

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 4: Determinants of the economic regulation of airports and air navigation services

Agenda Item 5.2.1: Airport charging principles

ECONOMICS OF AIRPORT OPERATIONS FOR GENERAL AVIATION AND AERIAL WORK ACTIVITIES

(Presented by the International Council of Aircraft Owner and Pilot Associations)

SUMMARY

General aviation and aerial work activities operate at the margins of airport operations and use only a small portion of airport infrastructure. Charges and fees for airport services should reflect these operational features.

1. Background

1.1 General aviation and aerial work (GA/AW) operations form the foundation of the world's air transportation system. Airline pilots are created through its training, critical care is provided to the populace through emergency medical service aircraft and business aviation supports national and international commerce; GA/AW forms an essential and significant force in the world of air transportation. The more than 600,000 pilots and 300,000 aircraft engaged in general aviation and aerial work operations throughout the world comprise a majority of aviation operations; they contribute significantly to national and international economies. Their needs must be accommodated when planning and operating the aviation infrastructure.

1.2 The great majority of worldwide aviation facilities and systems are designed and operated for the benefit of the airlines. GA/AW generally operate at the margins of this system, taking advantage of capacity unused by air carriers. Therefore, any discussion of funding the aviation infrastructure must realize that GA/AW operations command only a small fraction of all services provided in the total system. Further, the majority of GA/AW operations are able to operate safely without using many air navigation or traffic services.

2. Discussion

2.1 **Organization.** While the organization and control of international airports means little to the general aviation/aerial work operator, several features of that organization tend to have a significant impact. If the airport is a government owned/operated entity, the operations are usually stable and predictable. Yet, these operations may be rigidly structured and unable to respond to user demand. Conversely, while private ownership may lead to more flexible and user-oriented operations, user fees and charges will probably be higher than at a government-run facility. And, as airport operation becomes fully privatized the ability for users to receive funding support from government excise taxes fades rapidly. Therefore, the ability of an organization to adequately support user needs at a reasonable cost is the key to an effective and efficient airport operation.

2.2 **Financing.** The fact that an airport is government owned and/or operated implies that its operation is being provided for the public good or advantage. In this case capital financing should be principally accomplished through the use of excise taxes tied to the operation of the aircraft using the facility. Fuel excise and passenger ticket taxes are an example of this type of tax. Additionally, landing and facility use fees may also be applied to individual aircraft operations to pay for operational expenses.

2.2.1 Privately owned and operated airports may receive capital grants or loans from States in recognition of the value and economic advantage provided by a healthy national and international air transportation system. However, much of the capitalization will be accomplished through facility improvement set-asides derived from the full range of airport revenues. Finally, airport corporations issuing equities and bonds may provide the ideal means of raising funds for capital improvements.

2.3 **Fees.** Airport authorities assessing aircraft and passenger use fees must recognize that GA/AW operations use but a small fraction of the infrastructure and cause little maintenance-related expense. Essentially, GA/AW operations operate at the margins of the air transportation environment and effectively use only excess capacity and services. Therefore, allocation of airport access and use fees for GA/AW should reflect only the marginal costs for their operations.

2.3.1 The existing guidance provided for Airport Charging Systems contained in ICAO Document 9082/5 provides succinct and appropriate counsel:

Airport charges levied on international general aviation should be assessed in a reasonable manner, having regard to the cost of the facilities needed and used and the goal of promoting the sound development of international civil aviation as a whole.

3. Conclusions

3.1 When considering financing for airports and operational fees, general aviation and aerial work should be considered as separate and distinct from commercial air transportation activities because of their different physical properties and operating characteristics. General aviation's slight impact on airport facilities and operations at the margins of airport activity indicate the need for a proportionately lower rate of charges than larger commercial users.

4. **Action**

4.1 The Conference is invited to note the Conclusions and consider replacing statement 15.viii) in ICAO Document 9082/5 (above) with the following:

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.

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