

A Global Perspective on Airport Economics in Latin America and the Caribbean

ACI World
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Airports Council International (ACI) represents the collective interests of airports around the world to promote excellence in the aviation industry.



2,109 Airports



757 Members



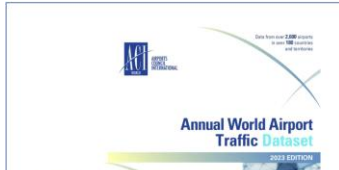
191 Countries

“Without data, you’re just another person with an opinion.”

Dr. W. Edwards Deming, Economist &
Statistician

ACI World is the Source of Credible Data

A comprehensive view of the airport industry's economic performance



The ACI WORLD key performance indicators (KPIs)

1,069 airports for the 2022 financial year.

Together, these airports handled **over 7 billion passengers**, or about **82.7% of worldwide passenger traffic** in 2019.

	Number of participating airports	Passenger* traffic covered 2019
Africa	76	63.8%
Asia-Pacific	337	86.5%
Europe	242	73.6%
Latin America-Caribbean	174	73.5%
Middle East	17	52.4%
North America	223	99.5%
World	1069	82.7%
<1 m	234	25.6%
1-5 m	186	40.5%
5-15 m	92	54.5%
15-25 m	37	64.2%
25-40 m	28	68.3%
> 40m	40	72.6%

* Passenger traffic refers to arriving, departing, and transit passengers.

AGENDA

01

Airport Economics &
Industry Recovery

02

Passenger Traffic
Recovery & Forecasts

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on Airport Charges

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Capacity Crunch &
Creating Fertile Grounds
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05

Issues for Aviation
Ecosystem Stakeholders
to Address Together

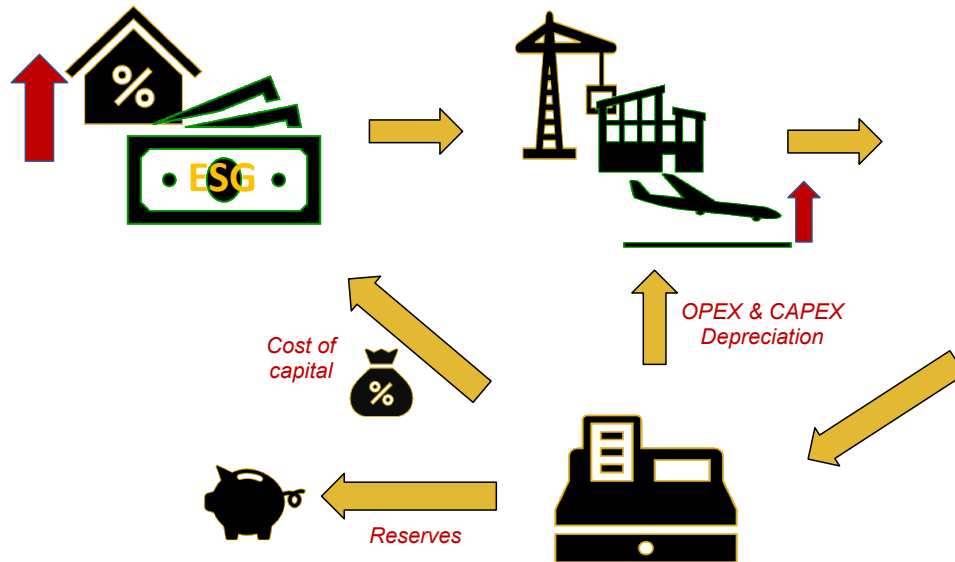
06

SWOT Analysis on
the Airport
Business - Focus
on LAC

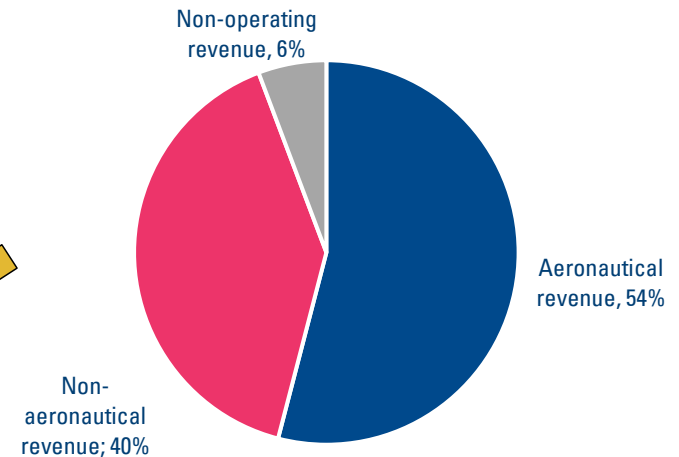
1. Airport Economics & Industry Recovery

Financing Airport Development - World

The simplified airport infrastructure development cycle

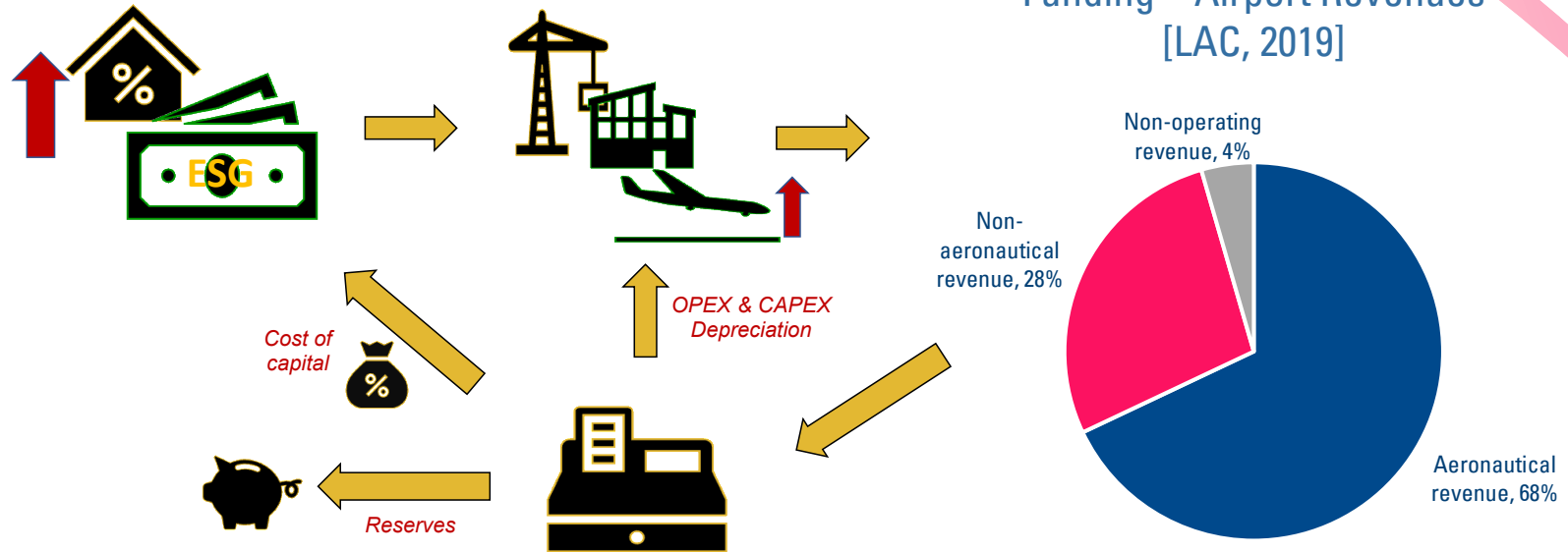


Funding – Airport Revenues [World, 2019]



Financing Airport Development - LAC

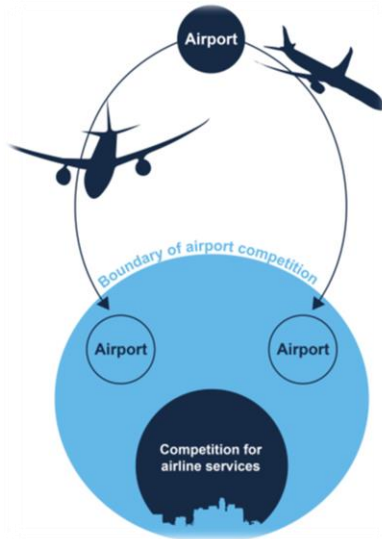
The simplified airport infrastructure development cycle



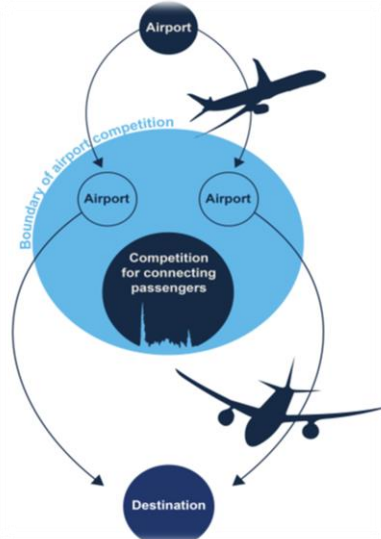
Aeronautical Side of the Business

The reality: Airport competition has intensified

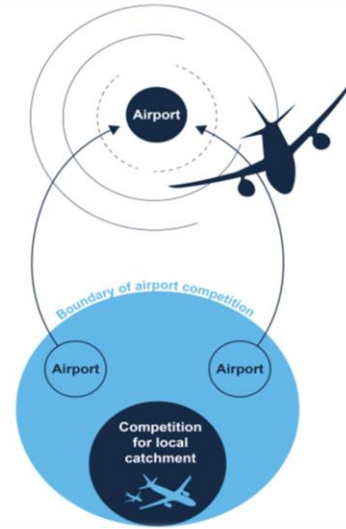
Competition between airports for airline services on new and existing routes



Competition between airports for connecting passengers



Competition for passengers in local catchment



Modal competition

Air cargo competition and Short-and medium-haul for pax

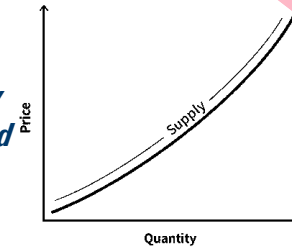


Airport Charges Defined

What is and what should be?

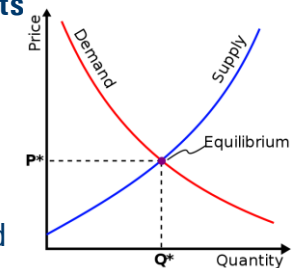
What is – An exclusive focus on cost recovery (**Supply side only**)

- The International Civil Aviation Organization (ICAO) defines an **airport charge** as *“a levy that is designed and applied specifically to recover the costs of providing facilities and civil aviation services,”* including the operating expenses and costs related to capital investments to build and maintain airport infrastructure.



What should be – prices that consider the interaction of **Demand** and **Supply**

- **Airport charges should reflect not only market supply (cost) but also demand elements especially price signals for efficient use of airport resources (capacity).**
- Charges should provide incentives for:
 - ✓ **prioritizing uses of existing capacity,**
 - ✓ **for signaling when the market needs and is able to pay for additional capacity,**
 - ✓ **to mitigate external impacts** such as noise and environmental considerations, and
 - ✓ **for increasing connectivity and socio-economic gains** via incentives.



