS Institute offers professional training for air traffic controllers worldwide.

In June 1994, the FIM 130-million crew centre and office building at Helsinki-Vantaa Airport was taken into use. This impressive building located close to the international terminal was constructed by the CAA's first subsidiary, Kiinteistöosakeyhtiö Lentäjätie 1. It includes facilities for Helsinki-Vantaa Airport's future approach control, AIS briefing and meteo. However, a major part of the premises has been rented to Finnair.

At the end of 1994, the construction of the new air traffic control tower at Helsinki-Vantaa began as a part of the building process of the middle terminal. The new tower will be operational simultaneously with the terminal extension, in summer 1996.

A ground control radar was taken into operational use at Helsinki-Vantaa Airport at the end of 1995. The advantages are twofold: firstly, the radar will facilitate supervision of traffic on the runways and apron area and, secondly, it will help reduce delays caused by bad weather.

By the end of 1994, new ARWO weather observation stations had been installed at eight CAA airports.







## **DEVELOPMENT OF MANOEUVRING AREA AND GROUND SERVICES**

The working methods of runway and apron maintenance were improved and the quality of the machinery was upgraded with the introduction of more efficient snow blowers and runway sweepers.

Harmful environmental effects could be reduced by developing new working methods and substances for the deicing procedures of runway surface.

At Vaasa Airport, the apron area adjacent to the refurbished terminal building, opened in 1993, was enlarged last summer.

In 1994, the apron area at Kittilä Airport was expanded.

At Tampere-Pirkkala Airport, warehouse and servicing premises for the maintenance machinery were enlarged.

Renovation and expansion of manoeuvring areas took place also at Pori and Lappeenranta Airports.



# INTERNATIONAL AVIATION POLICY

## European Economic Area EEA

When the EEA Agreement entered into force in the beginning of 1994, commercial liberalization of air traffic was extended to the five EFTA countries: Finland, Sweden, Norway, Austria, and Switzerland. At first, the principles of the Second Liberalization Package, applied in the European Community during 1990-1992, were implemented in Finland. For Finnish airlines the entrance into the internal market was further facilitated on July 1, 1994, when the Third Liberalization Package, in use in the European Union from 1993, was adopted also in the EEA countries.

Finnish airlines are now allowed to operate air services between the EEA countries without tariff or capacity restrictions. Also the choice of destinations and combination of air service routes were deregulated and, moreover, it is now possible to carry passengers and cargo freely between two international destinations within the EEA. In Finland these rights have been utilized for opening air services via Stockholm to Manchester, Berlin, Stuttgart, and Milan.

In addition, passengers and cargo can now be transported without restrictions in the domestic market of another EEA country. For the time being, at least, this cabotage traffic is only possible if the air service is a continuation of an international flight originating in the home country of the airline.

## Bilateral Air Transport Relations

During 1994, the number of bilateral air transport agreements made by Finland was exceptionally large: agreements with India, Macau, Kazakhstan, Uzbekistan and South Korea were initialled. Fur-

thermore, negotiations were commenced with the Republic of South Africa and Vietnam. The significant new air traffic rights agreed with the United States in the year before as well as the 1993 agreement with the Russian Federation took effect in 1994. Consequently, a new air service between Helsinki and Petrozavodsk via Joensuu was inaugurated in the spring. According to the agreement the aviation authorities of the two countries may directly agree on new routes to be established.

## International Air Transport

The traditional, strictly regulated international air transport system has proved inflexible in the rapid liberalization development of the past few years. The ICAO air transport conference on air traffic regulation pondered on ways for facilitating the adaptation of airlines to the changes generated by the liberalization development. Special attention was paid to problems concerning entrance into the market, ensuring of sound and unbiased competition and improvement of arbitration mechanisms in conflict situations.

## ICAO 50 years

The air transport conference held in Montreal culminated in the celebration of the 50th anniversary of ICAO on December 6, 1994. The International Civil Aviation Organization, which acts under the United Nations, was founded on December 7, 1944 with the signing of the Chicago Convention on International Civil Aviation. With 183 member states the Chicago Convention is one of the most extensively ratified international agreements in the world.

## ENVIRONMENTAL ISSUES

Night time traffic at Helsinki-Vantaa Airport was restricted in the beginning of June. With this measure the amount of nocturnal noise in the Tikkurila residential area could be reduced. The first quarterly report on the airport's environmental impacts was published in October. Also a system for quick distribution of information on exceptional noise levels caused by unfavourable weather conditions or construction or maintenance work on the runways was developed.

Studies on air traffic noise conducted at Lappeenranta, Savonlinna, and Vaasa Airports were completed. The preliminary results of the noise studies performed at Tampere-Pirkkala and Rovaniemi Airports were published.

Although air traffic emissions to the ground and waters have only a minor impact on the environment in general, the chemicals employed at airports may have significance locally as many airports are situated in important ground water areas. In runway deicing procedures urea, which contains nitrogen, has been replaced by non-nitrogenous acetates. The use of urea has been decreased by c. 20 per cent annually the result of which has been a dramatic 50 per cent reduction in the nitrogen load and oxygen consumption in just a few years' time.

When the runway extension of Kuusamo Airport was in the process of obtaining a building permit from the Water Authorities, the CAA emphasized the positive effects that the extension would have on the environment through decreased use of deicing chemicals.

## PERSONNEL

In 1994 the CAA Group employed an average of 1,611 persons and the CAA 1,610 persons (1,631 in 1993). The number of personnel in operational jobs averaged 1,569 (1,605 in 1993) and in investment projects 41 (26 in 1993). Out of the total, approx. 28 employees were on unpaid leave.

At the end of the year, the number of permanent employees was 1,577 - 13 persons fewer than in 1993. Operational staff totalled 1,540 and personnel employed for investment projects 37.

Out of the total number of CAA personnel, 1,164 were employed at the airports, 101 in air navigation services centres, 66 in internal profit centres and 246 in the head office.

The wages and salaries paid to the personnel of the CAA Group amounted to FIM 251 million. The salaries and fringe benefits paid to the Company Board and the Managing Director totalled FIM 778,000. The wages and salaries paid to the personnel of the CAA added up to FIM 251 million and the salaries and fringe benefits of the Company Board and the Managing Director totalled FIM 724,000.

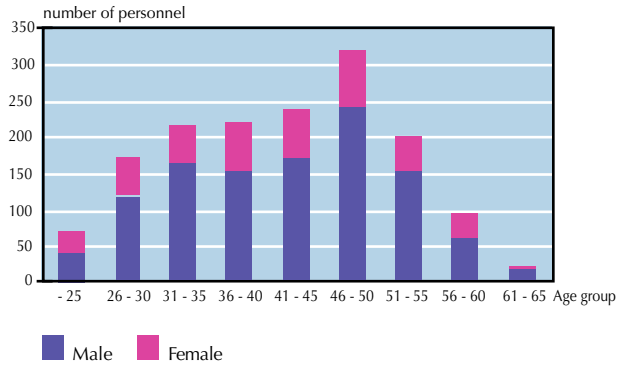
## PRODUCTIVITY

After three negative years, the productivity of the CAA turned positive - the growth on 1993 was 2.4 per cent. This promising development was enhanced by the continued extra work effort of the personnel in all the sectors as well as the air traffic's coinciding, even if slow, recovery from the depression. The service production remained more or less on the same level as in the previous year even though the work effort placed on production fell by 2.5 percent.

