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ICAO's Policies on Charges (DOC 9082)

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Rabat, Morocco 27-28 November





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Objective and Outline

- Performance:
 - describe the purpose and scope of ICAO's policies on charges and related guidance material on airport economics
- Outline:
 - About ICAO's policies: context, scope, status
 - How policies are developed
 - Where they are found (documents)
 - How they apply



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ICAO's Policies – Airport Charges



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Foundation for Policies on Charges

Article 44:

Ensure the safe and orderly growth of
civil aviation

Article 37:

ICAO to adopt and amend
SARPs



Article 15:

Airport and similar charges



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Article 15 - Airport and similar charges

- Three basic principles:
 - Apply uniform conditions for using airports and air navigation facilities/services
 - No discrimination in charges
 - No charge solely for the right to overfly, enter or exit



Convention neither defines "charge" nor states charges should reflect the costs of services



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Why are Economic Policies Important?

- In the past, policies were used to encourage States to establish financially independent entities to operate airports
- More recently (and currently), need for some consensus on how to establish and levy airport charges
- Subject is generating increased interest and discussion



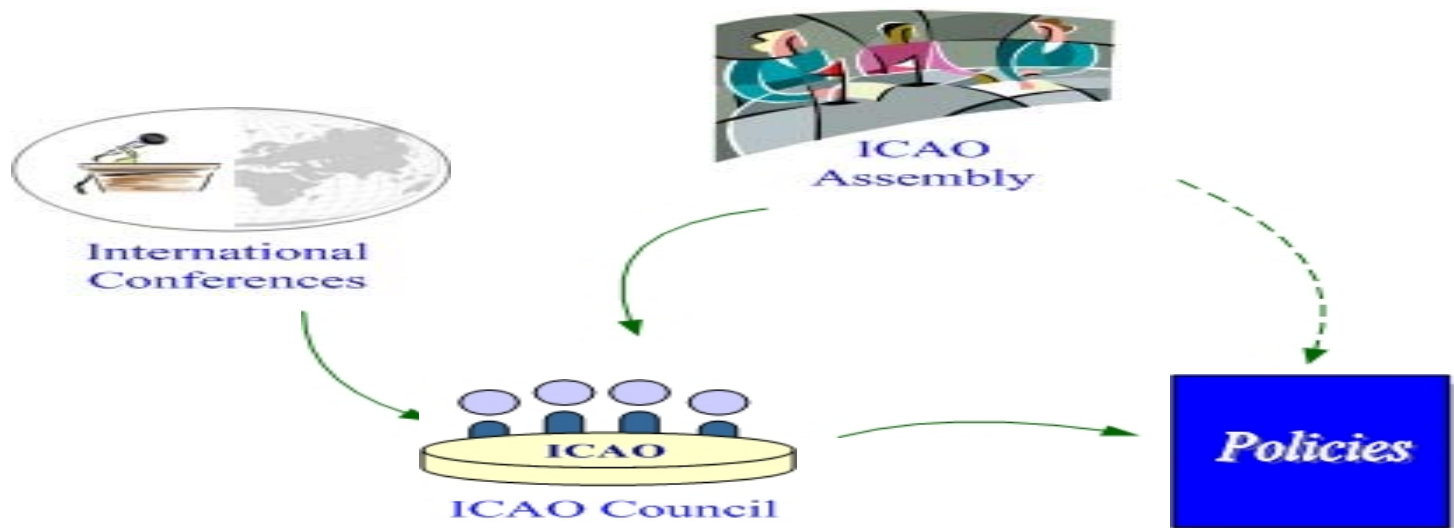
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Elaborating ICAO Policies





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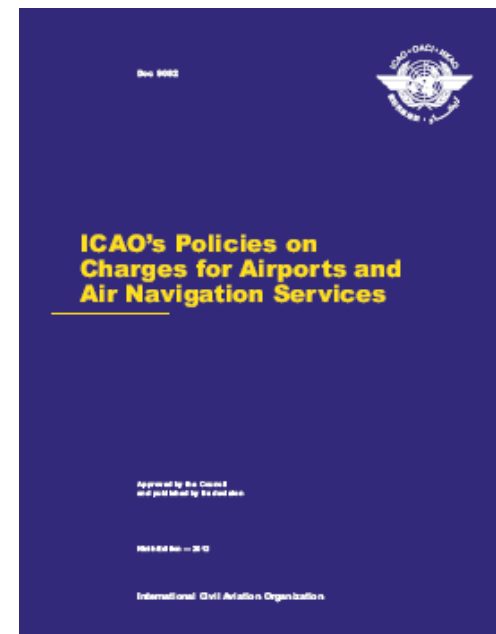
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Sources of Information

- Chicago Convention, **Article 15** (Doc 7300)
- **ICAO's Policies on Charges** (Doc 9082) and **on Taxes** (Doc 8632)



