

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 5.2.1: Airport charging principles

LEVIES ON AERONAUTICAL ACTIVITIES

(Presented by the International Air Transport Association)

SUMMARY

This paper presents IATA's view that airports should refrain from imposing non-cost-related levies on aeronautical activities directly associated with the operation of air transport services. Such levies only increase the cost of airline operations at an airport and could have discriminatory effects.

1. Introduction

1.1 A number of airports around the world have imposed gross mark-up charges, permit fees, access fees, concession fees, infrastructure fees or trading fees (hereinafter referred to as levies) on essential aeronautical services such as ground handling, fuel, or catering in an effort to generate additional revenue. Experience has shown that the imposition of such charges or fees increases the cost of airline operations at an airport and could have discriminatory effects.

1.2 Paragraph 24 of Doc. 9082/5 states that “[t]he Council recommends that, with the exception of concessions that are directly associated with the operation of air transport services, such as fuel, in-flight catering and ground handling, the full development of revenues...” from concessions, rental of premises and “free zones” is to be encouraged. IATA endorses this position.

1.3 Paragraph 25 of Doc. 9082/5 dealing with fuel concession fees further states that “[t]he Council also recommends that any such charges or fees where imposed should be assessed by airport operators in such a manner as to avoid discriminatory effects.

2. Discussion

2.1 As per ICAO guidance, airports are encouraged to develop their non-aeronautical concession revenue sources instead of increasing revenues from aeronautical concessions. Increasing revenues from

aeronautical sources is a relatively easy feat, considering the monopolistic nature of an airport. It has been evidenced that the payment of a levy by ground handlers is a condition imposed by airports in allowing ground handlers to conduct their business. Understandably, the aeronautical concessionaires have paid such fees or charges and passed these on to their airline clients.

2.2 Airports have argued that revenue from aeronautical concessions is plowed back into the airport under the “single till” concept, thereby reducing user charges. However, a great number of airports do not yet have a clear and transparent accounting of their costs and revenues, nor do have in place a user charges methodology that is either universally accepted or transparent. In any case, if such revenues were plowed back under the “single-till” concept, it would be a case of “taking from one airline group and giving to another”.

2.3 Where airports feel it is necessary to impose levies on the suppliers of aeronautical services for the use of airport infrastructure, such levies should be cost-related and revenue neutral, i.e. revenues generated by such levies should be matched with an equal reduction in revenues generated from landing fees or other airport charges.

3. **The IATA position**

3.1 IATA strongly opposes any levy on aeronautical services for the following reasons:

- Such levies may be discriminatory and anti-competitive since they will affect those air carriers that do not perform the services themselves;
- The intent of such levies is to generate additional revenue for the airport and are generally not cost-related;
- Airport infrastructure (ramp, apron, road ways, etc.) is already included in the airport cost base and recovered from users by way of charges (e.g. landing and parking fees.); and
- Aeronautical services providers perform an essential service to air carriers, without which the air carriers would not be able to operate, or at the very least, would not be able to provide the level of service expected by their passengers. Service providers will invariably pass on this increase in their cost to the airlines.

4. **Action by the Conference**

4.1 The Conference is invited to reaffirm the original intent of paragraphs 24 and 25 of ICAO Doc 9082/5, and that no levies should be imposed on aeronautical activities.

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