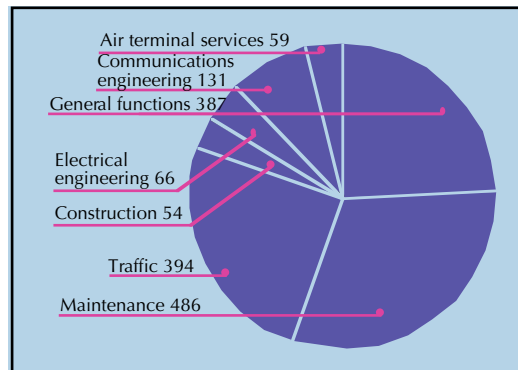
**PERSONNEL AT AIRPORTS AND ANS-CENTERS 31.12.1994**

Helsinki-Vantaa	462
Tampere-Pirkkala	65
Rovaniemi	60
Kuopio	57
Oulu	55
Jyväskylä	55
Turku	53
Vaasa	42
Pori	32
Helsinki-Malmi	29
Kemi-Tornio	27
Joensuu	26
Maarianhamina	26
Ivalo	26
Kruunupyy	25
Kajaani	21
Lappeenranta	20
Kauhava	17
Savonlinna	16
Kuusamo	11
Utti	11
Kittilä	10
Halli	9
Varkaus	5
Enontekiö	4
Etelä-Suomi (Tampere)	85
Pohjois-Suomi (Rovaniemi)	16

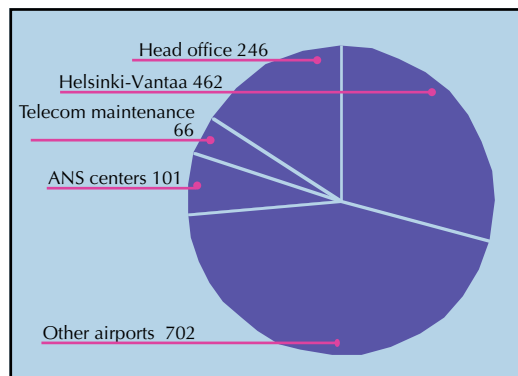
**AGE DISTRIBUTION OF PERSONNEL 31.12.1994**