Review of ICAO'S DOC 9082 (New 10th Edition)

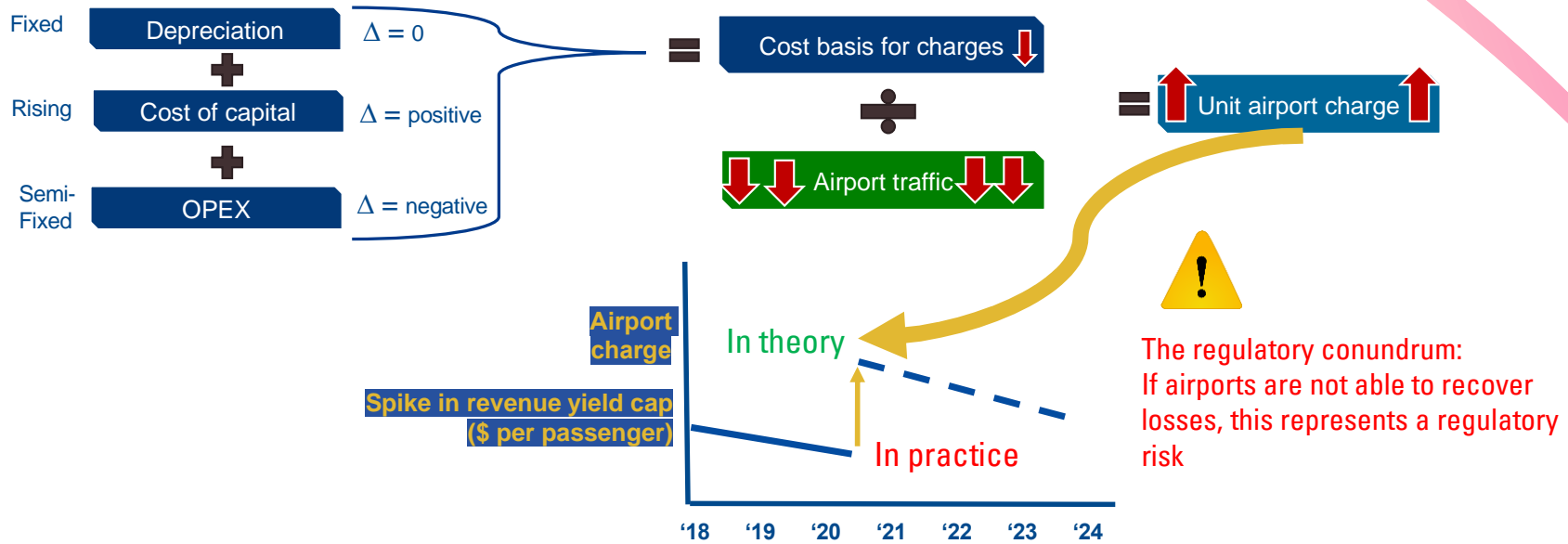
Peak off-peak pricing & incentives for the efficient use of infrastructure

Chapter	Changes
<p>SECTION II. ICAO'S POLICIES ON AIRPORT CHARGES The cost basis for airport charges [A-13]</p>	<p>1. As a general principle it is desirable, where an airport is provided for international use, that the users shall ultimately bear their full and fair share of the cost of providing the airport. It is therefore important that airports maintain accounts that provide information adequate for the needs of both airports and users, and that the facilities and services related to airport charges be identified as precisely as possible. In determining and allocating the total cost to be met by charges on international air services, the list in Appendix 1 may serve as a general guide to the facilities and services to be taken into account. <u>Individual airport circumstances as well as considerations in the modification of charges for the efficient use of infrastructure may also be taken into account.</u> Airports should maintain accounts that provide a satisfactory basis for determining and allocating the costs to be recovered, should publish their financial statements on a regular basis, and should provide appropriate financial information to users in consultations³. Moreover, it is recommended that States consider the application by airports, where appropriate, of internationally accepted accounting standards.</p>
<p>SECTION II. ICAO'S POLICIES ON AIRPORT CHARGES Airport charging systems [A-14]</p>	<p>v) Consistent with the form of economic oversight adopted, States should assess, on a case-by-case basis and according to local or national circumstances, the positive and negative effects of <u>modifying airport charges to address specific situations. For example, an airport may want to modify its current charging approach to improve the economic efficiency associated with service provision through the use of pricing based on peak periods or congestion. In other cases, an airport may want to encourage the use of certain technologies or attract new air services by offering rebates or discounts to a particular aircraft operator. Regardless of intent, States should ensure that the purpose and creation of, and criteria for, modifications to airport charges are consistent with ICAO's four key charging principles expressed in Doc 9082, differential charges applied by airports. States should ensure that the purpose, creation and criteria for differential charges are transparent. Without prejudice to modulated charging schemes, the costs associated with such differential charges should not be allocated to users not benefiting from them. Charges offered for the purpose of attracting or retaining new air services should only be offered on a temporary basis.</u></p>

New!

COVID-19 and Regulated Airport Charges

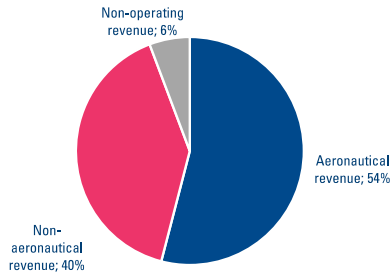
The classical building blocks – From business as usual...to unusual



Global Airport Revenues

Impact of the pandemic across revenue channels

2014-2019
Steady growth



2020
Detrimental decline

Aero revenues

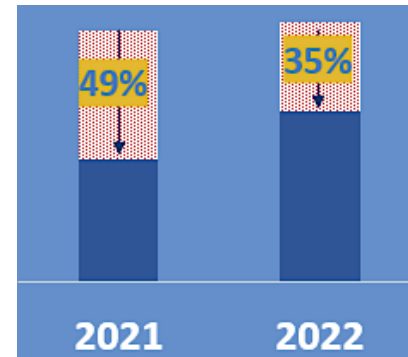
- Passenger charges **-65%**
- Landing charges **-42**

Non-aero revenues

- Retail concessions **-63%**
 - Property & real estate **-12%**
- (most affected revenue source)
- (smaller decline)

2021-2022
Deep crisis

Combined losses of
148 billion USD

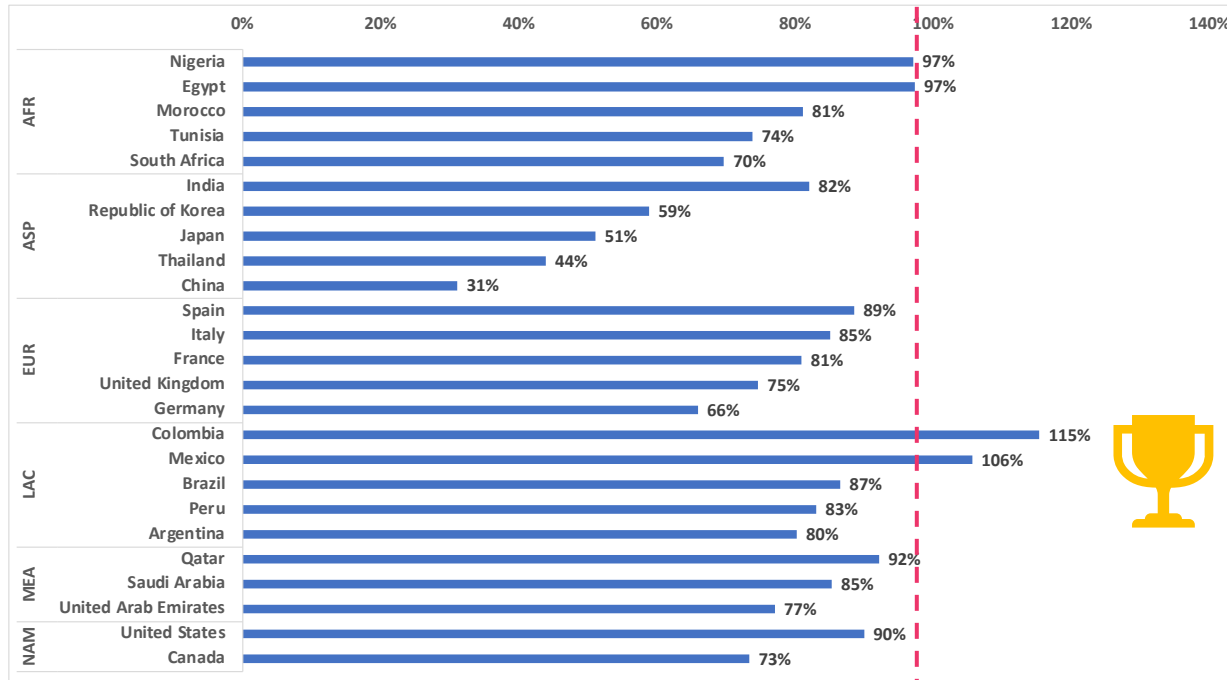


2023-?
Slow recovery?



“Recovered” Markets in 2022

Selected countries by region – % of 2019



AFR – Mixed picture in Africa but Nigeria and Egypt strong

ASP – India strong but rest of region lags significantly

EUR – Strong summer but variance across markets

LAC – Several markets exceeding 2019 or approaching parity

MEA – Relatively strong recovery

NAM – Strong US domestic market

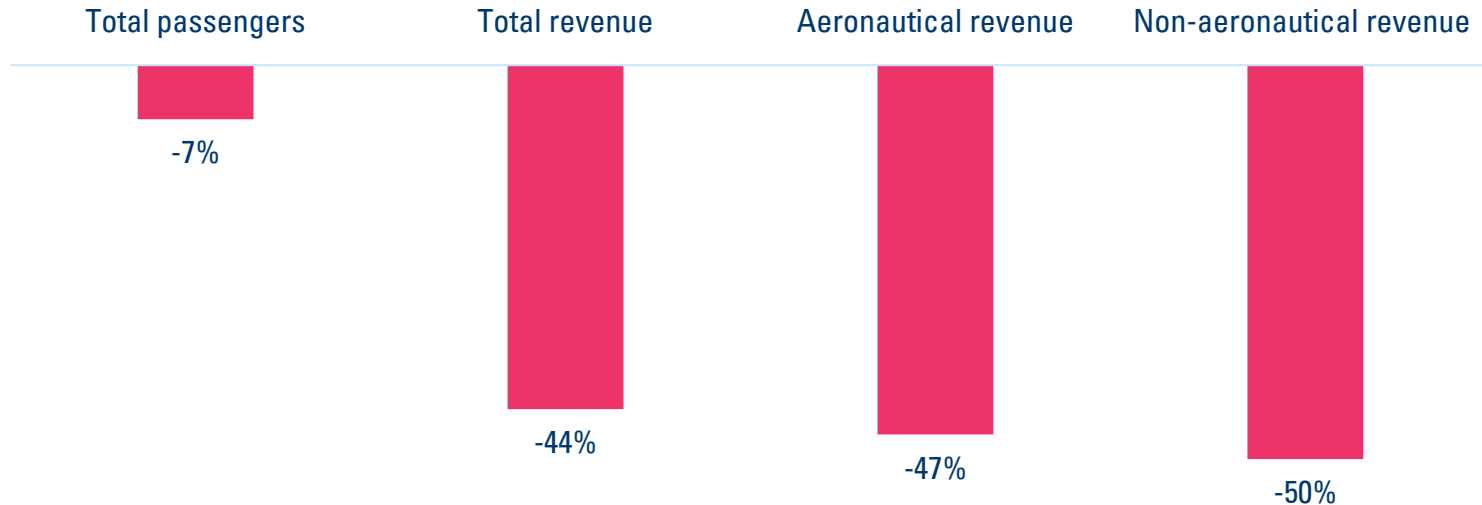


Source: ACI World

Correlation Between Traffic and Economic Recovery?