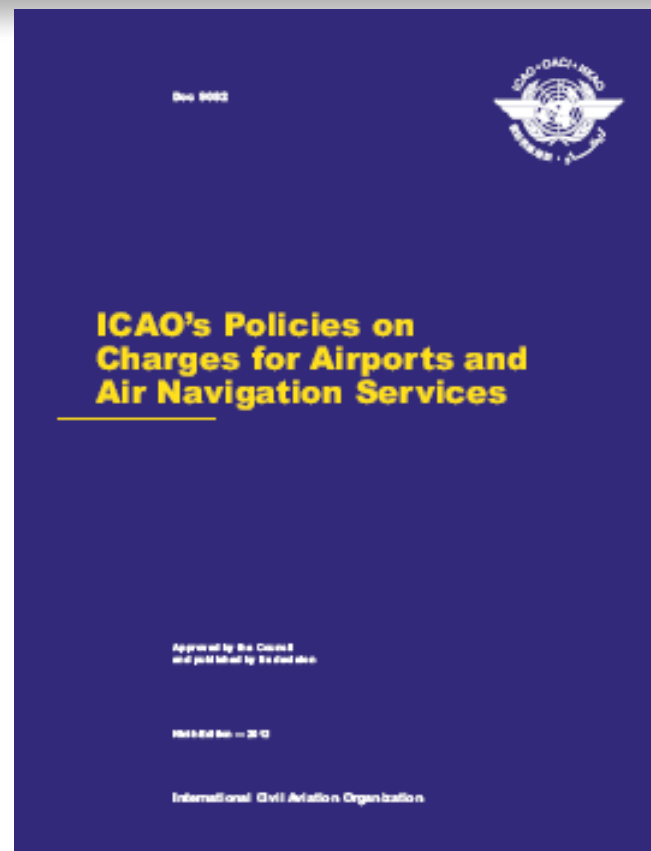


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ICAO's Policies on Charges for Airports are in Doc 9082





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Charging Policy



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Charges vs. taxes [Foreword para 3]

As considered by the ICAO Council:

- A **charge** is a levy that is designed and applied **specifically to recover the costs** of providing facilities and services for civil aviation
- A **tax** is a levy that is 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.**



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4 key charging principles *[Foreword para 1]*

- Non-discrimination
- Cost relatedness
- Transparency
- Consultation with users



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Scope & proliferation of charges [Section I §2-3]

- Paragraph 2:
 - 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
- Paragraph 3:
 - consider how the imposition of charges in one jurisdiction can lead to charges in another



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Autonomy and privatization [Section I §4-7]

- ICAO recommends establishing autonomous entities where best for providers and users (§ 4-5)
- State ultimately responsible for safety, security and economic oversight of airport operations (§ 6)
- Autonomous entities must comply with the Chicago Convention and Annexes, and observe ICAO's Policies on Charges (§ 7)



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Economic Oversight [Section I §12-15]

- Main features:
 - 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



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Performance systems & Best practices

- 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
- Best Practices [Section I §9-10]
 - Entities' objectives and responsibilities
 - Shareholders' rights
 - Board Responsibilities
 - Management's role and accountability
 - Relationship with interested parties
 - Disclosure of information



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Consultation with Users *[Section I §17-22]*

- Airports should consult users before making changes
- Purpose: inform the users and listen to their views
- Best to agree when possible - BUT - airports can impose charges without agreement (with right of appeal for users)
- In the consultation process, it is recommended to:
 - 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



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Balance of interests & cooperation *[Foreword §7-8]*

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



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Cost basis for airport charges *[Section II §1-2]*

- Paragraph 1
 - Users bear full and fair share of costs involved
 - Airports to maintain adequate accounts
- Paragraph 2
 - Share full cost (airport and ancillary services)
 - Only charge for facilities provided under regional air navigation plans, and those used by international air services
 - 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



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Airport charging systems [Section II §3]

- 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 differential charges
- Gradual increases
- Consolidation of charges
- Maintain flexibility to allow introducing improvements
- Charges for general/business aviation to be reasonably assessed



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Project Pre-funding *[Section I § 23]*

- In specific circumstances involving large-scale investments
- Safeguards required:
 - economic oversight
 - transparent accounting
 - consultations with users
 - limited period of time



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Landing/parking charges *[Section II §4-5]*

- Paragraph 4 (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
- Paragraph 5 (Parking):
 - Parking based on weight/dimensions/length of stay
 - Free parking time locally determined



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Passenger service charges [Section II §6]

- 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



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Aviation Security Charges [Section II §7]

- 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



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Noise-related charges *[Section II §8]*

- To be levied only at airports experiencing noise problems
- To recover alleviation/prevention costs
- To be associated with landing charges
- Non-discrimination between users or certain types of aircraft



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Emission-related charges [Section II §9]

- Currently:
 - applied to local air quality only
 - imposed at few European airports
- ICAO's *Guidance on Aircraft Emissions Charges Related to Local Air Quality* (Doc 9884)
- Extension to GHG emissions at a later stage?



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Developing non-aeronautical revenues *[Section II §10-11]*

- 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



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ICAO's Policies – Air Navigation Services Charges



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Cost basis for ANS charges

- The costs of air navigation services provided during the en-route, approach and aerodrome phases of aircraft operations should be identified separately
- Costs directly related to oversight functions (safety, security and economic oversight) for air navigation services may be included in the ANSP's cost basis, at the State's discretion.



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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.



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Charging system - ANS 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



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ESTIMATION

Scheme of Charges

Results Estimation

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