**PERSONNEL 1994**

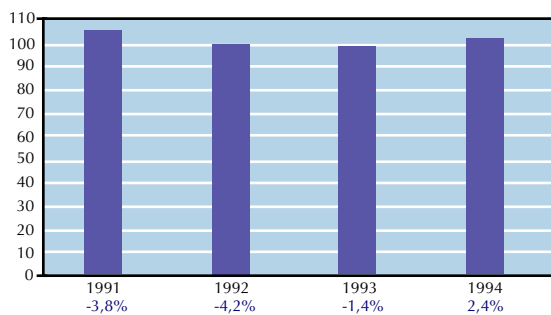


**PERSONNEL 1994**

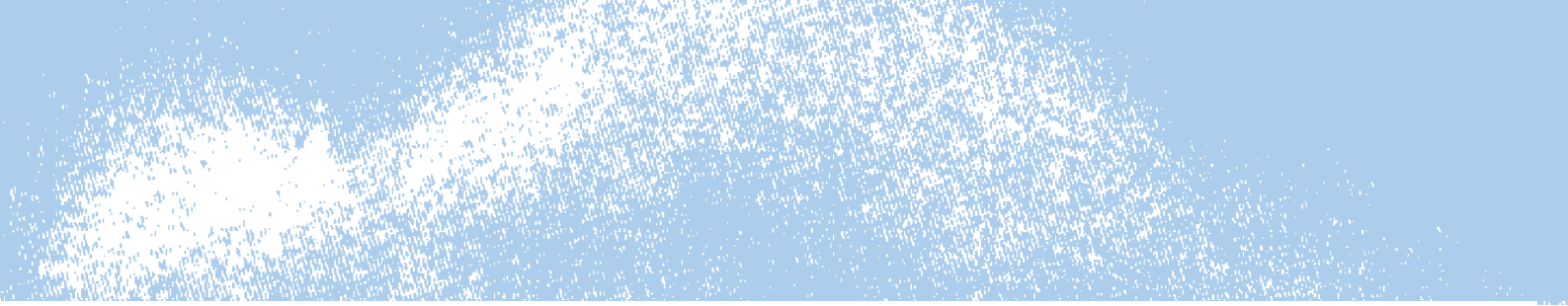


**PRODUCTIVITY**

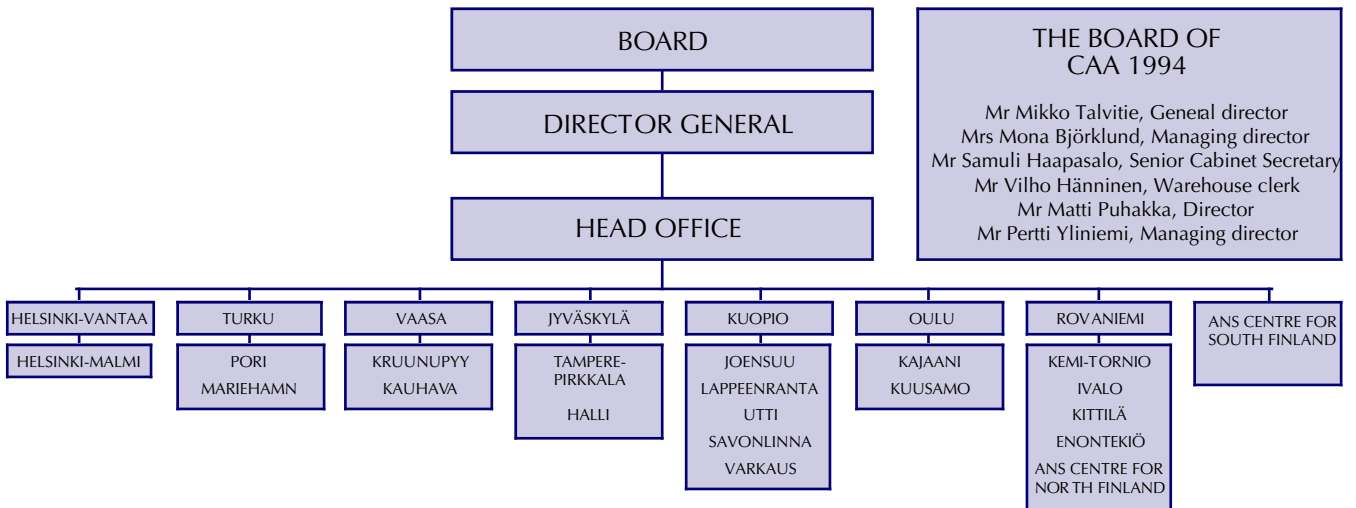
1992 = 100



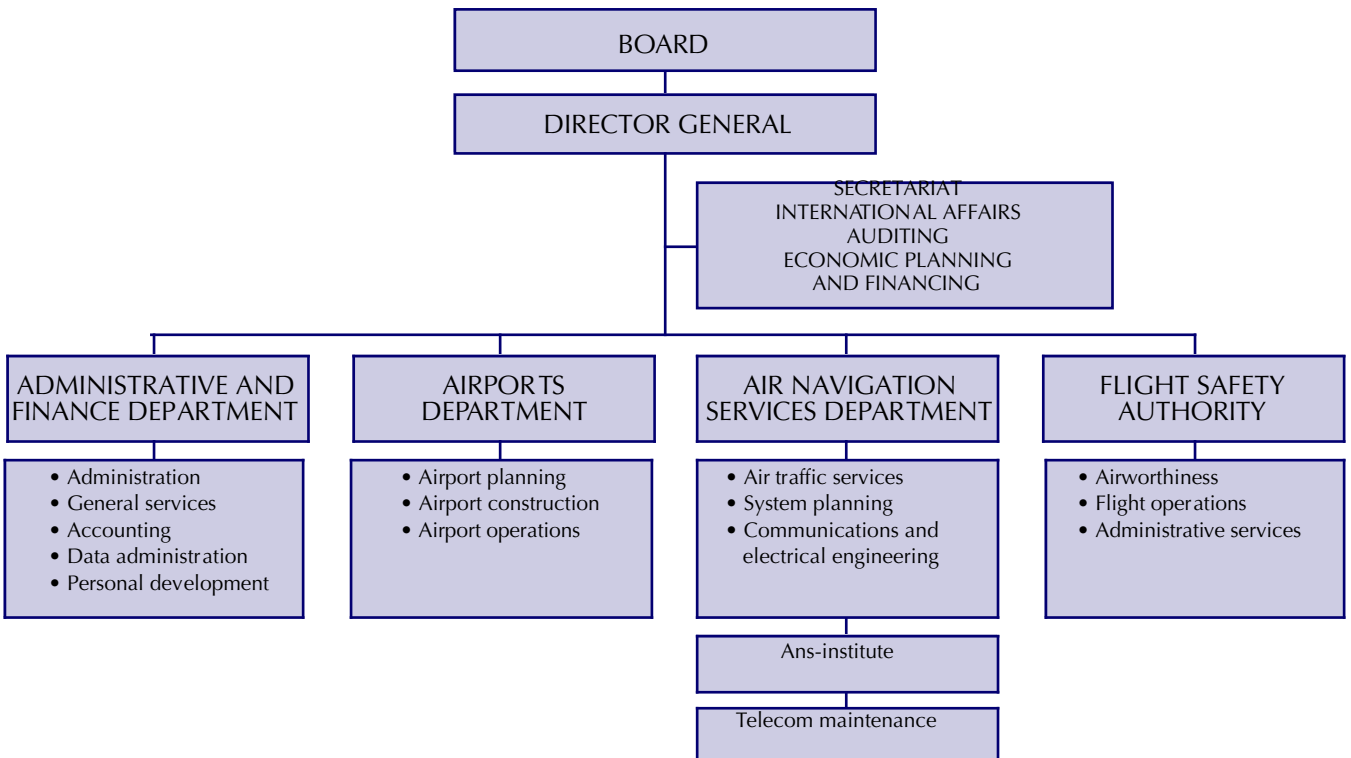




## ORGANIZATION OF CIVIL AVIATION ADMINISTRATION



## ORGANIZATION OF HEAD OFFICE



<b>INCOME DISTRIBUTION OF THE CAA</b>	<b>1994</b>		<b>1993</b>	
	<b>million FIM</b>		<b>million FIM</b>	
Turnover and other business activity income	676,8		629,6	
Production expenses of the services	-154,3		-141,8	
Financing income	35,8		33,8	
Other income and expenses	0,6		1,3	
<b>Amount to be distributed</b>	<b>558,8</b>	<b>100%</b>	<b>522,9</b>	<b>100%</b>
Preliminary taxation	91,7		86,0	
Social security fee	9,8		9,1	
Unemployment insurance fee	11,5		0,0	
Real estate tax	3,7		3,1	
Other public expenditures	1,2		1,1	
<b>1. Public expenditures</b>	<b>117,8</b>	<b>23%</b>	<b>99,3</b>	<b>19%</b>
Wages	242,8		235,7	
Preliminary taxation	-91,7		-86,0	
Contribution to pension fund	57,8		54,2	
Social security fee	(-9,8)		(-9,1)	
Other personnel costs	2,9		3,4	
Education	2,4		3,0	
<b>2. Personnel</b>	<b>214,3</b>	<b>41%</b>	<b>210,3</b>	<b>40%</b>
Financial costs	21,8		40,5	
<b>3. Financiers</b>	<b>21,8</b>	<b>4%</b>	<b>40,5</b>	<b>8%</b>
Fixed assets	182,1		174,3	
Changes in reserves	0,0		0,0	
Undivided profit	22,9		-1,5	
<b>4. Infrastructure development</b>	<b>204,9</b>	<b>39%</b>	<b>172,8</b>	<b>33%</b>
<b>Amount to be distributed in relation to the number of movements and passengers</b>				
Number of movements	347 900		370 176	
Number of passengers	7 000 965		6 759 067	
<b>Amount to be distributed (FIM)</b>				
FIM per movement	1 606		1 446	
FIM per passenger	80		77	



## ECONOMIC RESULT

### Development of National Economy

The general expectations for the development of the Finnish national economy for 1994 were cautious. Although the vigorous growth of exports was anticipated, it was widely believed that it could not compensate for the weak demand in the consumer sector or the feeble investment flow of the company sector. Furthermore, neither the rapidly increasing foreign debt of the public sector nor the already implemented or planned measures for slowing down the trend gave any cause for more optimistic prospects.

As mentioned before, the economic development of air transport industry and that of the CAA follow quite closely the trend of the country's national economy. In view of the above, the expectations for the future were not very positive.

Nevertheless, looking back at 1994, it is clear that the most pessimistic forecasts proved wrong and that the year turned out to be better than assumed - a fact that the following statistics clearly show:

	1992	1993	1994(e) <sup>1</sup>	1994(r) <sup>2</sup>
	annual change %			
GNP	-3,6	-1,6	1,0	3,9
Private consumption	-4,9	-3,9	-4,0	2,0
Private investments	-19,6	-18,9	0,0	7,0
Exports	10,0	16,7	12,0	12,5
Imports	+1,1	0,7	3,5	12,5
Domestic air traffic	-5,2	-9,8	0,8	1,8
International air traffic	3,0	9,5	5,0	8,4

<sup>1</sup> Estimated development of national economy, September 1993, Ministry of Finance

<sup>2</sup> Estimated development of national economy, February 1995, Ministry of Finance

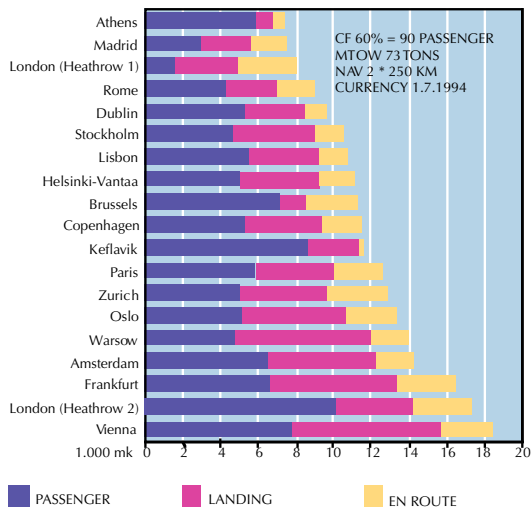
The unexpectedly forceful increase of air traffic reflected the surprisingly favourable development of the national economy.

## Pricing Policy

In 1994, the CAA raised the price level of aeronautical charges slightly: the charges in domestic traffic rose by 5 per cent and in international traffic by 4 per cent. The aim of the pricing policy is to alter the cost structure of air traffic in such a way that the charges correspond more accurately to the production costs of the services given to air traffic.

As from June 1, 1994, the CAA became a VAT

AIR TRAFFIC CHARGES 1.7.1994 MD-83



tax payer on the revenues of its business activities. As a result, the pricing of CAA's services had to be adjusted to the new situation. From the general aviation's point of view, the most significant change was an 18 per cent reduction in the basic prices (before VAT) for services given to private and amateur aviators.

## Economic Result

### Economic Result of the CAA Group

The CAA has two subsidiaries, Kiinteistöosakeyhtiö Lentäjätie 1 and Finland Airport Services Ltd. In accordance with the Act on State Enterprises, the CAA and its subsidiaries form a State Enterprise Group. In the 1994 accounts, only Kiinteistöosake-

yhtiö Lentäjätie 1 is included. Finland Airport Services Ltd. was established on July 1, 1994, and its first fiscal period will terminate on December 31, 1995.

The economic result of the CAA Group was FIM 18.5 million. The turnover reached FIM 677.2 million and the running costs amounted to FIM 487.4 million. The investments totalled FIM 223.4 million.

The amount of long-term loans in 1994 was FIM 321.3 million.

### Economic Result of the CAA

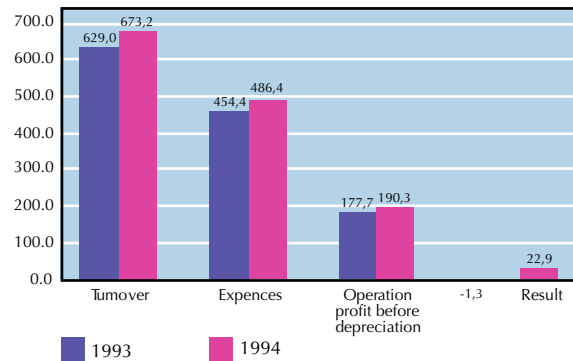
On account of the gloomy prospects for 1994 the profit target set for the CAA by the Council of State was a balance between costs and profit. The actual economic result, FIM 22.9 million, was better than expected.

The positive development can be explained by the increased demand for air traffic and for the CAA's other business activities, the slight raise in aeronautical charges and, last but not least, the strict supervision of operating costs.

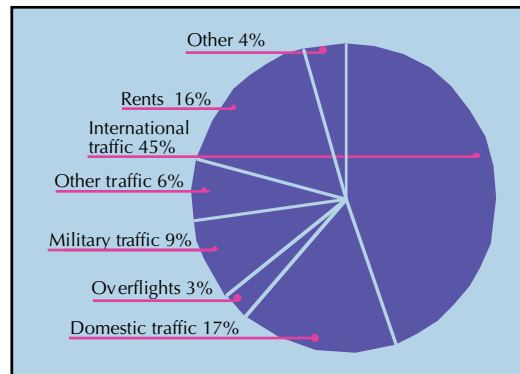
The turnover amounted to FIM 673 million which is 7 per cent more than in 1993.

