Agenda Item 3

Airport Financial Management and Airport Charges on Air Traffic
Overview

- ICAO’s Policies
- Airport Economics Manual:
  - Chapter 3 - Financial management
  - Chapter 4 - Determining the cost basis
  - Chapter 5 - Charges on air traffic and their collection
Recommendations in ICAO’s Policies (Doc 9082/7)

- that the users shall bear their full and fair share of the cost [§ 21]
- that airports maintain accounts for determining and allocating the costs to be recovered [§ 21]
- that no users shall be burdened with costs not properly allocable to them according to sound accounting principles [§ 22v)]
BEST COMMERCIAL PRACTICES

- Definition
- Application in accounting practices
FINANCIAL CONTROL AND ACCOUNTING

- Financial Control:
  - Comparison of actual income and expenses against budget
  - Where deviation, determine cause
  - Corrective measures

- Financial accounting:
  - System of recording and presenting income and expenses

- Financial statements annually
PLANNING PROCESS

- long-term strategy
- medium-term business plan (3 to 5 years)
- short-term budget
AIRPORT ACCOUNTING SYSTEM

Should respond to the needs of:
- Airport owners, governments, etc.
- Airport managers
- Airport users
REVENUES

- Air traffic operations
- Ground handling
- Non-aeronautical activities
- Bank and cash management revenues
- Grants and subsidies
- Other revenues
- Total revenues
EXPENSES BY CATEGORY

- Operation and maintenance (staff, supplies and services)
- Administrative overheads
- Capital costs (depreciation and/or amortization, and interest, taxes)
COST ACCOUNTING SYSTEM

- Cost center statements
  (administration, air side maintenance, firefighting, security, etc.)

- Service lines statements
  (air side, passenger processing, concessions, property rental, etc.)
MEASURING PERFORMANCE AND PRODUCTIVITY

- Selecting goals
- Measurement method
- Setting targets
- Planning to achieve the goals
- Assessing performance measures
DETERMINING THE COST BASIS

ICAO’s Policies (Doc 9082/7) recommend:

- The cost to be shared is the full cost of the airport [§22 i]
- Appendix 1 as a general guide
DETERMINING THE COST BASIS

1. Full costs of the airport
2. Transfer costs from/to others (+/-)
3. Depreciation/interest (+/-)
4. Non-aviation off-airport (-)
5. En route utilization (-)
6. Exempted flights (-)
7. Adjusted costs = basis for charges
ALLOCATION OF COSTS

- Cost centers/service lines
- User categories
- International/domestic
Cost basis for individual charges

- ICAO’s Policies recommend that a single charge be applied for costs of as many as possible of airport-provided facilities and services for normal landing and take-off [§ 26 v]
- Cost basis for individual charges [Doc 9562 § 4.31 – 4.45]
Determining the costs for non-aeronautical activities

- ICAO’s Policies [§ 34] recommend the full development of such revenues, except for concessions directly related to the operation of air transport services.
- Purpose to establish a minimum for non-aeronautical fees and charges
ATTRIBUTING COMMERCIAL REVENUES TO THE COST BASE

- Single till
- Dual till
- Hybrid
Discussion

- Problems with accounting?
- Problems with establishing the cost basis?
- Or for allocation of costs?