

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND  
AIR NAVIGATION SERVICES**

(Montreal, 19 - 28 June 2000)

**DRAFT REPORT ON AGENDA ITEMS 5.2.1 AND 5.2.2**

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## Agenda Item 5.2.1: Airport charging principles

### SINGLE TILL

#### 5.2.1.1 Documentation

**Secretariat** (WP/17) stressed the importance of non-aeronautical revenues both for the financial viability of an airport and as one means of keeping charges on air traffic as low as possible. As non-aeronautical revenues can only be generated at an airport because of the market created by the aircraft operators, it would be equitable that the principal users, that is the air carriers and their passengers, benefit from non-aeronautical as well as aeronautical activities. The paper therefore suggested that the substance of related text in the Council Statements in Doc 9082 be reaffirmed. The paper also suggested that the “single till” concept of pooling airport revenues and costs from all revenue-generating activities when charges are set apply equally in the context of air navigation services.

**ACI** (WPs/48 and 50) pointed out that using revenues from airport commercial activities to reduce aeronautical charges creates an exceptional cross-subsidy for air carriers. ACI's view was that this reduced short-term costs of the expense of longer term investment, reduced the airports' ability to develop improved commercial facilities and in the longer term reduced commercial revenues. ACI therefore sought adoption of a more flexible policy allowing for airport operators to retain and use commercial revenues as and when needed to help fund airport improvements, and suggested that the Conference amend Doc 9082 accordingly.

**IATA** (WP/30) was of the opinion that non-core activities within an airport perimeter, which can only develop due to aviation activities, should benefit its primary users, the air carriers, in terms of reducing the cost base for charging purpose. IATA (WP/82) also considered that discounts or rebates on charges were only acceptable if they comply with certain principles including *inter alia* that they are available to all operators and that they do not distort competition. Finally, IATA (WP/83) stressed that airports should refrain from imposing non cost-related levies on aeronautical activities directly associated with the operation of air transport services as it considered that such levies would increase the cost of airline operations at an airport and could have discriminatory effects.

#### 5.2.1.2 Discussion

5.2.1.2.1 The Conference held a comprehensive and extensive discussion on the concept of the single till. The discussion brought out considerable differences of opinion on the benefits and justification for its application.

5.2.1.2.2 Many delegates supported continued endorsement of the single till concept as it reflects the special role of airports in promoting and developing air transport, serves the purpose of reducing the cost base

for charges, motivates airports to develop revenues from non aeronautical activities and provides for capital investment. The existing ICAO policy guidance was felt by some delegates to be sufficiently balanced to accommodate airports' needs. On the other hand there was considerable support for more flexibility in the interpretation and application of the single till in view of the varying situations among airports, the need to adjust to the changing airport environment, including autonomous organizational and financial structures, and investment requirements.

5.2.1.2.3 Many delegates expressed concern with regard to applying the single till concept in the context of air navigation services as suggested in WP/17.

5.2.1.2.4 In the discussion a number of delegates drew attention to the important role of regulatory authorities and, in some instances, competition laws, where the single till concept is replaced by another method. Reference was also made to the need for transparency and disclosure in accounting systems as well as consultation.

5.2.1.2.5 In light of the differing viewpoints expressed and the need for greater maturity of the issue before consensus could be reached, there was general agreement that further work and analysis were needed on the subject. The Conference therefore agreed to recommend that ICAO conduct a study in a matter of high priority which would take into account *inter alia* all elements, including the Conference documentation and discussion.

5.2.1.2.6 Turning to WP/82 the general view was that in offering any discounts or rebate, the provisions of Article 15 of the Convention on International Civil Aviation related to non-discrimination should be overriding and that the principles suggested in WP/82 when offering discounts could be used, whenever and to the extent appropriate. The Conference also noted the views of IATA in WP/83 on levies on aeronautical activities.