As the most significant cost-cutting measures taken in 1993 (e.g. holiday-pay cuts and two-week lay-off) were not going to be employed in 1994, the expenditure was known to rise by 4 per cent. With rigid cost control and by rationalizing certain functions, the growth of expenditure could be limited to 6.8 per cent. The notable increase in personnel costs was caused by a non-recurring FIM 9-million holiday-pay reserve which was entered into the books due to certain accounting arrangements. Without it the operating costs would have increased by only 4.9 per cent which, taking into consideration the realized inflation rate, meant that the running costs did not grow at all. The total amount of operating expenses was FIM 486 million.

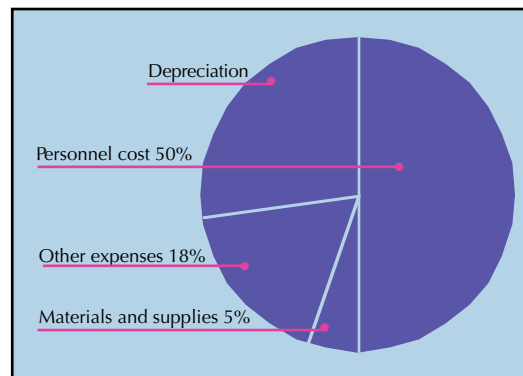
COMPARISON OF THE RESULT 1993-1994



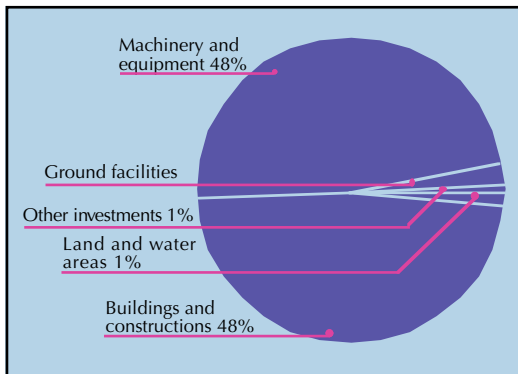
INCOME 1994



EXPENSES 1994



## INVESTMENTS 1994



## Investments

In the State budget for 1994 the limit set for the CAA's investments was FIM 400 million. The actual investments amounted to FIM 193 million in 1994.

The investments were divided between the different categories of fixed assets in the following way:

	FIM million
Land and water areas	2.4
Buildings and constructions	92.3
Machinery and equipment	91.8
Ground facilities	5.1
Other investments	1.2
Total	192.8

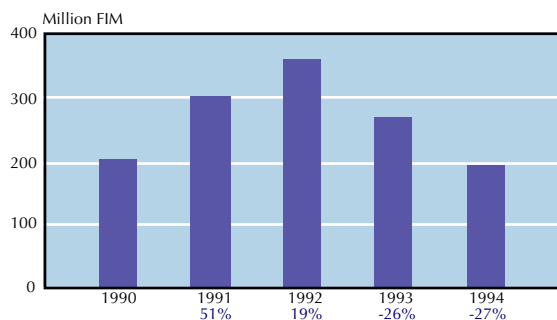
## Financing

In the 1994 State budget the basic equity capital of the CAA was raised by FIM 60 million. Also, the CAA was granted the right to take on long-term loans up to FIM 250 million. The actual amount of new loans in 1994 was FIM 40 million.

During the year under review, the financial position of the CAA was good. In consequence, the net financial expenses were positive even if the unrealized financial income, positive because of the appreciation of the Finnish markka, are not taken into account.

At the end of 1994, the CAA's long-term loans totalled FIM 206.3 million.

## INVESTMENTS 1990-1994







## INCOME STATEMENT

	<b>GROUP</b>		<b>CAA</b>	
	1.1.-31.12.1994	1.1.-31.12.1993	1.1.-31.12.1994	1.1.-31.12.1993
	FIM thousand	FIM thousand	FIM thousand	FIM thousand
<b>TURNOVER</b>	<b>677,256</b>		<b>673,247</b>	<b>627,573</b>
Other revenue from business activity	3,533		3,533	4,479
<b>EXPENSES</b>				
Materials and supplies				
-Purchases during fiscal year	33,988		33,988	35,918
-Decrease (+)/increase (-) in inventories	1,785		1,785	-1,736
Services bought from other companies	104,706		105,249	106,110
Personnel costs	333,807		333,728	302,439
Rents	2,777		1,858	2,891
Other costs	10,318		9,811	8,782
<b>EXPENSES</b>	<b>487,381</b>		<b>486,419</b>	<b>454,404</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION</b>	<b>193,408</b>		<b>190,361</b>	<b>177,648</b>
<b>PLANNED DEPRECIATION</b>				
Buildings and constructions	42,156		40,475	35,893
Machinery and equipment	70,774		69,358	64,675
Ground facilities	67,762		67,762	70,371
Intangible rights	2,467		2,467	1,893
Other long-term expenditure	2,041		2,019	1,507
<b>TOTAL DEPRECIATION</b>	<b>185,200</b>		<b>182,081</b>	<b>174,339</b>
<b>OPERATING PROFIT</b>	<b>8,208</b>		<b>8,280</b>	<b>3,309</b>
<b>FINANCING INCOME AND EXPENSES</b>				
Interest income	17,315		16,277	20,682
Other financing income	20,964		19,517	13,140
Interest expenses	-24,109		-16,509	-23,390
Other costs of borrowed capital	-5,252		-5,250	-17,075
	<b>8,918</b>		<b>14,035</b>	<b>-6,643</b>
<b>RESULT BEFORE OTHER INCOME AND EXPENSES</b>	<b>17,126</b>		<b>22,315</b>	<b>-3,334</b>
<b>OTHER INCOME AND EXPENSES</b>				
Other income	12,262		12,262	1,507
Other expenses	-11,719		-11,710	-165
	<b>543</b>		<b>552</b>	<b>1,342</b>
<b>RESULT BEFORE RESERVES CHANGES IN RESERVES</b>	<b>17,669</b>		<b>22,867</b>	<b>-1,992</b>
<b>Decrease(+)/increase(-) in bad-debt reserve</b>				<b>661</b>
Minority Share	798			
<b>PROFIT FOR THE FISCAL PERIOD</b>	<b>18,467</b>		<b>22,867</b>	<b>-1,331</b>



## BALANCE SHEET

	<b>GROUP</b>		<b>CAA</b>	
	1.1.-31.12.1994	1.1.-31.12.1993	1.1.-31.12.1994	1.1.-31.12.1993
	FIM thousand	tmk	FIM thousand	FIM thousand
<b>ASSETS</b>				
<b>FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS</b>				
Intangible assets				
Intangible rights	10,496		8,177	7,997
Other long-term expenditure	4,906		4,906	4,865
	<b>15,402</b>		<b>13,083</b>	<b>12,862</b>
Tangible assets				
Land and water areas	213,912		213,912	215,503
Buildings and constructions	1,030,813		917,324	828,561
Machinery and equipment	327,407		314,528	303,289
Ground facilities	751,294		750,636	814,225
Unfinished products and advances	168,243		168,243	197,185
	<b>2,491,669</b>		<b>2,364,643</b>	<b>2,358,763</b>
Securities and other long-term investments				
Stock and shares	308		22,454	22,254
<b>FINANCING ASSETS</b>				
Current assets				
Materials and supplies	7,782		7,782	8,841
Finished and semi-finished products	338		338	1,064
	<b>8,120</b>		<b>8,120</b>	<b>9,905</b>
Accounts				
Accounts receivable	50,635		50,730	46,018
Accrued revenue and deferred payments	41,989		42,253	20,204
Other accounts	174		174	15
	<b>92,798</b>		<b>93,157</b>	<b>66,237</b>
Financial assets and other long-term investments				
Other financial assets	258,075		250,840	189,847
Cash and money in bank account	8,178		7,295	1,402
	<b>266,253</b>		<b>258,135</b>	<b>191,249</b>
	<b>2,874,550</b>		<b>2,759,592</b>	<b>2,661,270</b>
<b>LIABILITIES</b>				
<b>OWN CAPITAL</b>				
Restricted equity capital				
Basic equity capital	1,042,236		1,042,236	982,236
	1,042,236		1,042,236	982,236
Non-restricted own capital				
Other equity capital	1,262,131		1,262,131	1,262,131
Profit/loss for previous accounting periods	48,631		51,365	52,696
Profit/loss for accounting period	18,467		22,865	-1,331
	1,329,229		1,336,361	1,313,496
<b>MINORITY SHARE</b>				
	6,058			
<b>RESERVES</b>				
Optional reserves				
Transition reserves	12,827		12,827	12,827
Compulsory reserves	1,086		1,086	
	13,913		13,913	12,827
<b>CURRENT LIABILITIES</b>				
Long-term				
Loans from the State	17,031		17,031	18,923
Loans from financial institutions	304,276		189,276	198,880
	321,307		206,307	217,803
Short-term				
Loans from the State	1,892		1,892	1,892
Loans from financial institutions	32,939		32,939	36,088
Advances	4,073		4,073	2,051
Accounts payable	39,588		39,535	30,516
Accrued expenses and deferred revenue	67,701		67,031	51,770
Other short-term loans	15,614		15,305	12,591
	161,807		160,775	134,908
	<b>2,874,550</b>		<b>2,759,592</b>	<b>2,661,270</b>