Recovery in Passenger Traffic does not equate to Recovery in Revenues

Latin America-Caribbean
2022 vs 2019 [real terms]



Impact of COVID-19

The top four most pressing issues regarding economic regulation and airport charges

⌞ Inability to adjust prices rapidly and in a flexible manner;



⌞ Hindering needed future investments due to inadequate revenues;



⌞ Challenges in attracting new financing (debt and equity);

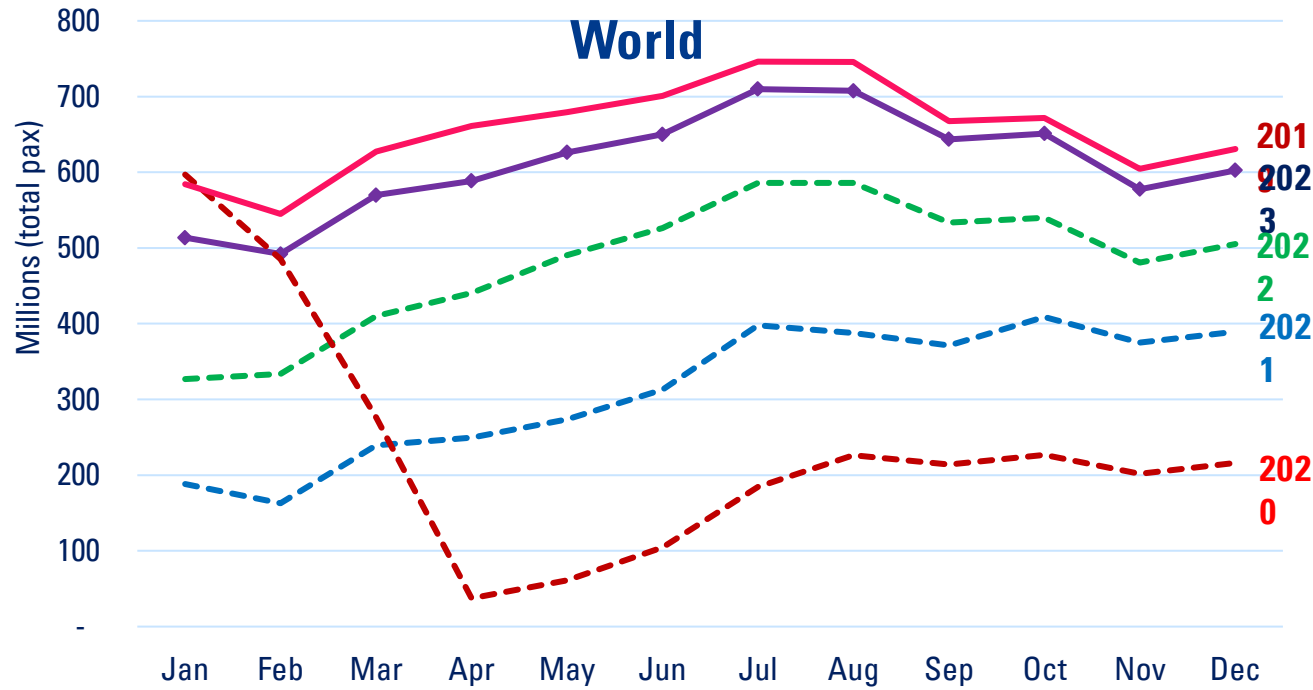


⌞ Accrued debts hindering infrastructure development.



2. Passenger Traffic Recovery & Forecasts

Global Passenger Traffic Recovery



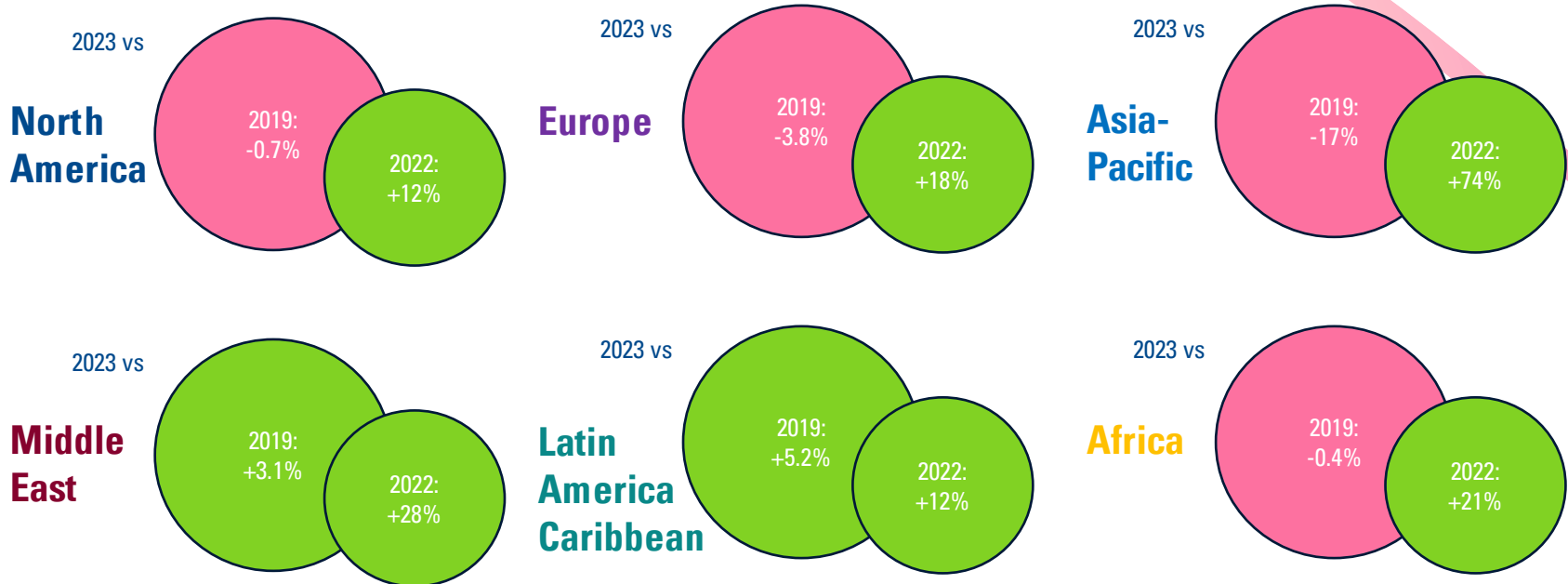
2023 vs:

2022: +27%

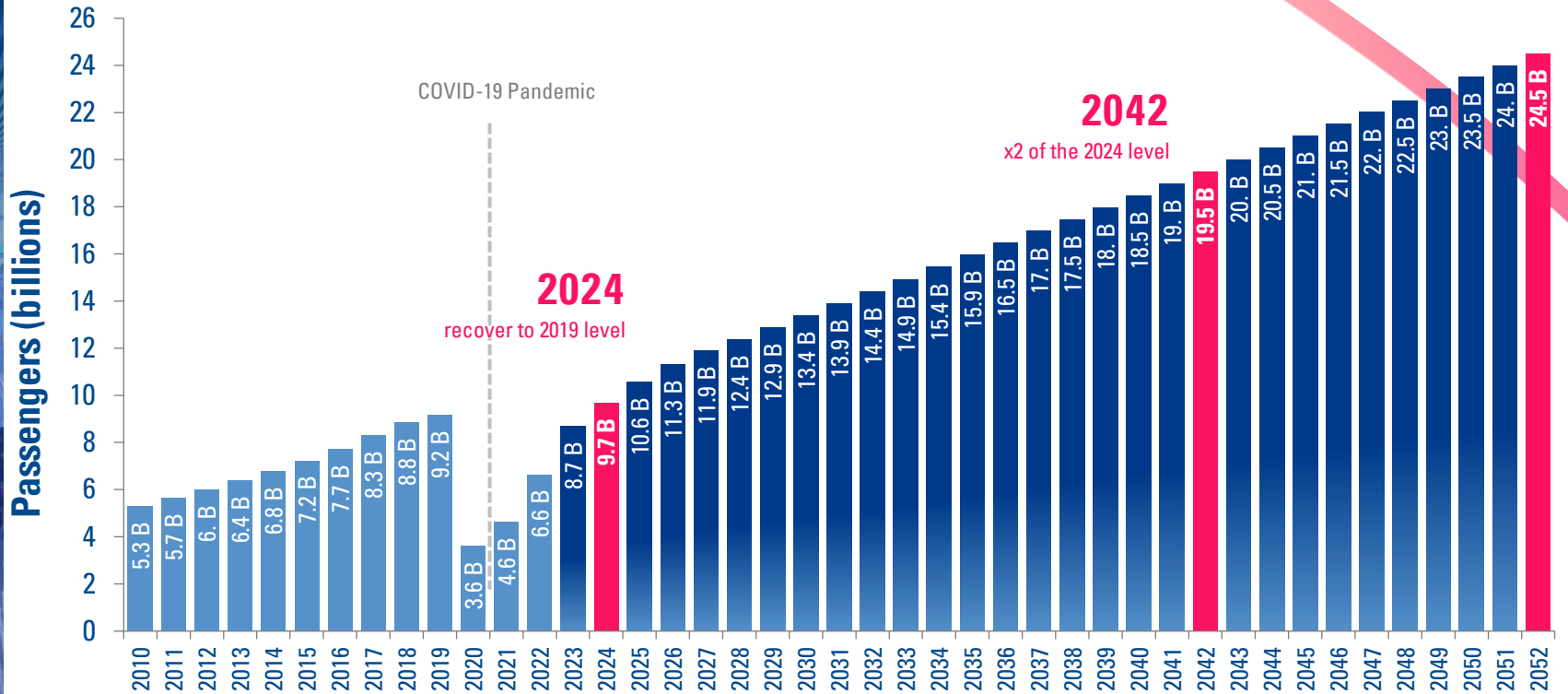
2019: -6.8%

Source: ACI World

Passenger Traffic Recovery By Regions

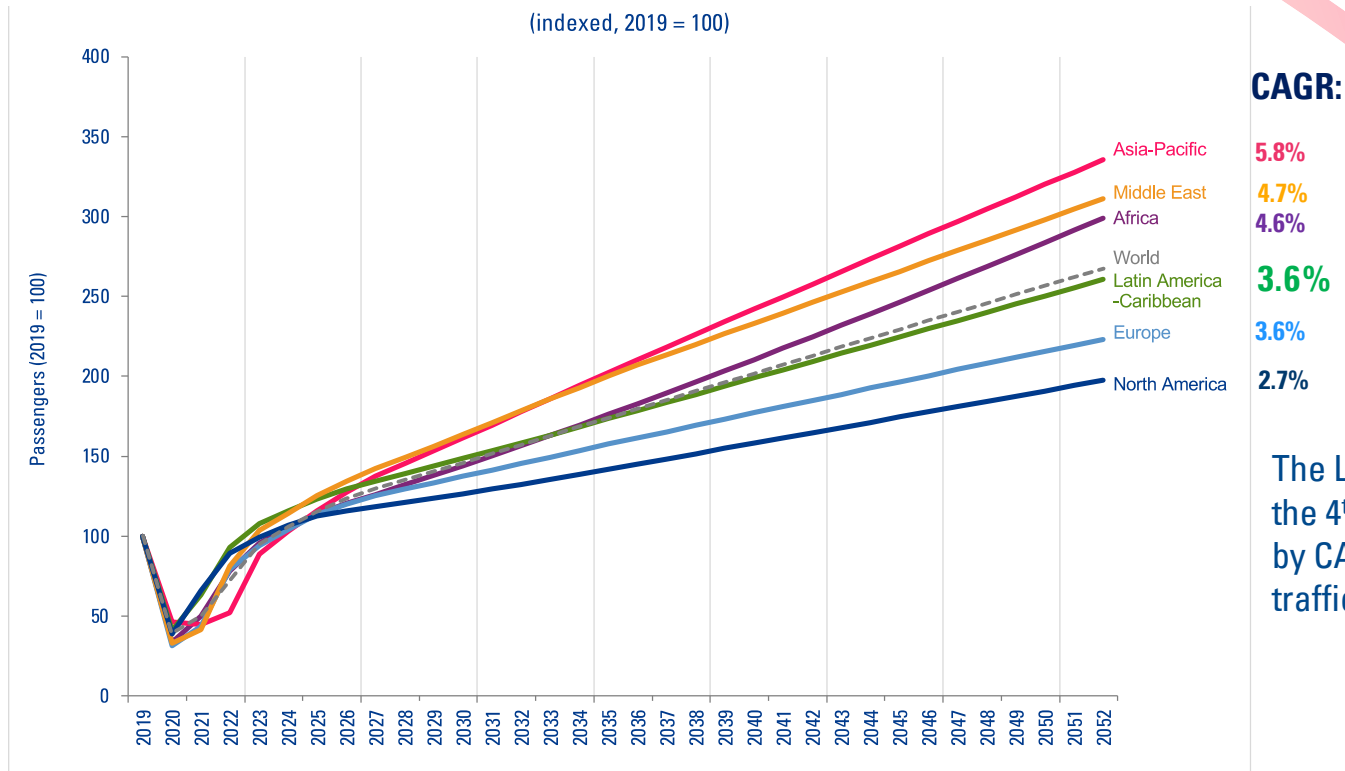


Long-term Passenger Traffic Growth



Source: ACI World

Long-term Passenger Traffic Forecast by Regions



The LAC Region holds the 4th rank in the world by CAGR of passenger traffic by 2052

3. Debunking the Myths on Airport Charges

A child in a white t-shirt stands in a field of tall grass, holding a model airplane aloft with their right hand. The scene is overlaid with a blue tint and several curved lines in white, yellow, and red. The text 'Myth #1: Airport Charges = Taxes' is centered over the image in a large, bold, yellow font.

