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UNITING AVIATION

# ICAO POLICIES ON CHARGES FOR AIRPORTS AND AIR NAVIGATION SERVICES

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ICAO/LACAC Capacity Building Workshop on  
Air Transport Economic Regulation and Oversight



## Objectives of the Session

Understand the purpose, scope and implementation of ICAO's policies on charges for airports and air navigation services



1

- ICAO's policies: context, scope, status

2

- How policies are developed

3

- Where they are found (ICAO documents)

4

- How they are applied

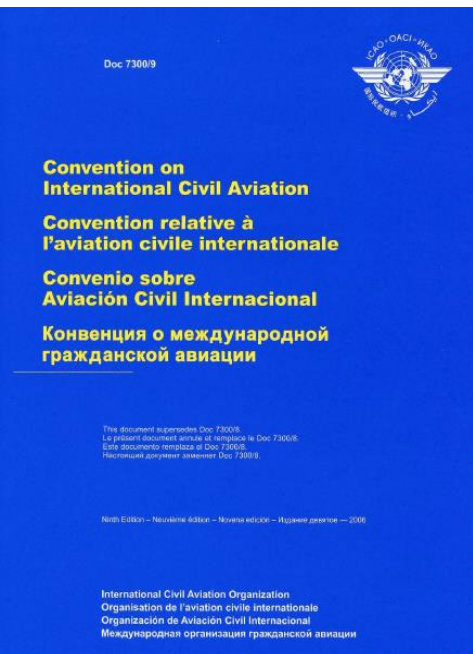


## Foundation for ICAO's Policies on Charges





## Article 15 - Airport and similar charges



### Three basic principles

Uniform conditions for the use of facilities and services

No discrimination in charges

No charge solely for the right of airspace overfly, enter or exit



*Convention neither defines "charge" nor states charges should reflect the costs of services*



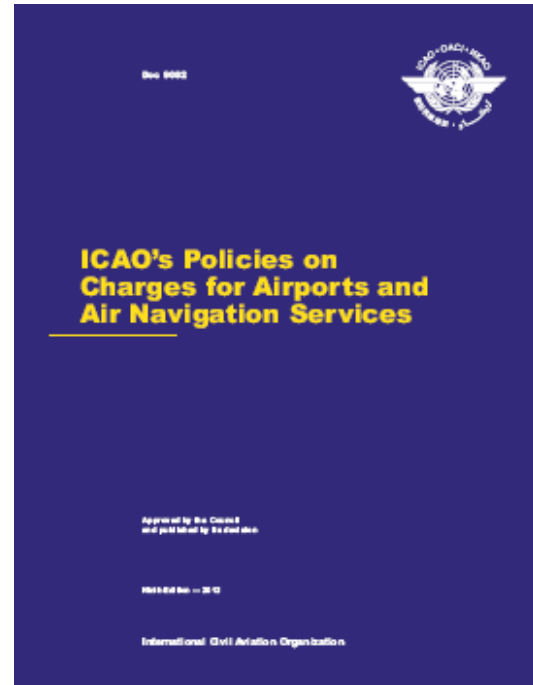
## ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082)

ICAO Council's recommendations based on outcomes of various conference

Detailed policies to set the principles for establishing charges

ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082)

