ICAO POLICIES ON CHARGES FOR AIRPORTS AND AIR NAVIGATION SERVICES

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Economic Regulatory Framework, ICAO

ICAO/LACAC Capacity Building Workshop on Air Transport Economic Regulation and Oversight
Objectives of the Session

Understand the purpose, scope and implementation of ICAO’s policies on charges for airports and air navigation services

1. ICAO’s policies: context, scope, status
2. How policies are developed
3. Where they are found (ICAO documents)
4. How they are applied
Foundation for ICAO’s Policies on Charges

Article 15:
Airport and similar charges

Article 37:
ICAO to adopt and amend SARPs

Article 44:
Ensure the safe and orderly growth of civil aviation
Article 15 - Airport and similar charges

Three basic principles:

1. Uniform conditions for the use of facilities and services
2. No discrimination in charges
3. No charge solely for the right of airspace overfly, enter or exit

Convention neither defines “charge” nor states charges should reflect the costs of services.
ICAO’s Policies on Charges for Airports and Air Navigation Services (Doc 9082)

- ICAO Council’s recommendations based on outcomes of various conference
- Detailed policies to set the principles for establishing charges
- ICAO’s Policies on Charges for Airports and Air Navigation Services (Doc 9082)
- Periodically review and update
Why Policies on Charges are Important?

- In the past, policies were used to encourage States to establish financially independent entities to operate airports.
- Currently there is a need for some consensus on how to establish and levy charges.
- Strike a balance between the interest of service providers and users.
- Subject is generating increased interest and discussion.
A **CHARGE** is a levy designed and applied specifically to recover the costs of providing facilities and services for civil aviation.

An **AVIATION TAX** is a levy designed to raise national or local government revenues, which are generally not applied to civil aviation in their entirety or on a cost-specific basis.
ICAO’s Policies on Charges for Airports and Air Navigation Services

General charging policies

Policies on airport charges

Policies on air navigation services charges

Guide to facilities and services for determining costs

ICAO’s Policies on Charges
General policies on charges

- Scope of charges
- Key charging principles
- Organization and managerial issues
- Economic oversight
- Economic performance
- Consultation with users
- Pre-funding
Balance of interests & cooperation

- ICAO Council recognizes that airports and ANSPs may need to periodically increase charges.
- Important to consider potential effects on users.
- Important to balance interests of airports/ANSPs and air carriers, especially in difficult economic times.
Scope & proliferation of charges

- Only allow charges for services and functions provided for civil aviation operations
- Refrain from charges discriminating against international civil aviation compared to other modes of international transport
- Consider how the imposition of charges in one jurisdiction can lead to charges in another
Four key charging principles

States are encouraged to incorporate the four key charging principles:
- Non-discrimination
- Cost-relatedness
- Transparency
- Consultation with users

into national regulation, regulation or policies and future air services agreements in order to ensure compliance by airport operators and ANSPs.
Economic Oversight

Main elements:

- Separation between oversight and provision/operation
- Achieve a balance between the interests of airports and ANSPs and public policy objectives
- Prevent anti-competitive practices and abuse of dominant position
- Ensure non-discrimination and transparency in charges
- Ascertain that investments meet demand
- Protect the interests of passengers and other end-users
- Ensure that consultations with users are taking place and that performance management systems are in place
Performance systems

Performance Parameters

[Section I §16]

- Define performance objectives
- Select and report at least one indicator for each KPAs
- Evaluate and improve performance objectives
- Undertake consultations with all parties concerned
Consultation with Users

➢ Airports should consult users before making changes
➢ Objectives: inform the users and listen to their views
  ➢ Inform users proposed changes
  ➢ Provide adequate information to users
  ➢ Give proper consideration to users’ views
➢ Agreement between providers and users

Consultation process

- Notify of intent to change at least 4 months in advance
- Be transparent and provide relevant information
- Give users advance notice of final decisions
- Carefully assess potential effects on parties concerned
Project Pre-funding

• In specific circumstances involving large-scale investments

• Safeguards required:
  – Effective and transparent economic oversight
  – Comprehensive and transparent accounting
  – Advance and transparent consultations with users
  – Limited period of time and smoother transition
Policies on airport charges

Cost basis for airport charges

Airport charging systems

Individual charge

• Landing charges
• Parking and hanger charges
• Passenger services charges
• Security charges
• Noise-related charges
• Emissions-related charges to address LAQ

Revenues from concessions, fuel concessions
Cost basis for airport charges

- General
  - Users bear full and fair share of costs involved
  - Airports to maintain adequate accounts

- Principles for determining cost basis
  - Share full cost (airport and ancillary services)
  - Only charge for facilities provided under regional air navigation plans
  - Possibility to develop aggregated cost bases
  - Allocate costs equitably
  - Identify costs for approach and aerodrome control separately
  - Reasonable return
  - Full/partial recovery
  - Costs related to oversight functions may be included
Airport charging systems