Myth #1: Airport Charges = Taxes

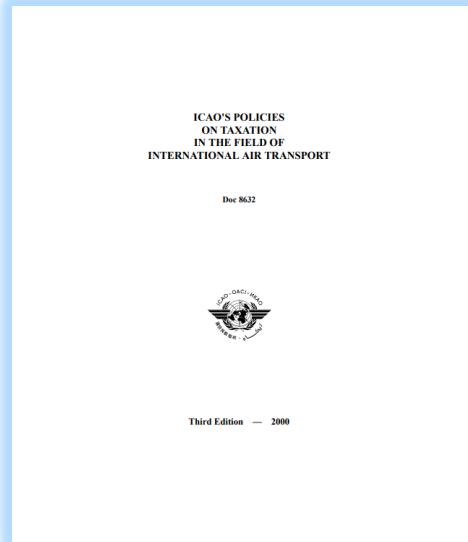
Taxes vs Charges

There is a common confusion between the terms “airport charges” and “taxes” when applied to levies on air tickets—a confusion aggravated by intentional confounding of the two terms by some.



- An AIRPORT 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 Taxation (Doc 8632)



3. With respect to **taxes on the sale and use of international air transport**: each Contracting State shall reduce to the fullest practicable extent and make plans to eliminate as soon as its economic conditions permit all forms of taxation on the sale or use of international transport by air, including taxes on gross receipts of operators and taxes levied directly on passengers or shippers;

16. Sales taxes, consumption taxes or Value Added Taxes (VAT) on tickets purchased for international air transport, where levied, increase the cost of air travel. Since VAT or other consumption taxes are often widely cast by fiscal authorities, with only limited exemptions permitted, the normal practice with respect to the sale or use of international air transport is to zero rate (i.e. where the tax rate is set at zero) rather than specifically exempt international air transport from these consumption taxes. Such sales or consumption taxes should be distinguished from airport or passenger service charges which meet the ICAO definition of a charge and have as their purpose cost recovery for civil aviation services or facilities.

18. In its *Statements to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082), the Council has made two important recommendations in relation to charges. The first is that States should impose charges only for services and functions which are required for international civil aviation; and the second is that States refrain from imposing charges which discriminate against international civil aviation in relation to other modes of international transportation. Where charges are imposed for services and functions which are not required for international civil aviation, these charges are in effect taxes and come within the purview of this Resolution.

Distinguishing Charges and Taxes

Who assesses the levy?	Airport		Government	
Use of proceeds	Coverage of infrastructure or operating costs	Coverage of infrastructure or operating costs	Trust fund or internal accounting entry that might only be partially used for aviation or tourism purposes	Non-aviation
Levied by	Airport	Government	Government	Government
Recipient of proceeds	Airport	Airport	Government	Government's General Fund or Treasury
Classification of levy	Charge	Charge	Tax	Tax
Recommendations	Charge should be non-discriminatory	Charge should be non-discriminatory	Collection of taxes that might or might not be used for stated purpose are sub-optimal (e.g., security tax that is not directly linked to expenditures on security services or infrastructure)	<ul style="list-style-type: none"> Discouraged for international aviation due to reduced competitiveness of national markets Should not target only the aviation sector and discriminate Existing taxes should be phased out or cost-benefit undertaken to justify
Consistency with ICAO policies on taxation (Doc 8632) and charges (Doc 9082)	Optimal	Justifiable	Sub-optimal	Misalignment with ICAO policies and guidance

Are Some LAC States in Violation of ICAO's Policies on Taxation (doc 8632)?

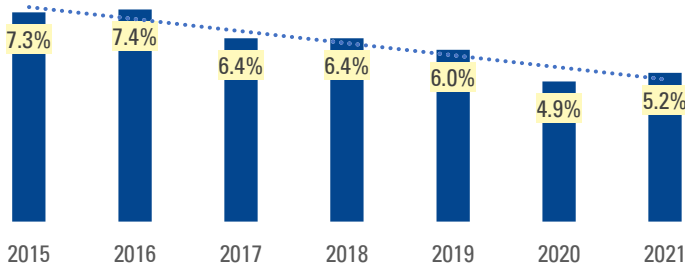
ICAO policies on taxation of international aviation should be followed by States

A child is seen from behind, standing in a field of tall grass. The child is holding a toy airplane horizontally in their right hand, as if about to launch it. The background is a soft-focus landscape under a clear sky. The entire image is overlaid with a semi-transparent blue filter. Three curved lines (white, yellow, and red) sweep across the left side of the frame from top to bottom.

Myth #2: Airport charges have a big impact on consumers (airlines and passengers)

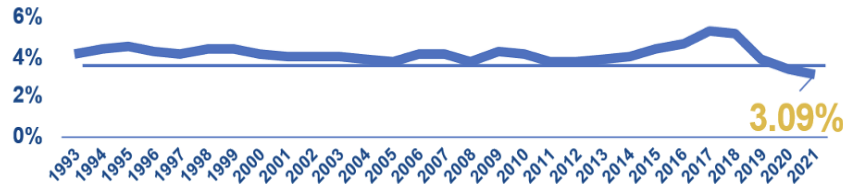
Airport Charges as a % of Airline Costs

IATA User charges* as % of total airline costs



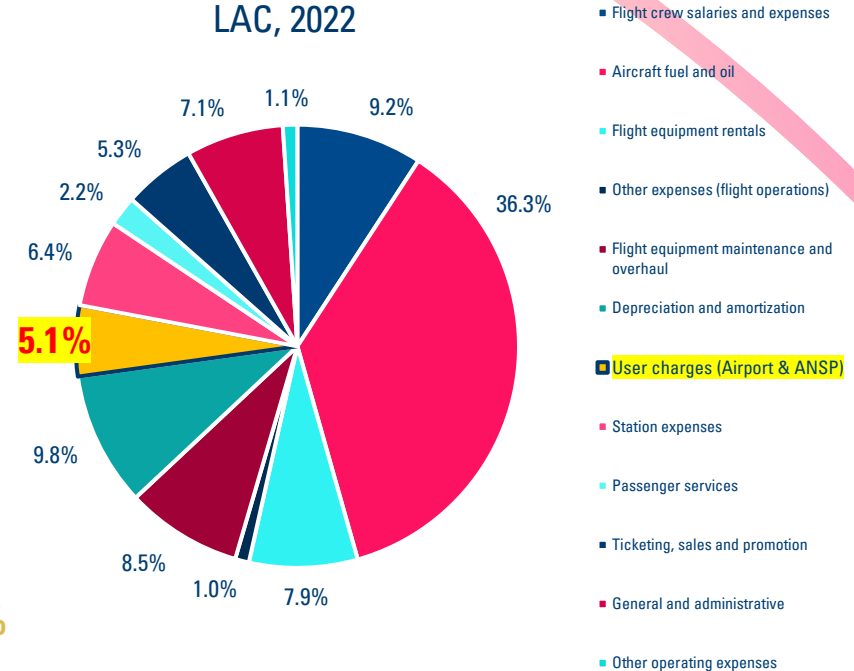
*As defined in IATA WATS, the data presented are drawn from a sample of airlines with financial years ending in 2021 (n=120), 2020 (n=126), 2019 (n=109), 2018 (n=132), 2017 (n=125), 2016 (n=120) and 2015 (n=110). The sample sizes generally reflect traditional/legacy airlines only. User charges consists of both of Air traffic control (ATC) charges and airport charges

ICAO User charges as % of total costs International scheduled services



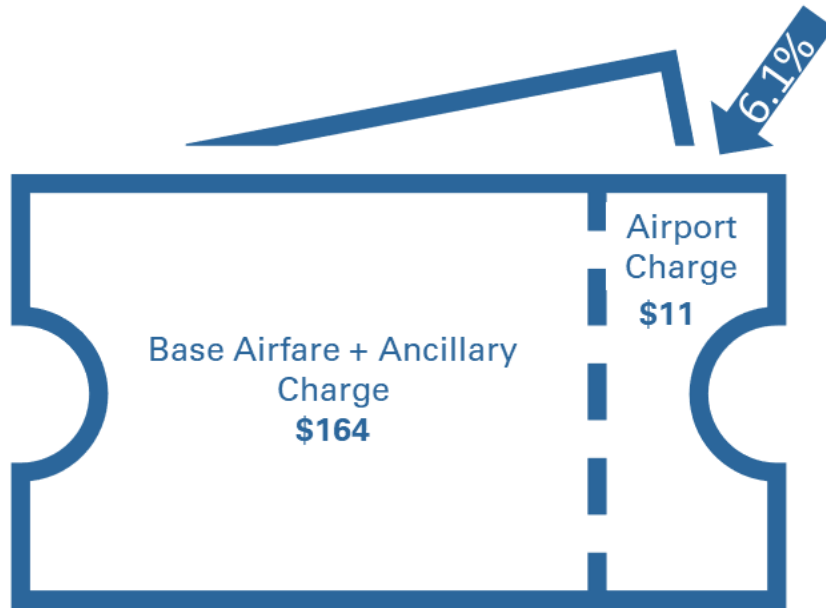
Source: ICAO

Airline Cost Items Breakdown LAC, 2022



Source: IATA World Air Traffic Statistics, 2022

Airport Charges as a % of Airfares – LAC



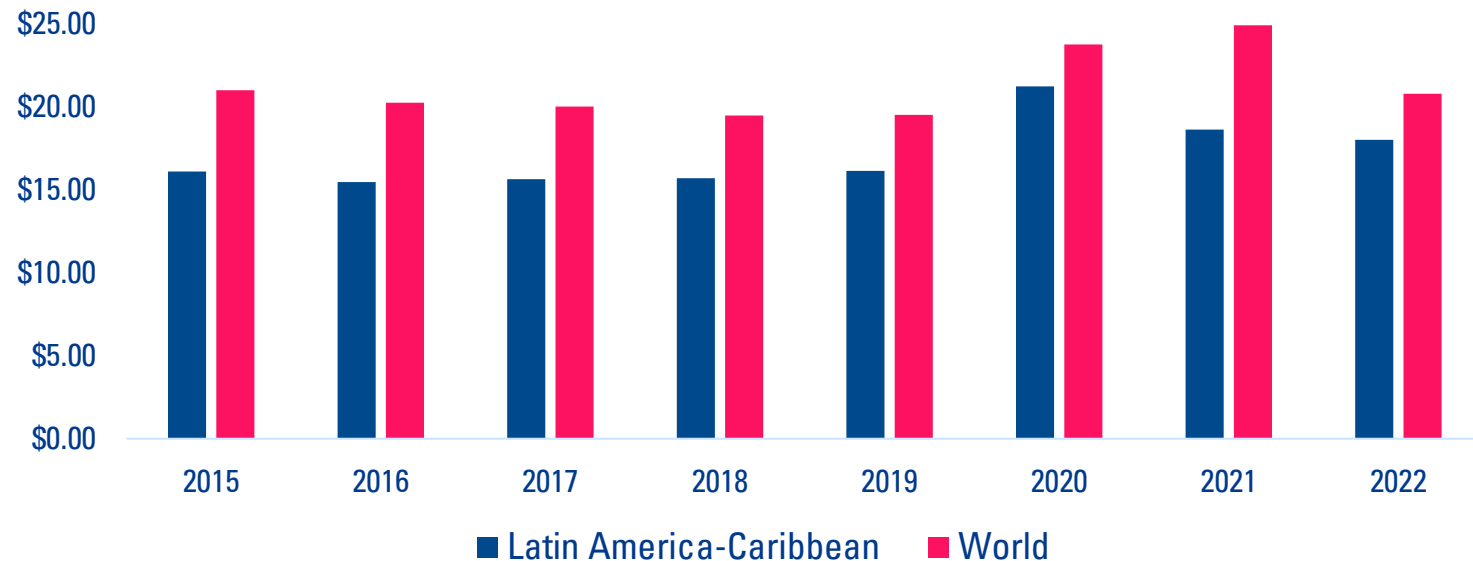
All airport charges represent a small % of airfares passenger and airline charges

A child is seen from behind, standing in a field of tall grass. The child is holding a toy airplane up to the sky with their right hand. The background is a clear blue sky. The entire image is overlaid with a semi-transparent blue filter. Three curved lines (white, yellow, and red) sweep across the left side of the image.