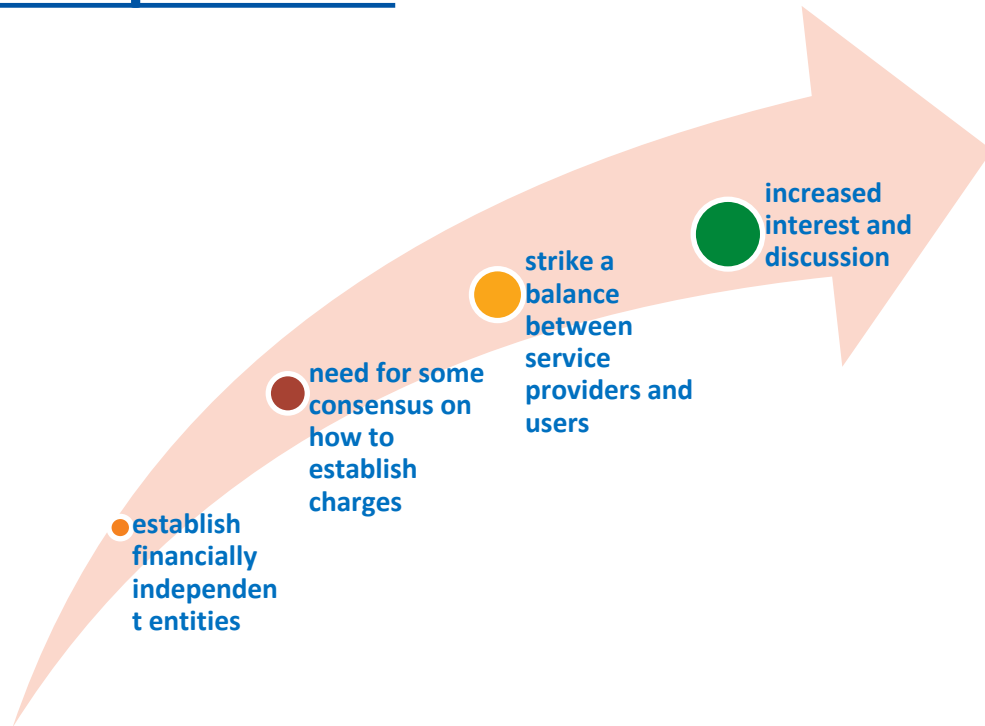
Periodically review and update





## Why Policies on Charges are Important?

- In the past, policies were used to encourage States to **establish financially independent entities** to operate airports
- Currently there is a **need for some consensus** on how to establish and levy charges
- **Strike a balance** between the interest of service providers and users
- Subject is generating **increased interest and discussion**





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# Charging Policy





## Charge

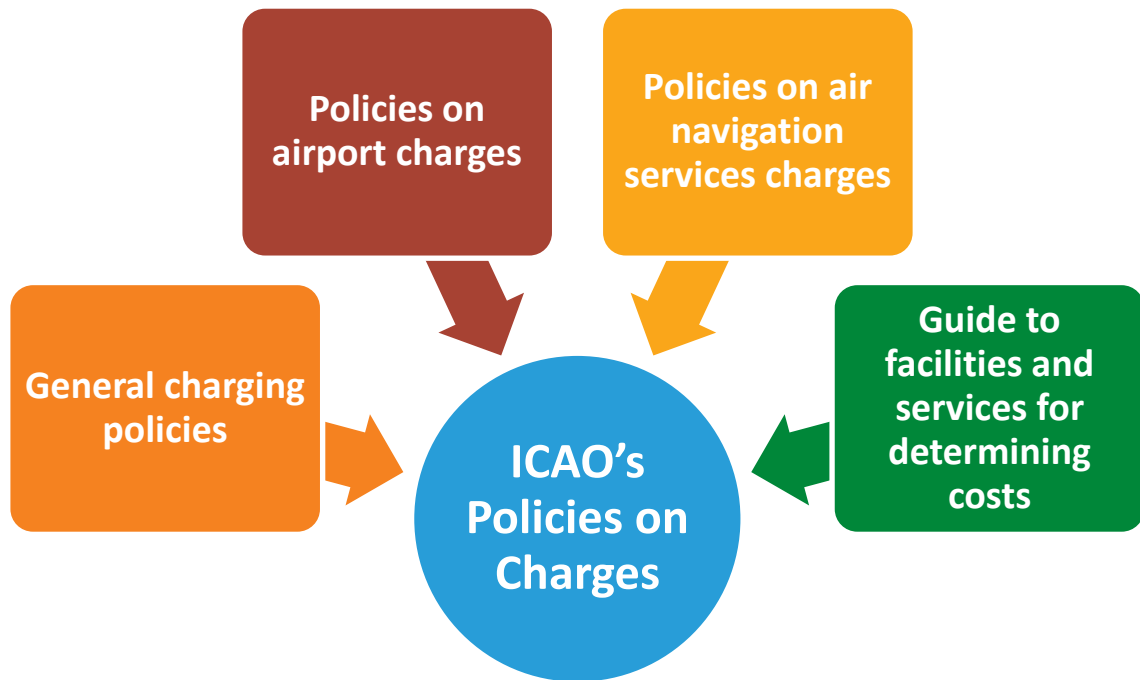
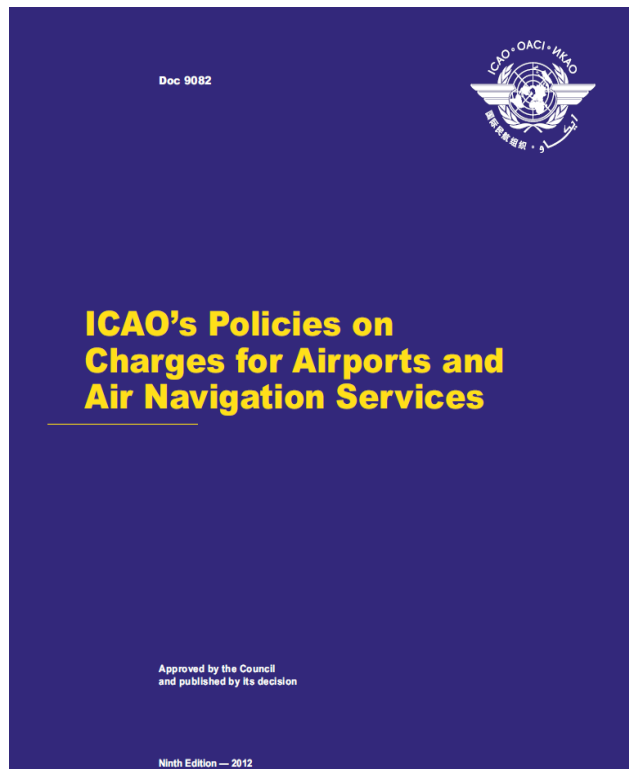
vs

