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CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

Montréal, 15 to 20 September 2008

Agenda Item 2: Specific issues related to airport economics and management

2.2: Cost basis for charges

2.3: Cost allocation and charging systems

COST BASIS, COST ALLOCATION AND CHARGING SYSTEMS

(Presented by fifty-three African States¹)

SUMMARY

This paper contributes to the on-going discussions on airport cost allocation and charging systems. It recognises that airports charging systems should be flexible to allow airports operators to cater for the needs of all categories of airport users. Appropriate safeguards are necessary to protect users against discrimination and enhance transparency. The definition and application of passenger service charges should allow maximum flexibility to support the development of quality passenger services as may be required by local conditions.

Action by the Conference is in paragraph 5.

1. INTRODUCTION

1.1 Airport charges are currently either aircraft related or passenger related depending on the types of services. As a result, the cost allocation of charges is on a per aircraft and per passenger basis respectively.

¹ Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cap Verde, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia, Zimbabwe

1.2 Instead of charging for each service category separately, an airport operator should have the possibility of modulating the charges covered by the cost bases so as to be able to support the development of services to cater for the needs of all users.

2. DISCUSSION

2.1 The ICAO's *Policies on Charges for Airports and Air Navigation Services* (Doc 9082) requires that the costs attributed to services be allocated into cost bases for individual charges. As a result, there is only limited scope for airports operators to introduce services that may be attributable to different categories of users. Such services may be needed to achieve a certain level of airport development, increase the efficient use of the airport facilities, enhance passenger travelling experience or respond to specific local operational constraints. However, their introduction should not lead to an increase of the fixed costs of the air operators.

2.2 Passenger and aircraft related charges shall remain cost related. However, enhanced flexibility within and between the individual cost bases is desirable. Passenger Service Charges should be related to the overall cost of providing services to the passenger throughout the entire airport not limited to the use of specific facilities or services. The airport users will benefit by new facilities or services that might otherwise not be introduced as their development cannot be supported within the current system.

2.3 The principles of user consultations shall be maintained as one safeguard against discrimination as a potential result from elevated levels of cost-relatedness.

3. CONCLUSIONS

3.1 From the foregoing discussion, the following conclusions may be drawn:

- a) States may consider the application of the principle of cost-relatedness of airport charges at the airport level rather than at the individual charge level allowing the airport operator to use a single cost basis covering multiple services and charges.
- b) States should allow airport operators more flexibility in defining the cost basis of passenger service charges away from a strict airside/ landside approach to a more functional based approach.
- c) ICAO should amend Doc 9082 to cater for the added flexibility regarding the use of a single cost basis and to broaden the scope of the passenger service charge.

4. PROPOSED AMENDMENTS OF POLICIES

4.1 In accordance with conclusion c) of paragraph 3.1, it is proposed to amend sub-paragraph 23 viii) and paragraph 28 of Doc 9082 as follows:

Airport Charging Systems

23. *The Council recommends that charging systems...*

- viii) *Maximum flexibility should be maintained in the application of all charging methods to ~~permit introduction of improved techniques as they are developed~~ cater for new commercial approaches as they are developed, accompanied with safeguards, as appropriate, regarding consultation with all parties concerned, as well as the scope of application of such charging methods.*

Passenger Service Charges

28. *The Council recommends that passenger service charges should be related to the cost of providing services and facilities to the passenger throughout the entire airport, including the cost of security services attributable thereto (unless security services are charged for separately). The Council recognizes that the revenue...*

5. ACTION BY THE CONFERENCE

5.1 The Conference is invited to:

- a) review and adopt the conclusions in paragraph 3.1; and
- b) review and endorse the proposed amendments of Doc 9082 in paragraph 4.1.

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