## STATEMENT 1.1.1993 - 31.12. 1994

	<b>GROUP</b>		<b>CAA</b>	
	1.1.-31.12.1994	1993	1.1.-31.12.1994	1993
	FIM thousand	tmk	FIM thousand	tmk
<b>FINANCING SOURCES</b>				
<b>Income financing</b>				
Operating profit	193,408		190,361	177,649
Compulsory reserves increase(+)/decrease(-)	1,086		1,086	
Interest revenue	17,315		16,277	20,682
Other financial income	6,949		5,501	13,051
Other income and expenses	543		552	1,341
<b>Total</b>	<b>219,301</b>		<b>213,777</b>	<b>212,723</b>
<b>Capital Funding</b>				
Loans from financial institutions	70,485		70,485	
Increase in basic equity capital	60,000		60,000	83,800
<b>Total</b>	<b>130,485</b>		<b>130,485</b>	<b>83,800</b>
<b>Total</b>	<b>349,786</b>		<b>344,262</b>	<b>296,523</b>
<b>USE OF FUNDS</b>				
<b>Profit distribution</b>				
Borrowed capital interests	24,110		16,509	23,390
Other borrowed capital expenditure	4,985		4,983	10,689
<b>Total</b>	<b>29,095</b>		<b>21,492</b>	<b>34,079</b>
<b>Investments</b>				
Land and water areas	2,413		2,413	4,828
Buildings and constructions	105,930		92,264	106,550
Machinery and equipment	106,066		91,772	119,589
Ground facilities	5,095		5,095	25,828
Shares and dividends	200		200	2,014
Intangible rights	2,805		889	3,634
Other long-term expenditure	874		194	1,314
<b>Total</b>	<b>223,383</b>		<b>192 827</b>	<b>263,757</b>
Sale of fixed assets	4,366		4 366	3,023
<b>Capital funding</b>				
Loan installments to State	1,892		1,892	22,500
Loan installments to others	69,412		69,412	37,003
<b>Total</b>	<b>71,304</b>		<b>71,304</b>	<b>59,503</b>
<b>Change in net fixed assets</b>				
Cash and bank receivables	6,686		5,893	-14,064
Short-term funding capital	54,085		87,913	-76,902
Change in inventories	-1,786		-1,786	1,737
Short-term borrowed capital	-28,615		-29,015	31,436
30,370	63,005		-57,793	
<b>Total</b>	<b>349,786</b>		<b>344,262</b>	<b>296,523</b>

# CIVIL AVIATION ADMINISTRATION

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Consolidated financial statements

The 1994 consolidated financial statements have been drawn up in accordance with the Decision of the Council of State of 16 December 1993 (589/92) concerning the accounting principles for state enterprises and groups of state enterprises.

1994 was the first time that the consolidated financial statements were drawn up, and so no data for previous years is presented.

The Group consists of the Civil Aviation Administration, now reorganised as a state enterprise, the housing company Kiinteistöosakeyhtiö Lentäjäntie 1, and Finland. Since Airport Services LTP was established in 1994 and since its operation had little impact on the consolidated accounts and its non-restricted equity capital, it is not included in the consolidated financial statements. For more information about the companies in the Group, please see section "Group Companies".

Internal transactions within the Group, group receivables and group liabilities have been eliminated. Cross-ownership of shares has been eliminated using the past-equity method. Minority shares have been removed from the equity capital and shown as a separate item on the balance sheet.

<b>2. Salaries and wages</b>	<b>GROUP</b>	<b>CAA</b>	
	<b>1994</b>	<b>1994</b>	<b>1993</b>
	FIM 1,000	FIM 1,000	FIM 1,000
Performance based			
Board of directors and managing director			
Salaries and remuneration	778	724	661
Fringe benefits	1	1	1
Other salaries	231,148	231,141	230,831
Holiday pay	10,927	10,923	4,548
Change in holiday pay reserves	8,900	8,900	-367
Fringe benefits	188	188	128
Total	<u>251,942</u>	<u>251,877</u>	<u>235,802</u>

### 3. Social security payments

Pensions	57,833	57,830	54,239
Unemployment insurance payments	11,532	11,531	
Other personnel costs	12,690	12,678	12,527
Total	<u>82,055</u>	<u>82,039</u>	<u>66,766</u>

In 1993, the personnel gave up holiday bonuses in exchange for time off. The holiday pay reserves for 1994 include the holiday pay accumulated since the beginning of the year (9 months), any annual leaves that remain to be taken, and additional time off due to extra hours.

The personnel is covered under general state pension schemes. The performance-based pension contributions calculated on the basis of the 1994 wagebill in compliance with the principle of full coverage applied in insurance mathematics are entered in full in the income statement. The pension rate determined by the State Treasury was 23.4%.

During the financial year under review the Group employed an average of 1,611 people. The corresponding figures for the Civil Aviation Administration (CAA) were 1,610 (1,631 in 1993) of whom 1,569 (1,605 in 1993) were employed by operations and 41 (26 in 1993) by investment projects.

At the end of the financial year, the number of personnel in the employ of the Group was 1,612. At the same time, the number of permanent staff at the CAA was 1,482 (1,500 in 1993) and that of fixed-term employees 95 (90 in 1993).

#### 4. Incidental income and expenditure

Incidental income includes capital gains of FIM 12.1 million from the sale of land. Incidental expenditure includes depreciation on runways no longer in use to a total value of FIM 11.6 million.

#### 5. Materials and intangible rights and depreciation

Planned depreciation was calculated as straight-line depreciation or by reducing the balance of depreciation based on the economic life of fixed assets. The same method of depreciation was applied throughout the Group.

Economic life and depreciation charges were as follows:

	No. of years	Percentage	
Intangible			
Intangible rights	5	20 %	straight-line
Other long-term expenditure	5	20 %	straight-line
Materials			
Buildings and structures	20 - 40	2,5 - 5 %	Tasapoisto
Machinery and equipment	10 - 15	6,7 - 10 %	Menoj.poisto
Ground facilities	10 - 40	2,5 - 10 %	Tasapoisto