## Tax

A **CHARGE** is a levy designed and applied specifically to **recover the costs of providing facilities and services for civil aviation**

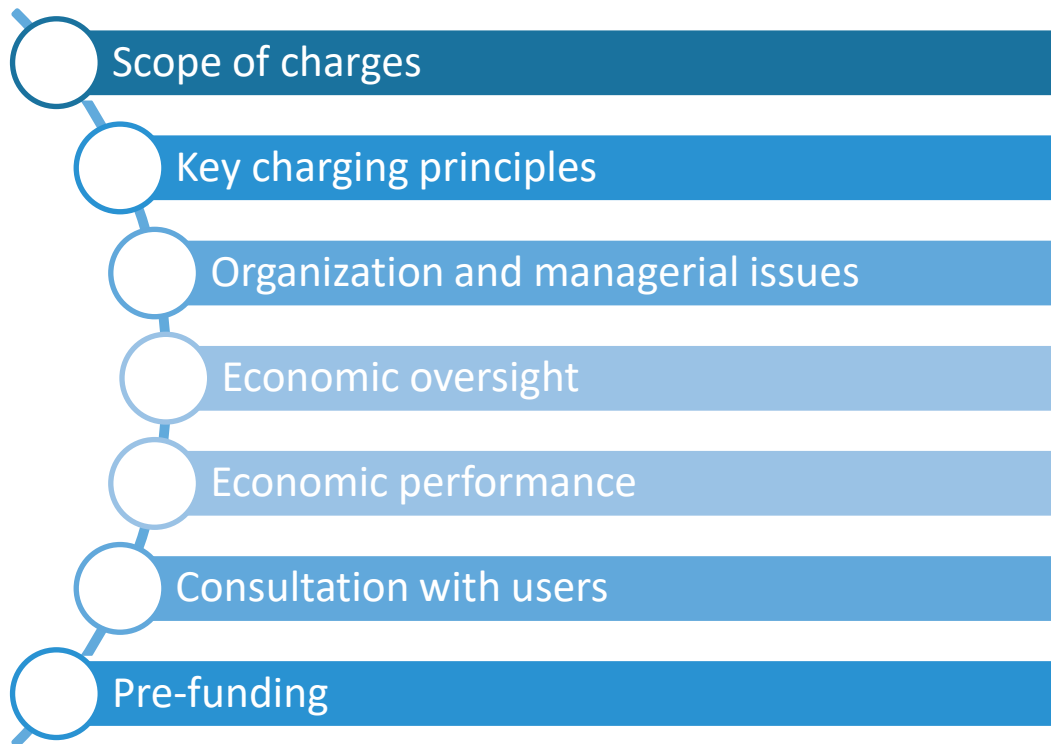
An **AVIATION TAX** is a levy designed to **raise national or local government revenues**, which are generally not applied to civil aviation in their entirety or on a cost-specific basis.







