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ITEM 5.2.1
(English, French & Spanish only)

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda item 5.2.1: Airport charging principles

SINGLE TILL AND THE DEVELOPMENT OF NON-AERONAUTICAL REVENUES

(Presented by Airports Council International)

SUMMARY

ACI presents its views on the single till concept in WP/48. This paper addresses WP/17 (ICAO) and WP/30 (IATA) on the "single till." ACI recommends that non-aeronautical revenues may be retained by airports, particularly to finance investment, rather than be entirely handed over to airlines in the form of lower charges.

1. Introduction

1.1 ACI presents its views on the single till concept in WP/48. In WP/48, ACI sets out the view that revenues earned by airports from non-aeronautical activities should not necessarily simply be handed over to airlines immediately through reductions in airport charges (the principle of the single till in a nutshell), but may need to be retained by airports to attract capital and finance investment.

1.2 This ACI WP responds to the points made by ICAO and IATA which argue for the continued application of the full single till so that airlines would continue to receive a full cross-subsidy from other airport activities in the form of immediate reductions in charges.

2. The priorities of airports

2.1 The IATA paper focuses on the goal of minimizing airport charges, but ignores several important factors which affect the way airports operate. Airports are built to facilitate air travel, and the long-term need of passengers for new investment in infrastructure is as important as the short term need of airlines for cost reductions. Airports also respect the priorities of the local communities, and deal with the environmental impact of aviation. Continuous stimulation of airline operations by cross-subsidy from airports' commercial revenues may conflict with those obligations and priorities to the travelling public and to the communities.

2.2 Finding the financial resources for airport investment to meet the demands of the 21st century is one of the major challenges for the aviation industry. Many proposed investments will be very costly and difficult to finance. Airport commercial revenues can be a major source of investment finance and can be leveraged when loans are needed. In these circumstances, handing over commercial revenues to airlines through the single-till will give airlines short term financial benefit, at the cost of reduced investment in the long term. Moreover, it is important that airports be able to make a reasonable rate of return on their aeronautical facilities. ACI therefore believes that ICAO policy should allow for some or all commercial revenues to be retained by airports in appropriate circumstances in addition to retained profits.

3. **Equity**

3.1 IATA justifies the single till on the basis that since airlines bring passengers to airports, they should receive the commercial revenue generated by these passengers. This is described as a partnership with airports, but in practice the only beneficiaries would be airlines. Passengers do not generate commercial revenues automatically; these are created by the skills of airports in developing and operating appropriate commercial facilities and services. Airports are entitled to some reward for their entrepreneurial efforts to diversify income streams.

4. **Efficiency**

4.1 If the single till approach is applied in full, airports receive no reward for commercial innovations, since additional revenues would simply flow through to airlines through reduced charges. This gives the airport no incentive to maximize commercial revenues, and would defeat ICAO's objective set out in para 24 of Doc 9082/5 of encouraging airports to maximize commercial revenues.

5. **Recommendation**

5.1 ACI therefore proposes that ICAO guidance be amended to allow for airports to retain all or part of their commercial revenues, to finance investment or attract capital, where appropriate.

6. **Action by the Conference**

6.1 The Conference is invited to take note of ACI's views and recommend to the ICAO Council that para. 14(I) of Doc. 9082/5 be amended as follows (proposed new text underlined):

"The cost to be shared is the full cost of providing the airport and its essential ancillary services, including appropriate amounts for cost of capital and depreciation of assets as well as the cost of maintenance and operation and management and administration expenses, but allowing for all <u>aeronautical</u> revenues accruing from the operation of the airport to its operations. Non-aeronautical revenues should be used as appropriate for the financing of investment, the setting of user charges and the provision of appropriate rewards to the airport's owner."

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