Myth #3: Airport charges in the LAC Region are high and increasing over time

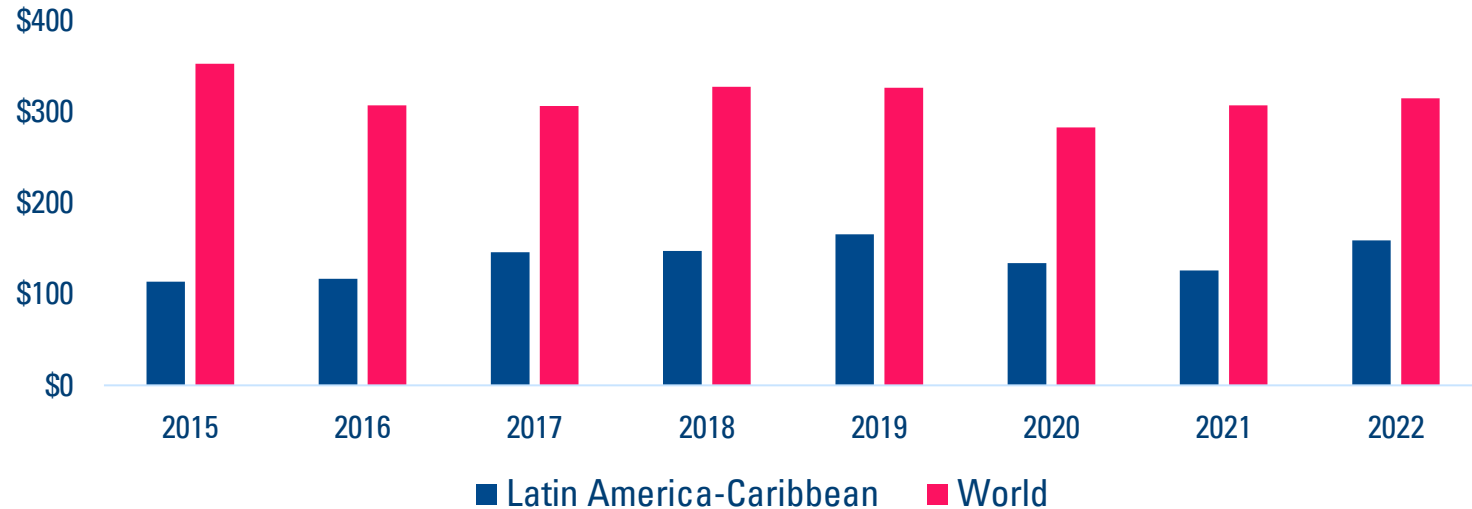
Total Airport Revenue per Passenger

Revenue per passenger in the LAC region consistently lags behind the global benchmark: **-17% in 2019**



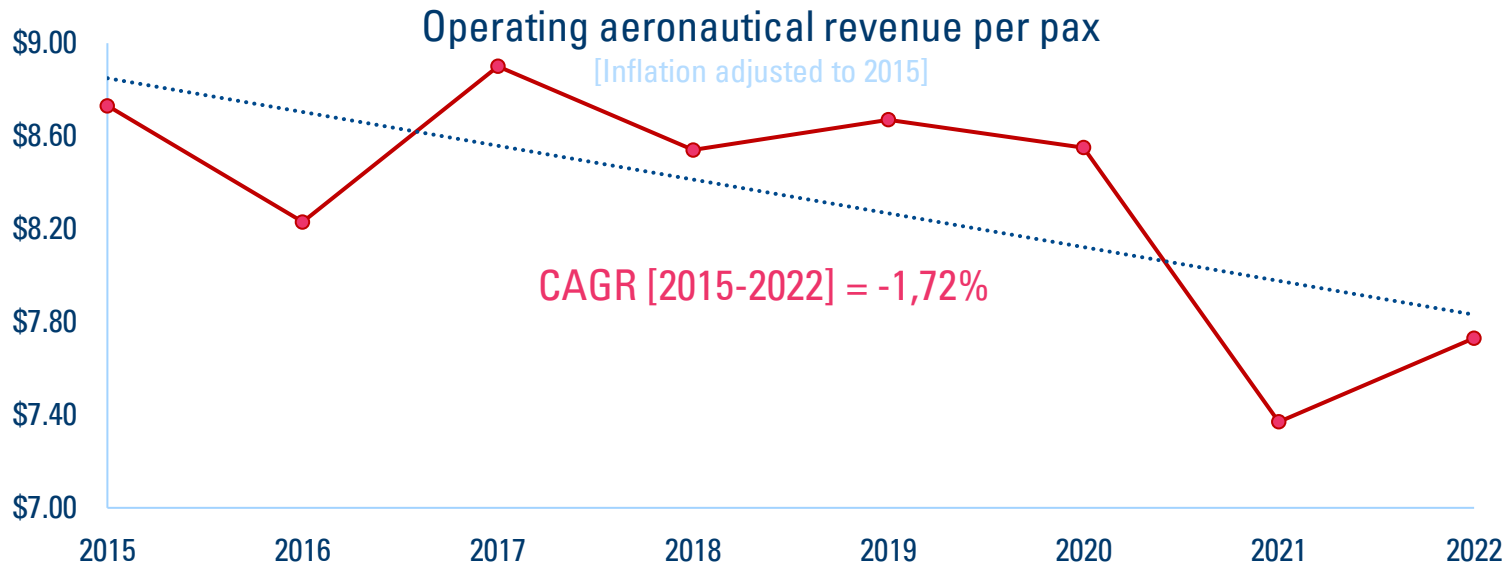
Aircraft-related Revenues per Aircraft Movement

Aircraft-related revenues paid by Airlines to Airports in the LAC Region are among the lowest in the world and consistently lag significantly behind global benchmarks: **-49% in 2019**



Airport Charges per Passenger - LAC

The Compound Annual Growth Rate (CAGR) for the adjusted Airport charges from 2015 to 2022 is **-1.72%**, indicating an annual decrease in the Airport charges over this period



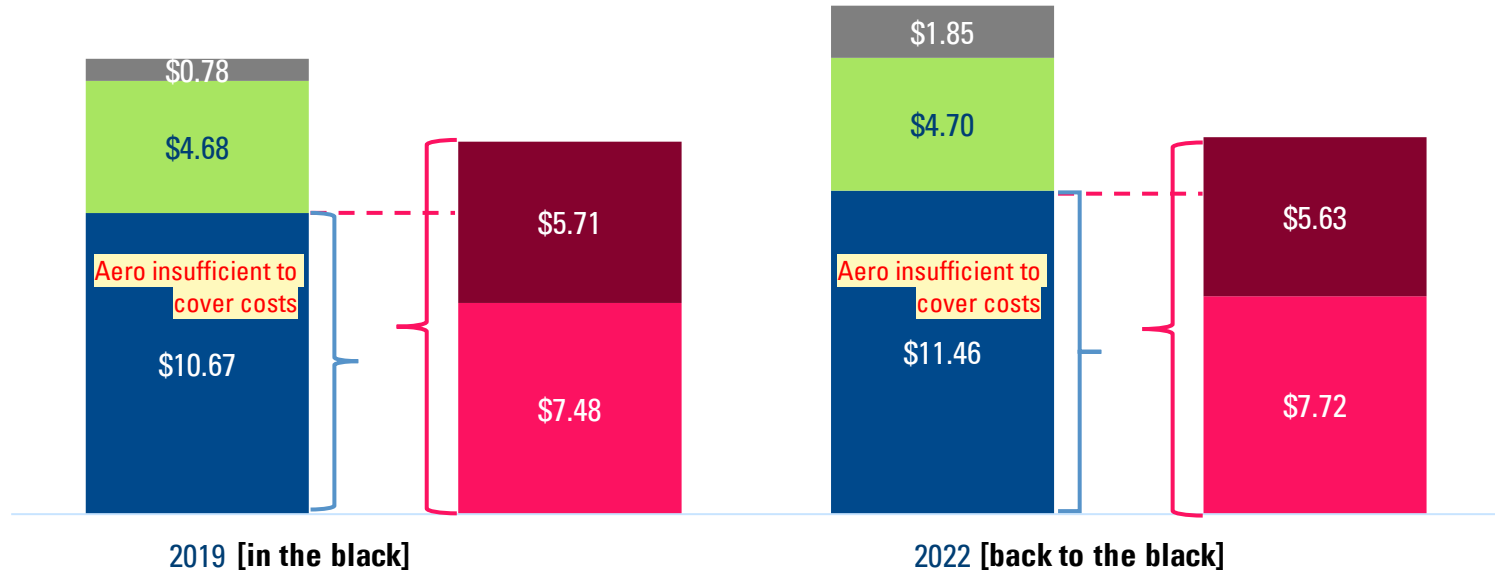
A child is seen from behind, standing in a field of tall grass. The child is holding a paper airplane up to the sky with their right hand. The background is a clear blue sky. The entire image has a blue color overlay. Three curved lines (white, yellow, and red) sweep across the scene from the top left towards the bottom right.