## General policies on charges





## Balance of interests & cooperation

FOREWORD PARA 7-8

- ICAO Council recognizes that airports and ANSPs may need to periodically increase charges
- Important to consider potential effects on users
- Important to **balance interests** of airports/ANSPs and air carriers, especially in difficult economic times



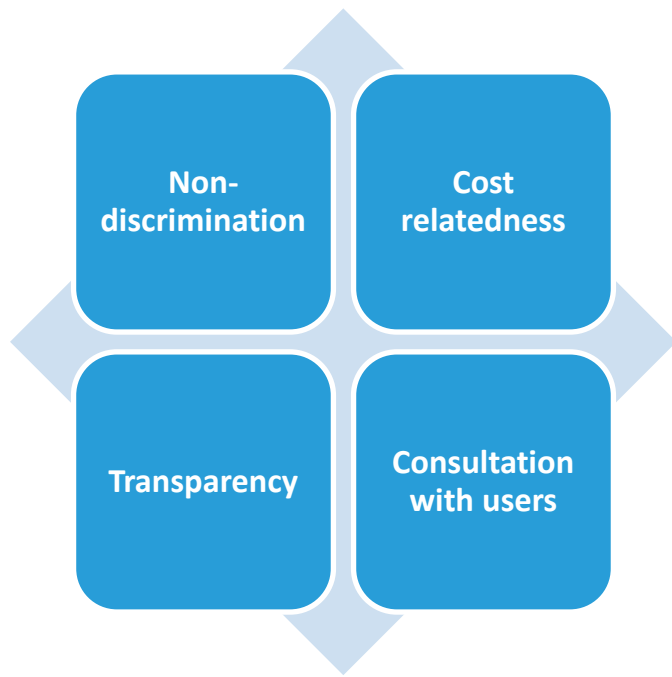
## Scope & proliferation of charges

SECTION I PARA 2

- Only allow charges for services and functions provided for civil aviation operations
- Refrain from charges discriminating against international civil aviation compared to other modes of international transport
- Consider how the imposition of charges in one jurisdiction can lead to charges in another



## Four key charging principles



States are encouraged to incorporate the four key charging principles:

- Non-discrimination
- Cost-relatedness
- Transparency
- Consultation with users

into national regulation, regulation or policies and future air services agreements in order to ensure compliance by airport operators and ANSPs



## Economic Oversight

SECTION I PARA 12-15

### Main elements:

- Separation between oversight and provision/operation
- Achieve a balance between the interests of airports and ANSPs and public policy objectives
- Prevent anti-competitive practices and abuse of dominant position
- Ensure non-discrimination and transparency in charges
- Ascertain that investments meet demand
- Protect the interests of passengers and other end-users
- Ensure that consultations with users are taking place and that performance management systems are in place



## Performance systems

### Performance Parameters *[Section I §16]*

- Define performance objectives
- Select and report at least one indicator for each KPAs
- Evaluate and improve performance objectives
- Undertake consultations with all parties concerned



## Consultation with Users

SECTION I PARA 17-22

- Airports should consult users before making changes
- Objectives: inform the users and listen to their views
  - Inform users proposed changes
  - Provide adequate information to users
  - Give proper consideration to users' views
- Agreement between providers and users

### Consultation process

Notify of intent to change at least 4 months in advance

Be transparent and provide relevant information

Give users advance notice of final decisions

Carefully assess potential effects on parties concerned





## Project Pre-funding

SECTION I PARA 23

- In specific circumstances involving large-scale investments
- Safeguards required:
  - Effective and transparent economic oversight
  - Comprehensive and transparent accounting
  - Advance and transparent consultations with users
  - Limited period of time and smoother transition