Changes in balance sheet items:	GROUP	CAA	
	1994	1994	1993
	FIM 1,000	Fim 1,000	FIM 1,000
<b>Intangible rights</b>			
Acquisition cost, Jan 1	12,473	12,069	8,435
+ Increase during financial year	4,672	2,756	3,634
- Decrease during financial year	-424	-424	
Acquisition cost, Dec 31	16,721	14,401	12,069
- Accrued planned depreciation, Jan 1	-4,072	-4,072	-2,179
+ Decrease in accrued planned depreciation	315	315	
- Planned depreciation during financial year	-2,467	-2,467	-1,893
Book value, Dec 31	10,497	8,177	7,997
<b>Other long-term expenditure</b>			
Acquisition cost, Jan 1	8,323	8,323	7,009
+ Increase during financial year	2,061	2,061	1,314
- Decrease during financial year			
Acquisition cost, Dec 31	10,384	10,384	8,323
- Accrued planned depreciation, Jan 1	-3,458	-3,458	-1,951
+ Decrease in accrued planned depreciation			
- Planned depreciation during financial year	-2,019	-2,019	-1,507
Book value, Dec 31	4,907	4,907	4,865
<b>Land and water areas</b>			
Acquisition cost, Jan 1	215,503	215,503	205,941
+ Increase during financial year	2,413	2,413	9,564
- Decrease during financial year	-4,004	-4,004	-2
Acquisition cost, Dec 31	213,912	213,912	215,503
<b>Buildings and constructions</b>			
Acquisition cost, Jan 1	1,051,421	949,917	664,547
+ Increase during financial year	158,010	129,307	285,370
- Decrease during financial year	-27,225	-12,188	
Acquisition cost, Dec 31	1,182,206	1 067,036	949,917
- Accrued planned depreciation, Jan 1	-109,962	-109,962	-85,464
+ Decrease in accrued planned depreciation	725	726	
- Planned depreciation during financial year	-40,982	-39,302	-35,893
- Additional depreciation due to scrapping	-1,174	-1,174	
Book value, Dec 31	1,030,813	917,324	828,560



	<b>GROUP</b> <b>1994</b> tmk	<b>CAA</b> <b>1994</b> tmk	<b>1993</b> tmk
<b>Machinery and equipment</b>			
Acquisition cost, Jan 1	797,256	797,256	676,629
+ Increase during financial year	94,736	80,442	121,378
- Decrease during financial year	-25,218	-25,218	-751
<u>Acquisition cost, Dec 31</u>	<u>866,774</u>	<u>852,480</u>	<u>797,256</u>
- Accrued planned depreciation, Jan 1	-490,758	-490,758	-430,002
+ Decrease in accrued planned depreciation	22,165	22,165	710
- Planned depreciation during financial year	-67,564	-66,149	-64,675
- Additional depreciation due to scrapping	-3,209	-3,209	
<u>Book value, Dec 31</u>	<u>327,408</u>	<u>314,529</u>	<u>303,289</u>
<b>Ground facilities</b>			
Acquisition cost, Jan 1	1 032,262	1,032,262	965,738
+ Increase during financial year	16,718	16,038	66,524
- Decrease during financial year	-409		-409
<u>Acquisition cost, Dec 31</u>	<u>1,048,571</u>	<u>1,047,891</u>	<u>1 032,262</u>
- Accrued planned depreciation, Jan 1	-218,037	-218,037	-147,667
+ Decrease in accrued planned depreciation	167	167	
- Planned depreciation during financial year	-67,783	-67,762	-70,371
- Depreciation on runways	-11,624	-11,624	
<u>Book value, Dec 31</u>	<u>751,294</u>	<u>750,635</u>	<u>814,224</u>
<b>Stock and shares</b>			
Acquisition cost, Jan 1	107	22,254	24,216
+ Increase during financial year	200	200	29
- Decrease during financial year			-1,991
<u>Acquisition cost, Dec 31</u>	<u>307</u>	<u>22,454</u>	<u>22,254</u>
<b>TOTAL</b>			
Acquisition cost, Jan 1	3,117,345	3,037,585	2,552,518
+ Increase during financial year	278,810	233,216	487,812
- Decrease during financial year	-57,280	-42,243	-2,745
<u>Acquisition cost, Dec 31</u>	<u>3,338,875</u>	<u>3,228,558</u>	<u>3,037,585</u>
- Accrued planned depreciation 1.1.	-826,287	-826,287	-667,262
+ Decrease in accrued planned depreciation	23,372	23,373	710
- Planned depreciation during financial year	-180,816	-177,699	-174,339
- Additional depreciation due to scrapping	-4,383	-4,383	
- Depreciation on ground facilities	-11,624	-11,624	
<u>Book value, Dec 31</u>	<u>2,339,137</u>	<u>2,231,938</u>	<u>2,196,694</u>
<b>6. Stock and shares</b>			
	No	Book value FIM 1,000	Book value FIM 1,000
Telephone shares		108	108
Subsidiary shares			
Kiinteistö Oy Lentäjäsentie 1	10621		22,147
Change in number	-7		22,147
	<u>10614</u>		
Finland Airport Services	20	200	200
<u>Total stock and shares</u>		<u>308</u>	<u>22,455</u>
<b>7. CAA Group companies</b>			
	Ownership %	Profit/loss 1994	
Kiinteistö Oy Lentäjäsentie 1	73,9	-3 056	
Finland Airport Services	100		

	<b>GROUP 1994</b>	<b>CAA 1994</b>	<b>1993</b>
	FIM 1,000	FIM 1,000	FIM 1,000
<b>8. Changes in equity capital</b>			
Restricted equity			
Basic capital			
At the beginning of financial year	982,236	982,236	893,700
+ increase/decrease	<u>60,000</u>	<u>60,000</u>	<u>88,536</u>
<b>At the end of financial year</b>	<b><u>1,042,236</u></b>	<b><u>1,042,236</u></b>	<b><u>982,236</u></b>
Non-restricted equity capital			
Other equity capital			
At the beginning of financial year	1,262,131	1,262,131	1,262,131
Loss/profit for previous financial year	48,631	51,365	52,696
Loss/profit for financial year	<u>18,467</u>	<u>22,865</u>	<u>-1,331</u>
<b>At the end of financial year</b>	<b><u>1,329,229</u></b>	<b><u>1,336,361</u></b>	<b><u>1,313,496</u></b>
<b>CAPITAL TOTAL</b>	<b>2,371,465</b>	<b>2,378,597</b>	<b>2,295,732</b>

	<b>GROUP 1994</b>	<b>CAA 1994</b>	<b>1993</b>
	FIM 1,000	FIM 1,000	FIM 1,000
<b>9. Reserves</b>			
Optional reserves			
Transition reserve	12,827	12,827	12,827
Compulsory reserves			
	1,086	1,086	

The transition reserve is the equivalent of the operational reserve for 1993. The compulsory reserve include claims for damages, which is booked under other expenditure in the income statement.

#### **10. Appropriations from government budget**

Investments	55,612	55,612	66,207
Operations	16,825	16,825	17,266
Rescue services	3,978	3,978	3,570
Basic staff training	3,138	3,138	6,640
Development of air navigation services			1,514
Advances received	<u>4,073</u>	<u>4,073</u>	<u>1,962</u>
	<b><u>83,626</u></b>	<b><u>83,626</u></b>	<b><u>97,159</u></b>

#### **11. Personnel employed under government funding**

Number of staff	124	124	127
Wages and salaries paid	8,262	8,262	8,696

#### **12. Pledges, mortgages and liabilities**

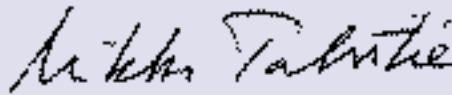
Subsidiaries			
Kiinteistö Oy Lentäjäntie 1		115,000	115,000

Guarantee as and for own debt on behalf of the subsidiary.

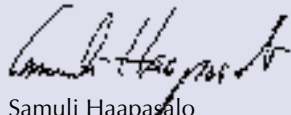
## PROPOSAL ON THE USE OF THE PROFIT

The Board proposes that the Council of State approve the Income Statement and Balance Sheet and that the profit for the financial year of FIM 22.9 million is left in the Civil Aviation Administration's profit and loss account.

Vantaa 24 March 1995



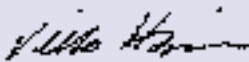
Mikko Talvitie



Samuli Haapasalo




Mona Björklund



Vilho Hänninen



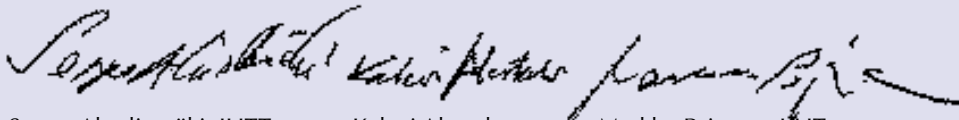
Matti Puhakka



Pertti Yliniemi

The above financial Statement has been prepared in accordance with good accounting standards. A separate audit report has been issued today

Vantaa 28 March 1995



Seppo Akselinmäki, JHTT

Kalevi Alestalo

Markku Pajunen, KHT

Certified Public Accountant



## AUDIT REPORT

We have examined the Income Statement and Balance Sheet, the books as well as the management and finances of the Civil Aviation Administration for the fiscal year 1995. The Income Statement and Balance Sheet drawn up by the Board and the managing director include the profit and loss account, balance sheet and appendices with financial statement of the Civil Aviation Group.