Myth #4: Airport charges cover all airport costs and are sufficient for sustainable development of airports

Airport Revenue and Cost per Passenger - LAC

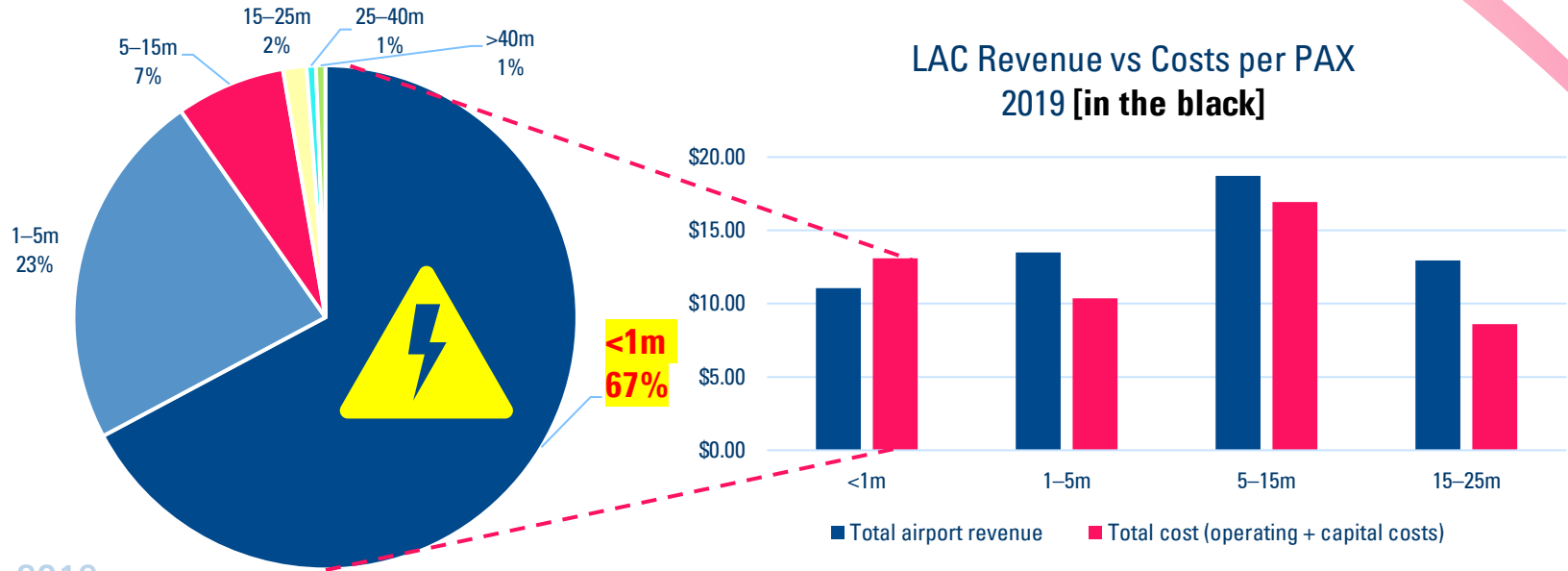
Revenue generated from airport charges is not enough to cover airport costs

■ Aeronautical revenue
 ■ Non-aeronautical revenue
 ■ Non-operating revenue
 ■ Operating costs
 ■ Capital cost



Airport Size in the LAC Region

Even when the industry was in the black, **67% of the LAC Airports** had a negative balance between Total Revenue and Total Costs



2019

Source: ACI World KPI Economics Report

A child is seen from behind, standing in a field of tall grass. The child is holding a paper airplane up in the air with their right hand. The background is a clear, bright sky. The entire image is overlaid with a semi-transparent blue filter. Three curved lines (white, yellow, and red) sweep across the image from the top left towards the bottom right.

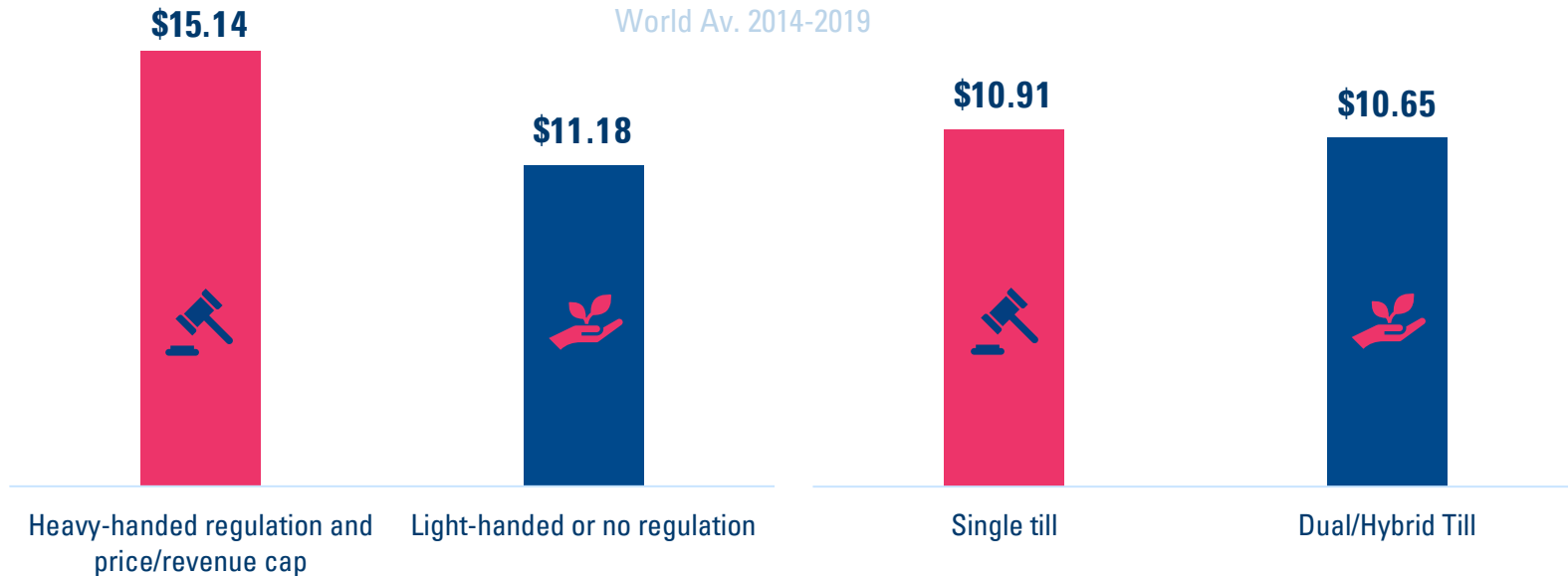
Myth #5: Heavy-handed regulation and Single Till regime are required to cap charges and protect consumers

Economic Oversight Models & Till Regimes

Heavy-handed regulation (price cap) of airport charges and Single Till are not necessarily associated with lower airport charges

Airport charges (aero revenue) per pax

World Av. 2014-2019



Source: InterVISTAS Analysis of ACI World Economics Data

Source: ACI World

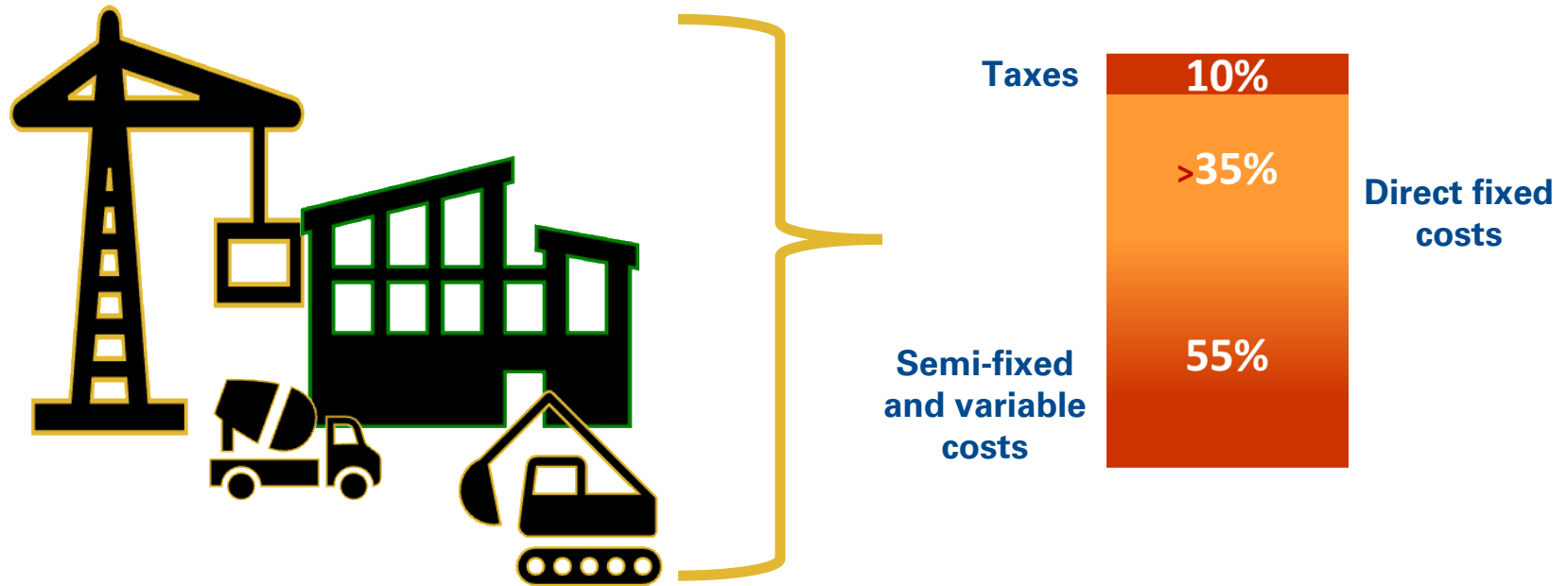
Truth about Airport Charges:

1. Charges are not equated to taxes. Some States' Taxation Policies are in violation of ICAO's Policies on Taxation (Doc 8632)
2. Airport charges have a proportionally small impact on airlines (airline costs) and passengers (airfares)
3. Airport charges in the LAC region are lower than global benchmarks and have been continuously decreasing over time
4. Airport charges (aeronautical revenues) are not sufficient to cover airport costs
5. Heavy-handed regulation (price cap) of airport charges and Single Till are not necessarily associated with lower airport charges

4. Capacity Crunch & Creating Fertile Grounds for Investments

Distribution % of Airport Costs

Airports face high fixed costs



Underinvestment in LAC

Historically weak capital investments in airport infrastructure

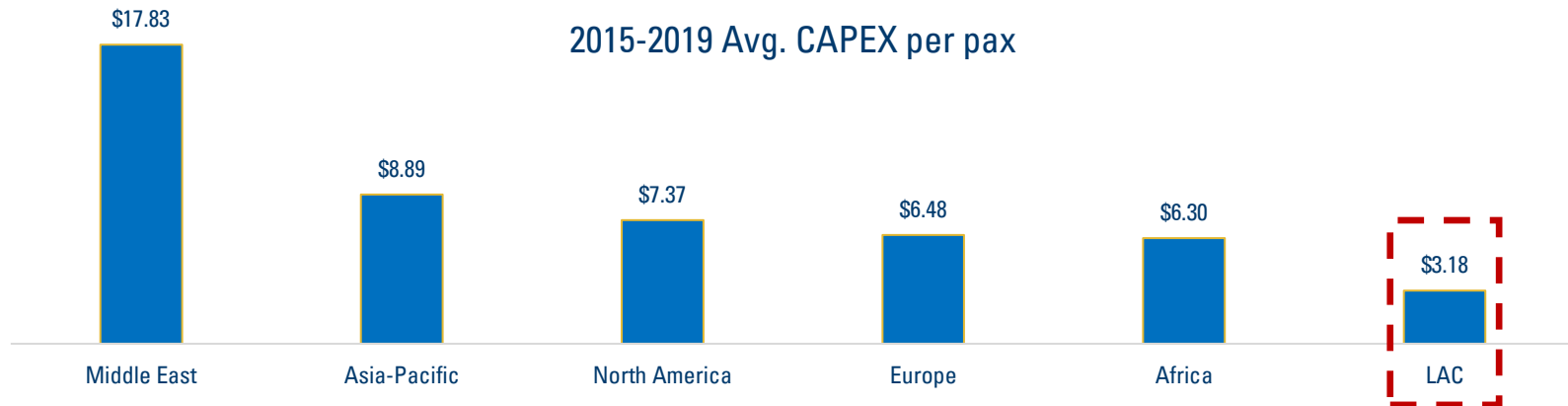
State of Infrastructure in Latin America-Caribbean :

“Aviation is the mode of transport that received the lowest amounts of both public and private investment”