- Simple and suitable for general application
- Don’t discourage use of facilities necessary for safety
- Reflect sound accounting and other economic principles
- No discrimination between foreign and national users
- Transparency and fairness for modified charges
- Gradual increases
- Consolidation of charges
- Maintain flexibility to allow introducing improvements
- Charges for general/business aviation to be reasonably assessed
Landing/parking charges

- **Landing:**
  - Landing based on weight formula using MTOW
  - Approach and aerodrome control
  - No differentiation for stage length
  - Apply single charge as much as possible
  - Include lighting and special radio aids where required

- **Parking:**
  - Parking based on weight/dimensions/length of stay
  - Free parking time locally determined
Passenger service charges

- Avoid facilitation problems (e.g. long queues)
- Airlines collect from passengers on behalf of the airport
- Usually charged to departing passengers only, some airports also apply transfer charges
Aviation Security Charges

- Consultation in advance
- Recovery in a fair and equitable manner
- Direct relation to costs incurred
- No charging for general security
- No discrimination between users
- Cost-recovery method discretionary
- Charges can be added to other charges or be separate, but must be explained/justified

Airports may charge additional costs for extra levels of security
Non-aeronautical revenues

- Encourage full development of revenues from concessions, rental of premises and “free zones”
- Except for concessions directly linked with air transport services (e.g. fuel, in-flight catering, ground handling)
- Must also keep prices moderate
- Simply stated: use sound commercial practices
Policies on air navigation services charges

- Cost basis
- Allocation of costs among aeronautical users
- Charging systems
- Individual charges
  - Approach and aerodrome control charges
  - Route air navigation services charges
- Charges to aircraft not over the provider State
Cost basis for ANS charges

➢ Full cost of providing the air navigation services, including appropriate amounts for cost of capital and depreciation of assets, as well as the costs of maintenance, operation, management and administration.

➢ The costs to be taken into account should be those assessed in relation to the facilities and services, including satellite services, provided for and implemented under the ICAO Regional Air Navigation Plan(s).

➢ The costs of air navigation services provided during the en-route, approach and aerodrome phases of aircraft operations should be identified separately.

➢ The costs of supporting services such as aeronautical meteorological services (MET), aeronautical information services (AIS) and other ancillary services should also be identified separately.

➢ Costs related to oversight functions may be included.
Allocation of costs of air navigation services among aeronautical users

- Equitable
- Ensure that no users are burdened with costs not properly allocable to them
- Ensure that basic utilization data in respect of air navigation services are maintained
- Utilization data: number of flights by user category, distances flown and information on aircraft type or weight
Charging system - ANS charges

– Charges should not be imposed in such a way as to discourage the use of facilities and services necessary for safety or the introduction of new aids and techniques.

– States should refrain from segmenting Flight Information Regions (FIRs) solely for the purpose of generating revenue unrelated to the costs of service provision.
Individual charges

- Approach and aerodrome control charges
- Route air navigation services charges
- Charges for air navigation services used by aircraft when not over the provider State
Survey on Implementation of ICAO’s Policies on Charges
Implementation of ICAO’s Policies on Charges

- **Surveys on status of** implementation of ICAO’s policies on charges done in 2020.

- **Of 79 States and territories that responded (covering 75% of aircraft departures in 2019)**

- **Survey scope:**
  - awareness of ICAO’s policies on charges for airports and air navigation services;
  - national rules and legislations on charges for airports and air navigation services;
  - implementation of ICAO’s policies on charges;
  - forms of economic oversight on airports and air navigation services providers (ANSPs) adopted by States; and
  - any other comments and/or suggestions for improving the implementation of ICAO policies on charges.
Given regard to ICAO’s policies and guidance - airports

Given regard to ICAO’s policies and guidance - ANSPs
Issues in ensuring “no fees, dues or other charges shall be imposed by any contracting State in respect solely of the right of transit over or entry into or exit from its territory of any aircraft of a contracting State or persons or property thereon”

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Adoption of ICAO key charging principles - airports

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## Highlights

Charges is designed and applied specifically to recover the costs of providing facilities and services for civil aviation.

There should be a balance between the respective interests of airports and ANSPs on one hand and of aircraft operators and end-users on the other.

Incorporating key principles in ICAO’s policies on charges: **non-discrimination, cost-relatedness, transparency and consultation with users**, into national legislation, regulation or polices.

In general, users should not be charged for facilities and services they do not use.

Allocation of costs should be equitable so that no users shall be burdened with costs not properly allocated to them.

Airports and ANSPs should maintain accounts that provide a satisfactory basis for determining and allocating the costs to be recovered.