The auditing has been conducted to the extent stipulated by good auditing standards. The principles, contents and presentation concerning the bookkeeping and Income Statement and Balance Sheet have been investigated in order to ensure that there are no essential flaws or lack of information in the Annual Report. Also in a management audit the conformity to law of the activities of the managing director and the Board has been examined on the basis of the Act on State Enterprises.

The bookkeeping of the CAA has been properly arranged and the books have been kept in accordance with proper accounting practice. The control and management of funds have been properly arranged.

The Income Statement and Balance Sheet have been drawn up in compliance with the provisions in force and good accounting practice. The Financial Statements of the CAA and CAA Group together with the appended Annual Report to be supplied to the State render a truthful account of the finances of the CAA and the attainment of the targets set by the Parliament and the Council of State.

We recommend that

- the Income Statement and Balance Sheet of the State Enterprise and the CAA Group be adopted
- the proposal of the Board for the handling of the profit shown on the Balance Sheet be adopted.

Vantaa 28 March 1995

  
Seppo Akselinmäki, JHTT      Kalevi Alestalo      Markku Pajunen, KHT  
Certified Public Accountant





## REGULATORY FUNCTIONS

The Flight Safety Authority is the regulatory division of the CAA, the purpose of which is to prepare aviation regulations, grant certificates and licences and oversee flight safety in general. The Flight Safety Authority has final decision-making power in the CAA in matters concerning flight safety.

The Flight Safety Authority is in charge of the regulatory control of the safety of air traffic, other aviation operations as well as airport and air navigation services.

### IMPACTS OF EEA MEMBERSHIP

The EEA Agreement which entered into force in 1994 brought about changes in the Flight Safety Authority's functions. For instance, Finnish citizenship being the obligatory requirement for obtaining air operator's certificate was removed following the new EEA regulations that forbid discrimination of applicants on any ground. Another new feature is that companies carrying passengers, goods and cargo are required to have besides the air operator's certificate also a special operating licence which will allow the company to operate in the entire EEA.

### AVIATION REGULATIONS

In 1994, the Joint Aviation Authority (JAA), which prepares Pan-European aviation regulations, issued new regulations concerning type-certification of various aviation equipment and approval of aircraft maintenance organizations. Fulfilling the requirements of the latter regulation has proved fairly demanding for the smaller maintenance companies.

## REGULATORY CONTROL

The Flight Safety Authority emphasized the importance of internal training and quality control in the production of air navigation services and manoeuvring area and ground traffic services. The requirements for air traffic controller licences and their renewal were tightened. In 1994, the most significant approvals of the Flight Safety Authority were granted to the Helsinki-Vantaa Airport ground traffic radar and to the first three ARWO weather observation stations developed and manufactured by the Telecommunications Maintenance Services division. The flight checks and measuring of air navigation equipment, made systematically to all the ANS equipment on a regular basis, have showed that the equipment have remained in a good working order.

### RENEWAL OF AVIATION ACT

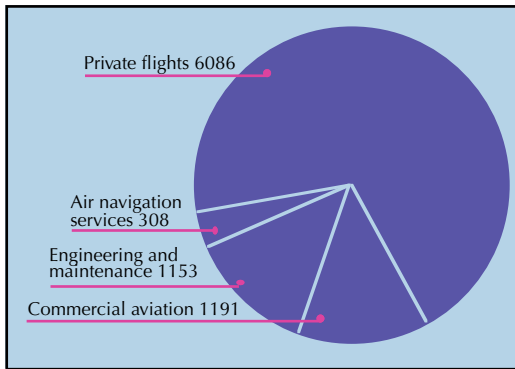
The rapid technical advancement of aircraft, European integration development and increased international co-operation are among the factors that necessitated the overall renewal of aviation laws in Finland. As a result a new Aviation Act (281/95) and Act on Major Accident Investigation (282/95) were issued on March 3, 1995. The laws will be enforced with a separate ordinance in the beginning of 1996.

In the Government proposal for the new law the former citizenship requirements for certificate holders have been relaxed for EEA citizens and companies. Application procedures have been simplified and means tests have been abandoned. The most important licences are based on EEA ordinances. The basic requirement for operation of commercial air services, the air operator's certificate, will now be granted to all applicants meeting the agreed economic and technical-operational requirements. For transportation of passengers, post and cargo an additional operating licence is required. These licences will be granted to all applicants fulfilling certain economic requirements. In addition, the insurance requirements for aircraft will be tightened.

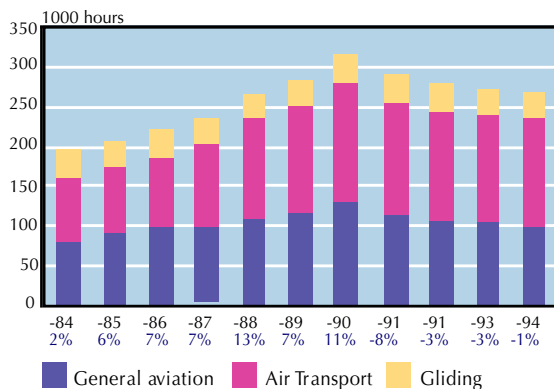
According to the Government proposal, the competent authority for licensing airfields will primarily be the CAA. All licences will be given on the basis of safety discretion. Airfields for operation with



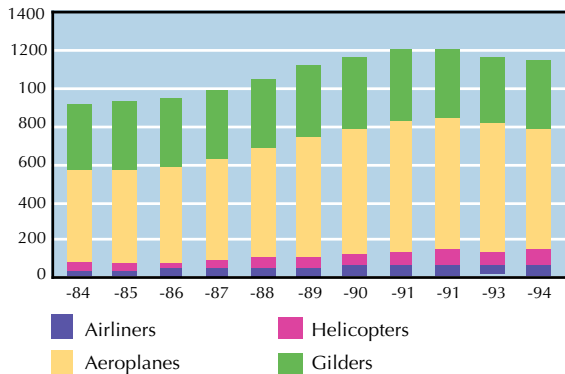
### LICENCES 1994



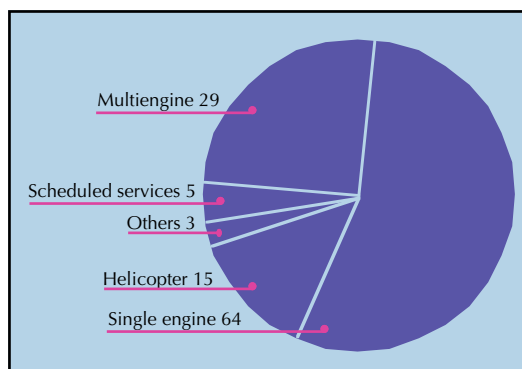
### FLIGHT HOURS, AIRCRAFT REGISTERED IN FINLAND



### AIRCRAFT REGISTERED IN FINLAND



### AIR OPERATORS CERTIFICATES 1994



light aircraft can be taken into use by notifying the CAA. The CAA licences and certificates may be applied for after the necessary environmental permits are in order.

The general arrangements for accident investigation as well as the planning, training, investigation procedures and setting up of investigating committees will be transferred to the Accident Investigation Centre which acts under the Ministry of Justice. The inspection committees will be abandoned.

The forthcoming Act includes new regulations on, e.g. data security of registers and on decreasing the harmful effects of aviation operations on the environment. The sanctions concerning aviation licences have been defined more closely. Of these caution is one example.