Source: ECLAC

Historical

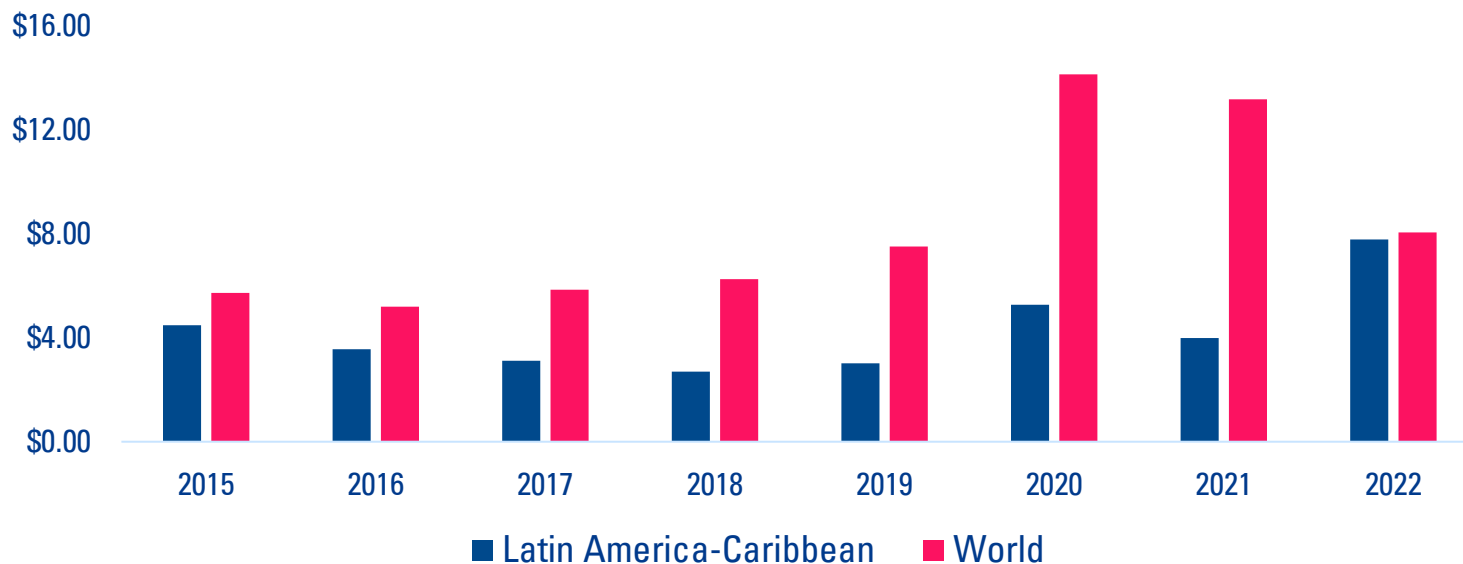
2015-2019 Avg. CAPEX per pax



Source: ACI World

Capital Expenditure per Passenger

Systematic underinvestment in airport infrastructure - CAPEX per PAX in the LAC region consistently lags behind the global benchmark: **-60% in 2019**



Supplying Longer Term Demand

Global airport capital investments to meet long-term air transport demand

Global CAPEX Projections:

≧ **US \$2.4 trillion**

in airport CAPEX needed to meet long run air transport demand (2021 to 2040) ≈ GDP of some G7 countries

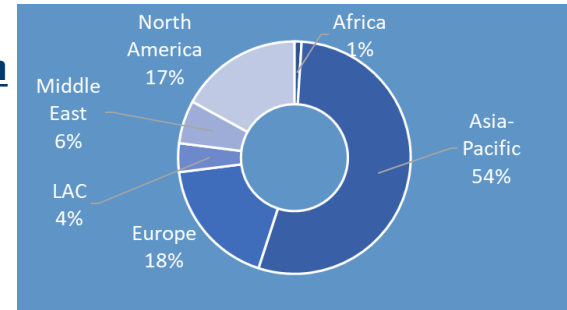
≧ **US \$1.7 trillion** in **brownfield projects**

≧ **US \$730 billion** in **greenfield projects**

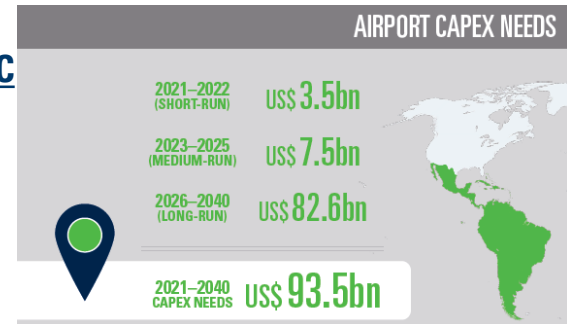
Impact of COVID-19:

≧ 33% decline in CAPEX for 2020 as compared to 2019 (CAPEX deferment measures)

Share % of CAPEX investments by region (2021-2040)

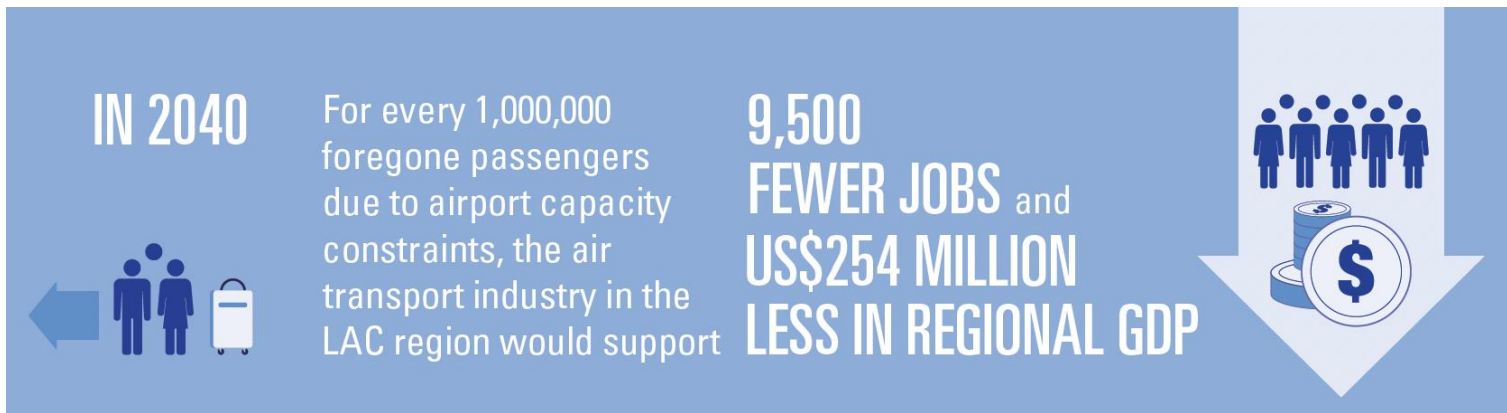


Catching up with the rest of the world - LAC



Impact of the Infrastructure Gap in LAC

Foregone benefits – Sustainable Development Goals (SDGs) at risk



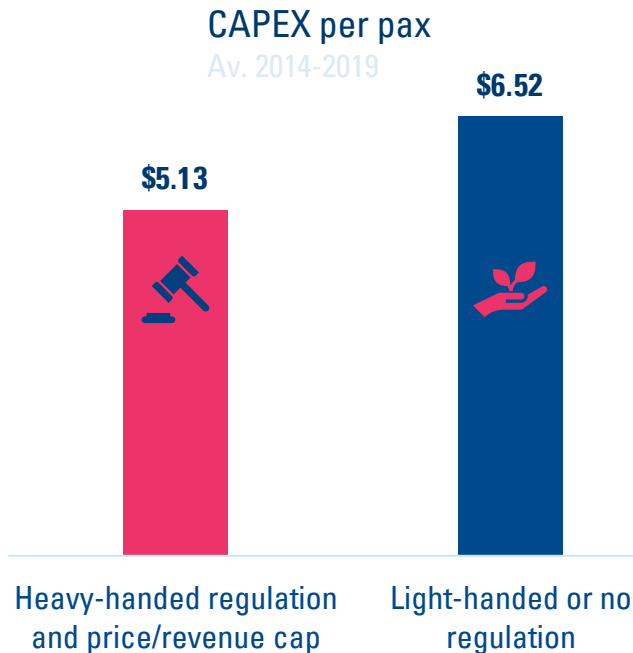
Airport related SDGs:



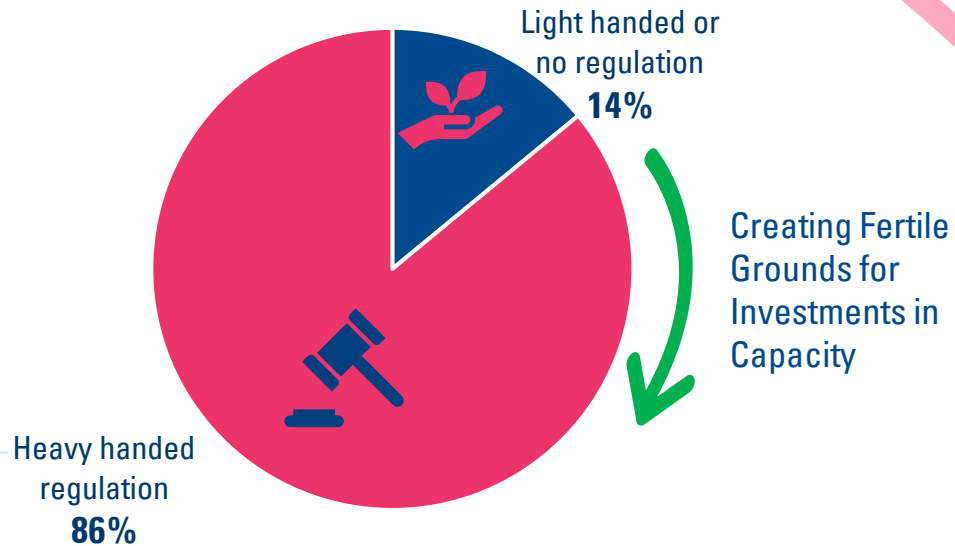
Source: Oxford Economics' calculations

Light-handed Regulation as a Way Forward

CAPEX spend per pax higher with Light-handed regulation



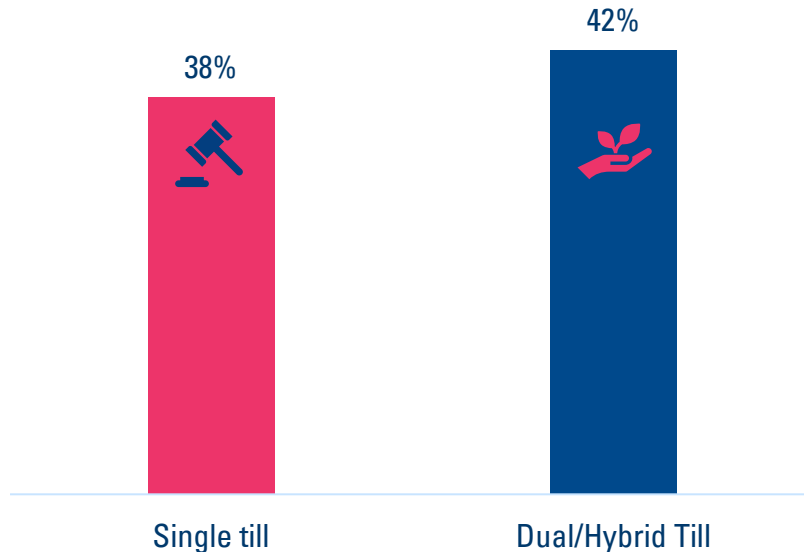
Economic Oversight Models - LAC



The Global Trend in Dual and Hybrid Till

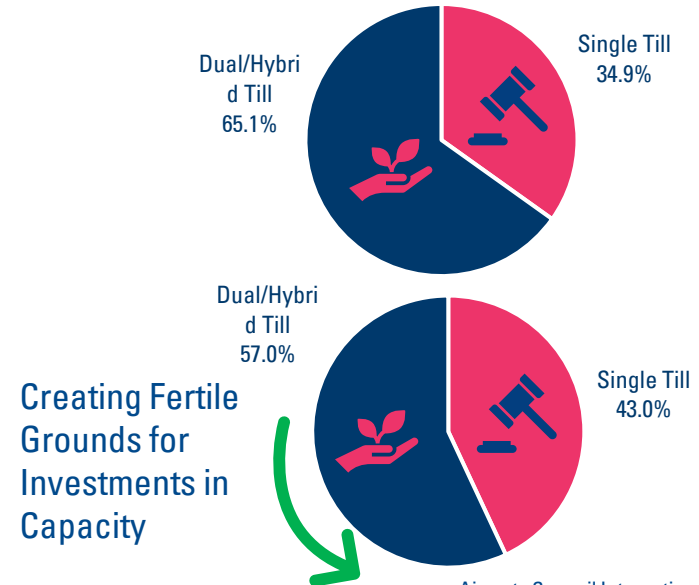
Dual till pricing increases incentives to invest in airport facilities, thereby encouraging investment and increasing capacity