5.2.1.2.7 To give effect to its discussions, the Conference agreed to the following recommendation:

#### **RECOMMENDATION 5.2.1/1**

##### **THE CONFERENCE**

RECOMMENDS that ICAO undertake, as a matter of high priority, a study on the continuing application of the "single till" principle for airports as well as air navigation services, with a view to determining whether any amendment is required to the Council Statements in Doc 9082 or there is a need for additional guidance for States. The study should focus on economic implications, notably regarding return on investment, and take into account the need for transparency in financial accounting and flexibility to accommodate differing circumstances in different States and service environments as well as regulatory oversight or the application of generic competition law.

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**PASSENGER SERVICE CHARGES****5.2.1.3 Documentation**

**Secretariat** (WP/60) explained current ICAO policy and practical guidance on passenger service charges (PSC) and presented the results of a survey carried out on the methods used for collecting PSCs at airports. In a majority of States these charges continued to be levied directly on passengers, however the recent emphasis had been to levy PSCs through airlines. In view of the facilitation problems created by the levying of PSCs on passengers, especially at airports facing congestion constraints, the Secretariat suggested a recommendation on the avoidance of the collection of PSCs directly on passengers and, together with changes to the Council Statements in Doc 9082, the development of further practical guidance in the *Airport Economics Manual* (Doc 9562).

**5.2.1.4 Discussion**

**5.2.1.4.1** There was general support for WP/60, especially with regard to the practical value of PSCs and the related necessity of avoiding queueing lines at airports, although some delegates felt that the direct levying of PSCs on passengers was not creating facilitation problems, at least at the airports in their States. With respect to the suggestion in WP/60 for the recovery of PSCs through airlines some delegates expressed concern with regard to the practical implementation and supplemental administrative cost. The Conference noted that Annex 9 – *Facilitation* now contained in Recommended Practice consistent with the suggestion in WP/60. While the issue was primarily one of facilitation, it also had economic implications and would be worth reemphasizing.

**5.2.1.4.2** To give effect to its conclusions the Conference adopted the following recommendation:

**RECOMMENDATION 5.2.1/2****THE CONFERENCE**

RECOMMENDS that:

- a) States ensure that the levying of passenger service charges does not create additional queueing and delays at airports, if appropriate by avoiding the collection of these charges directly and separately from the passenger at the airports;
- b) the Council delete the following text from the first sentence of paragraph 19 of the Council Statements in Doc 9082/5: “...reaffirms that passenger service charges are not objectionable in principle”.

**GENERAL AVIATION****5.2.1.5 Documentation**

**IAOPA** (WP/61) explained that general aviation and aerial work activities operate at the margins of airport operations and use only a small portion of airport infrastructure. IAOPA suggested an amendment to the Council Statements in Doc 9082 which would state that airport charges levied on international general aviation should be based on the marginal value of the facilities and services actually used. These charges should be calculated with the supplementary goal of promoting the sound development of international general aviation.

**5.2.1.6 Discussion**

5.2.1.6.1 The Conference noted that in a related paper (WP/62) considered under Agenda Item 4 IAOPA had proposed that general aviation and aerial work be similarly treated with regard to air navigation services charges as WP/61 proposed with regard to airport charges. The Conference had not endorsed the earlier proposal, but had agreed to recommend a study to enhance airport access for general as well as business aviation (Recommendation 4/3).

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**Agenda Item 5.2.2: Air navigation services charging principles****5.2.2.1 Documentation**

**Secretariat** (WP/21) reviewed organizational aspects relating to the provision of approach and aerodrome control services. The paper provided information on States practices in levying charges for approach and aerodrome control. The paper noted that incorporating the cost basis and charges for approach and aerodrome control into the en route charges structure would lead to inequity because traffic flying through the airspace concerned without landing would be charged for the costs of approach and aerodrome control services they do not use.

**China** (WP/111) presented a review of the financial progress of its air traffic control service.

**5.2.2.2 Discussion**

5.2.2.2.1 The Conference noted that the Secretariat would be reviewing and updating the guidance relevant to cost recovery for approach and aerodrome control services presently contained in the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3) in the light of the developments that are taking place in the provision and cost recovery of these services. Consistent with WP/21, the Conference reaffirmed the principles addressing approach and aerodrome control charges in the Council Statements in Doc 9082.

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