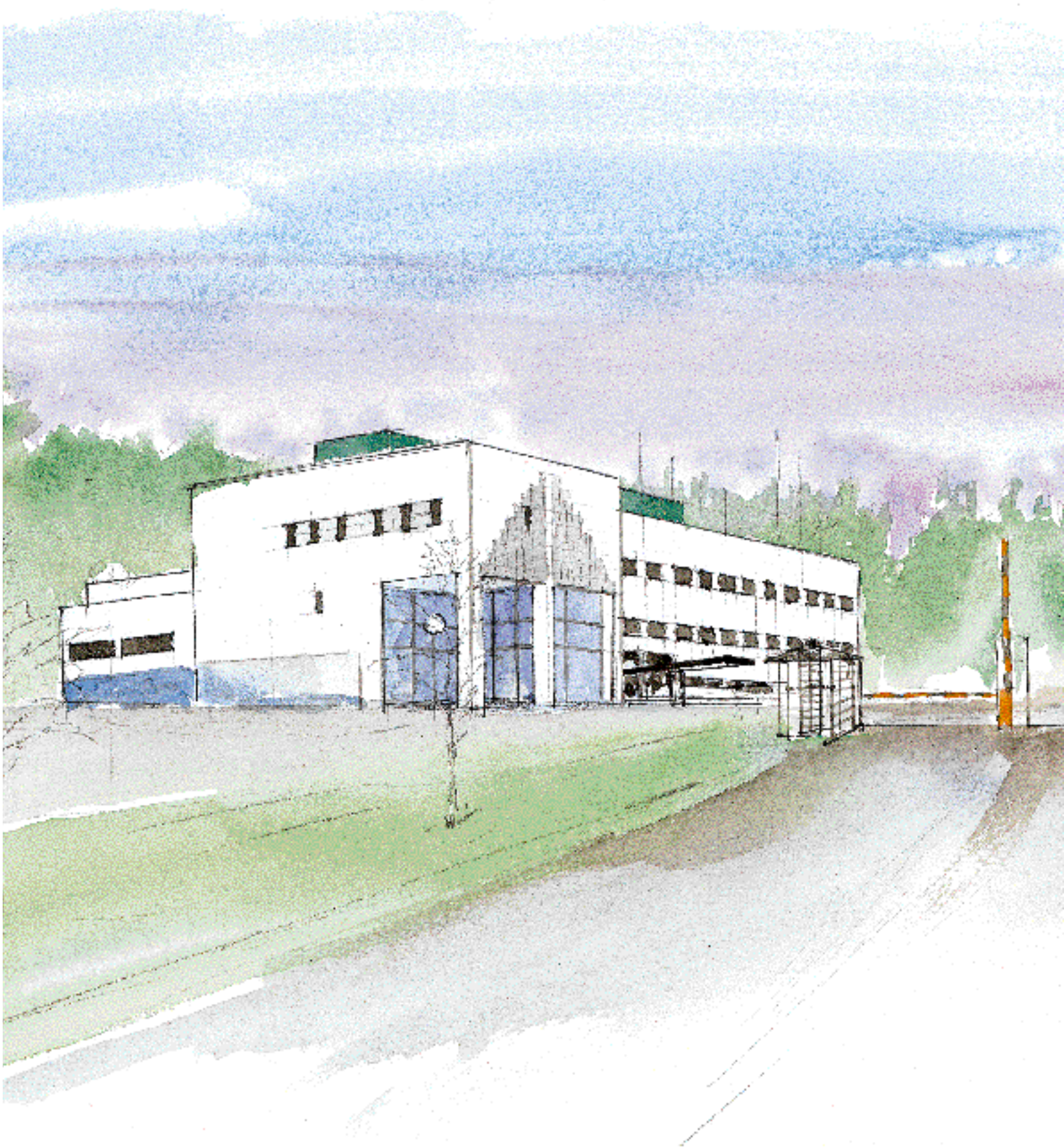
The most important regulations are included in the law. Others will be issued separately as ordinances. Regulations on statutory level will be given sparingly.

The Finnish aviation regulations are more and more frequently based on the Pan-European Joint Aviation Regulations (JAR). The CAA participates actively in the work of the Joint Aviation Authorities, the co-operating organization of European aviation authorities.

## FLIGHT SAFETY

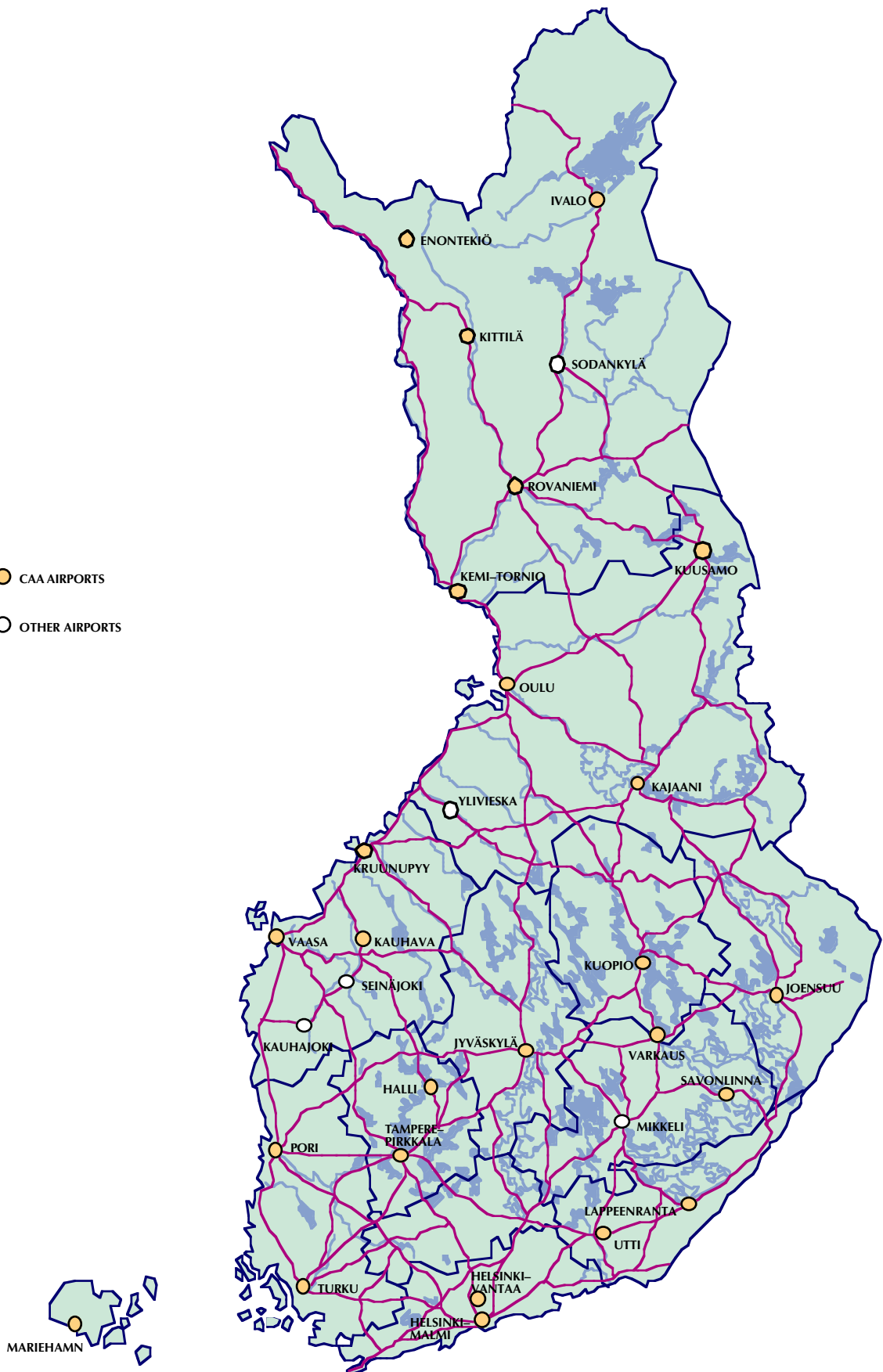
Flight safety in Finland maintained its high standards during 1994: no accidents, damage or injuries occurred in air transport or commuter traffic. General aviation met with four accidents involving serious injuries to one person. Two glider-flying accidents occurred with one person ending up injured. Two persons were killed in accidents occurring in parachuting. There was one accident with ultra light aircraft resulting in the death of one person.

In 1994 two accidents occurred with foreign aircraft. A charter aircraft made an unsuccessful attempt to land at Kajaani Airport, which resulted in severe damage to the aircraft and light injuries to three persons. In the crash of a general aviation aircraft near Oulu two lives were lost and one person was seriously injured.





- CAA AIRPORTS
- OTHER AIRPORTS



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PAINATUSKESKUS OY, HELSINKI 1995