Annual CAPEX as a % of total revenue
Av. 2018-2022



Source: ACI World

Till Regimes - World vs. LAC




5. Issues for Aviation Ecosystem Stakeholders to Address Together

1. Proliferation of taxes imposed on international air transport
2. Exorbitant concession fees paid by airports to the government

Policy Levers to Stimulate Demand

Removing pax-based taxes — Unleash the full socio-economic benefits of aviation

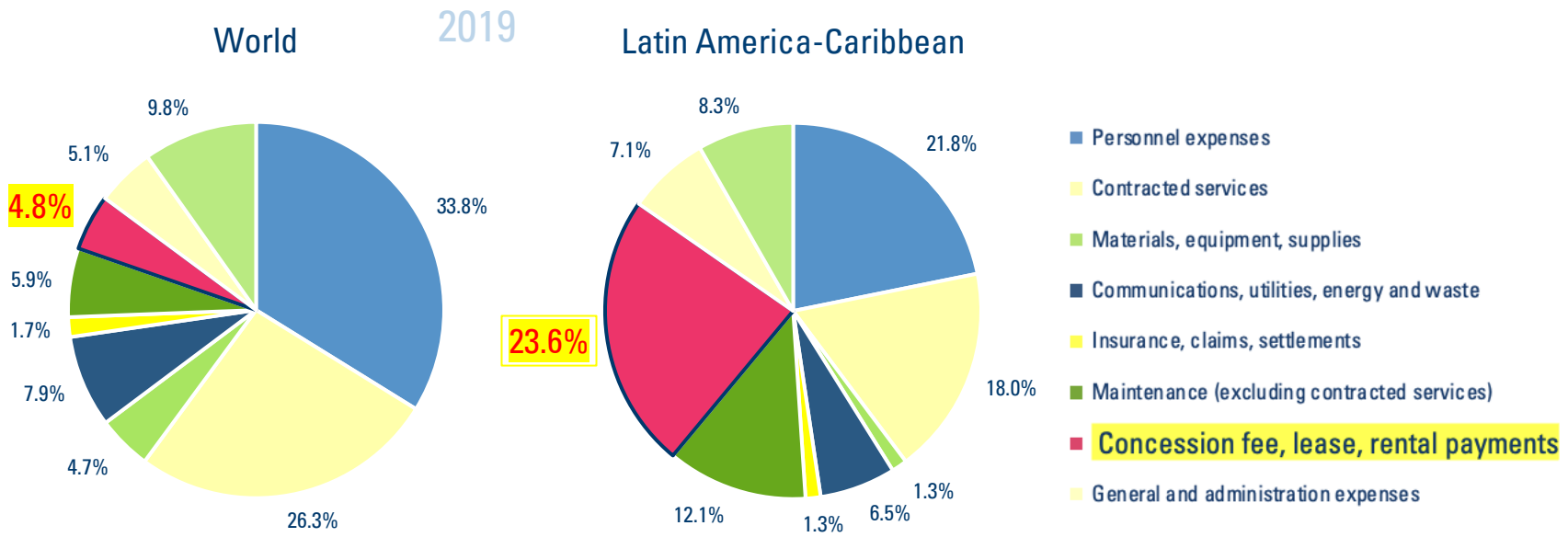
Based on estimated price elasticities – Removal of taxes would increase traffic by 11% for the LAC Region



Impact of tax removal	Tax revenues (US\$ billions)	Foregone Passengers (PAX millions)	Foregone Employment (Jobs - thousands)	Foregone GDP (US\$ billions)
Latin America and the Caribbean	US\$ -7	+70	+710	US\$ +14

Distribution of Operating Expenses

Concession fees to the government top LAC Airports' operating expenses, almost 5X higher than globally

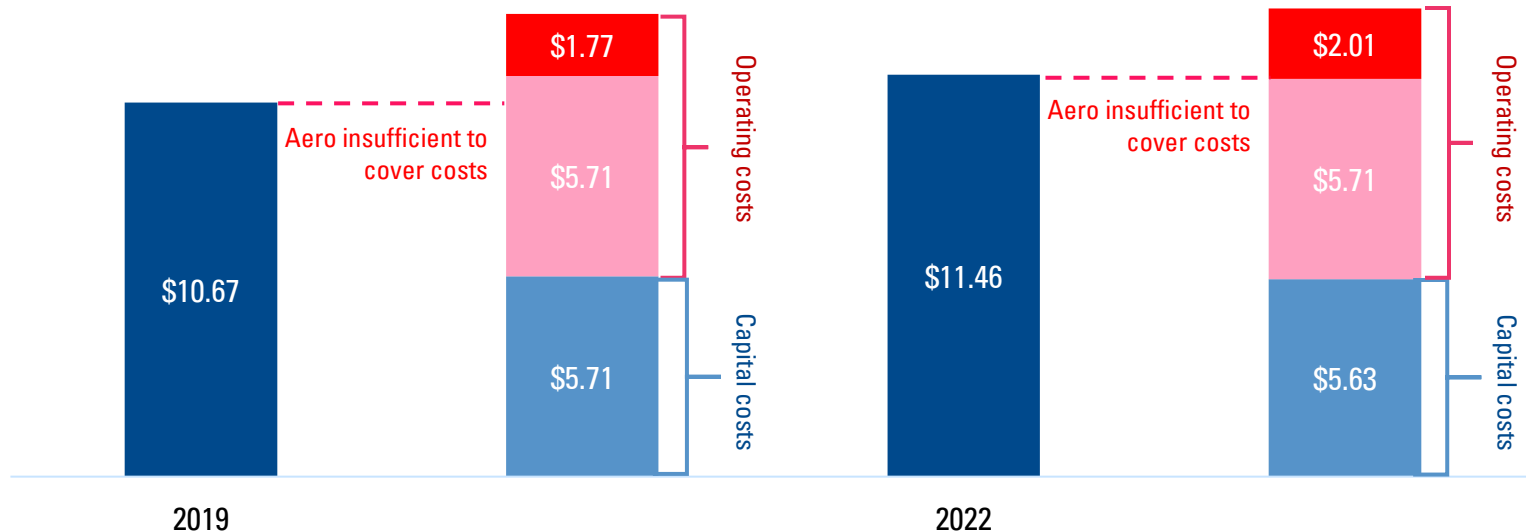


Source: ACI World KPI Economics Report

Aero Revenue and Cost per Passenger - LAC

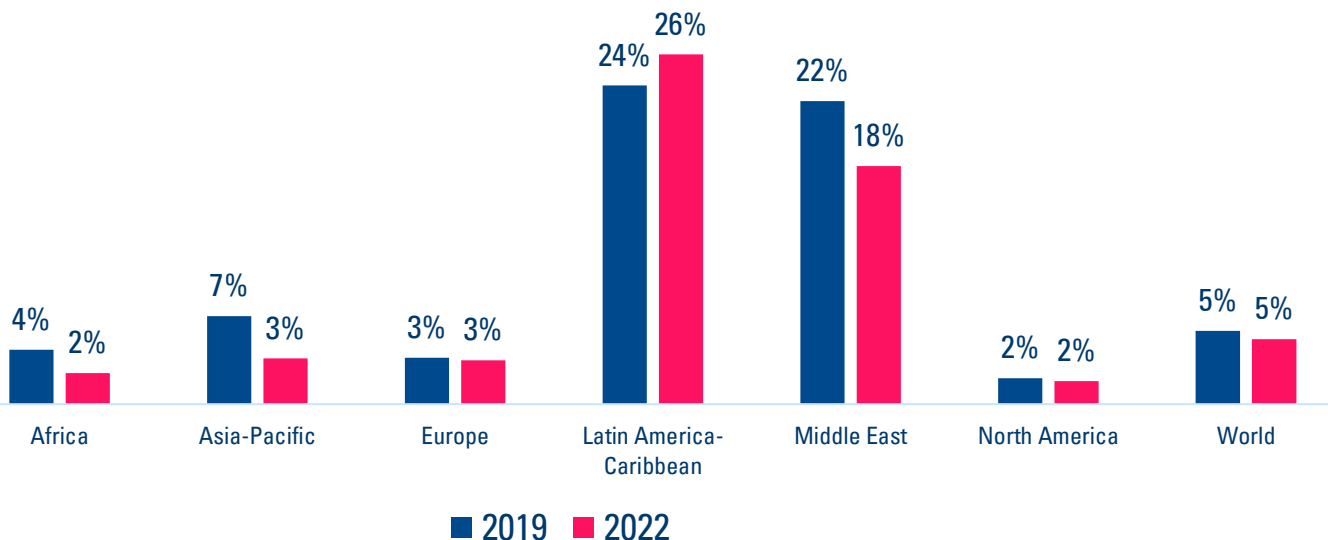
Revenue generated from airport charges is not enough to cover airport costs, and **Concession fees create a significant burden**

■ Aeronautical Revenue
 ■ Capital costs
 ■ Operating costs
 ■ Concession fee, lease, rental payments



Concession Fees to the Government

Concession fees to the government in the LAC Region are the highest worldwide. While their share decreased globally in 2022 compared to 2019, in the LAC Region, it even increased



6. SWOT Analysis on the Airport Business - Focus on LAC

SWOT Analysis of LAC Air Transport

Strengths:

- Robust historical growth in traffic
- Major domestic markets buoyant
- Large working-age population
- Rapid recovery of passenger traffic from the pandemic crisis (resilience)

Weaknesses:

- Weak connectivity with respect to international routes / higher fares (Liberalization)
- Proliferation of taxes that curb air transport demand
- Heavy-handed regulatory models with large concession fee payments
- Systematic underinvestment in airport infrastructure/capacity

Opportunities:

- Major LAC tourist destinations and centers of commerce are still ripe for further traffic growth
- Development of cargo and e-commerce segments
- Economic multiplier of increased connectivity
- Policy levers to stimulate the industry: taxes, concession fees, and regulatory models.
- Risk-sharing mechanisms between airports and airlines (commercial agreements)

Threats:

- Shaky economic fundamentals in some key LAC economies
- Political and regulatory uncertainties
- Investment crunch and airport capacity constraints
- Failure to meet SDGs
- Vulnerability to exogenous threats (Pandemics etc.)

A child is seen from behind, standing in a field of tall grass. The child is holding a paper airplane up to the sky with their right hand. The background is a clear blue sky. A large, curved, multi-colored graphic element (white, yellow, and red) arches over the scene.

Let's collaborate for a better and sustainable aviation future in Latin America and the Caribbean!



ACI ICAO Airport User Charges



This course, which is jointly delivered by ACI and ICAO, aims to provide a detailed understanding of the international policies applying to airport charges to develop, implement and manage a user charges policy, as well as specific charges/rates, compliant with international regulations and best practice.

The course is also part of the ACI Finance Diploma and is recognized as an AMPAP elective.

ACI Airport Finance Diploma Courses

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[Airport Revenue Generation*](#)

A Global Perspective on Airport Economics in Latin America and the Caribbean

ACI World
Panama, Panama City
THANK YOU!