## Policies on airport charges

Cost basis for airport charges

Airport charging systems

Individual charge

- Landing charges
- Parking and hanger charges
- Passenger services charges
- Security charges
- Noise-related charges
- emissions-related charges to address LAQ

Revenues from concessions, fuel concessions



## Cost basis for airport charges

SECTION II PARA 1-2

- General
  - Users bear full and fair share of costs involved
  - Airports to maintain adequate accounts
- Principles for determining cost basis
  - Share full cost (airport and ancillary services)
  - Only charge for facilities provided under regional air navigation plans
  - Possibility to develop aggregated cost bases
  - Allocate costs equitably
  - Identify costs for approach and aerodrome control separately
  - Reasonable return
  - Full/partial recovery
  - Costs related to oversight functions may be included



## Airport charging systems

SECTION II PARA 3

- Simple and suitable for general application
- Don't discourage use of facilities necessary for safety
- Reflect sound accounting and other economic principles
- No discrimination between foreign and national users
- Transparency and fairness for modified charges
- Gradual increases
- Consolidation of charges
- Maintain flexibility to allow introducing improvements
- Charges for general/business aviation to be reasonably assessed



## Landing/parking charges

SECTION II PARA 4-5

- Landing:
  - Landing based on weight formula using MTOW
  - Approach and aerodrome control
  - No differentiation for stage length
  - Apply single charge as much as possible
  - Include lighting and special radio aids where required
- Parking:
  - Parking based on weight/dimensions/length of stay
  - Free parking time locally determined



## Passenger service charges

SECTION II PARA 6

- Avoid facilitation problems (e.g. long queues)
- Airlines collect from passengers on behalf of the airport
- Usually charged to departing passengers only, some airports also apply transfer charges



## Aviation Security Charges

SECTION II PARA 7

- Consultation in advance
- Recovery in a fair and equitable manner
- Direct relation to costs incurred
- No charging for general security
- No discrimination between users
- Cost-recovery method discretionary
- Charges can be added to other charges or be separate, but must be explained/justified

Airports may charge additional costs for extra levels of security



## Non-aeronautical revenues

SECTION II PARA 10-11

- Encourage full development of revenues from concessions, rental of premises and “free zones”
- Except for concessions directly linked with air transport services (e.g. fuel, in-flight catering, ground handling)
- Must also keep prices moderate
- Simply stated: use sound commercial practices





**Policies on air  
navigation  
services  
charges**

Cost basis

Allocation of costs among aeronautical users

Charging systems

Individual charges

- Approach and aerodrome control charges
- Route air navigation services charges

Charges to aircraft not over the provider State



## Cost basis for ANS charges

- Full cost of providing the air navigation services, including appropriate amounts for cost of capital and depreciation of assets, as well as the costs of maintenance, operation, management and administration.
- The costs to be taken into account should be those assessed in relation to the facilities and services, including satellite services, provided for and implemented under the ICAO Regional Air Navigation Plan(s)
- The costs of air navigation services provided during the en-route, approach and aerodrome phases of aircraft operations should be identified separately
- The costs of supporting services such as aeronautical meteorological services (MET), aeronautical information services (AIS) and other ancillary services should also be identified separately
- Costs related to oversight functions may be included



## Allocation of costs of air navigation services among aeronautical users

- Equitable
- Ensure that no users are burdened with costs not properly allocable to them
- Ensure that basic utilization data in respect of air navigation services are maintained
- Utilization data: number of flights by user category, distances flown and information on aircraft type or weight



## Charging system - ANS charges

- Charges should not be imposed in such a way as to discourage the use of facilities and services necessary for safety or the introduction of new aids and techniques.
- States should refrain from segmenting Flight Information Regions (FIRs) solely for the purpose of generating revenue unrelated to the costs of service provision.



## Individual charges

- Approach and aerodrome control charges
- Route air navigation services charges
- Charges for air navigation services used by aircraft when not over the provider State



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## Survey on Implementation of ICAO's Policies on Charges





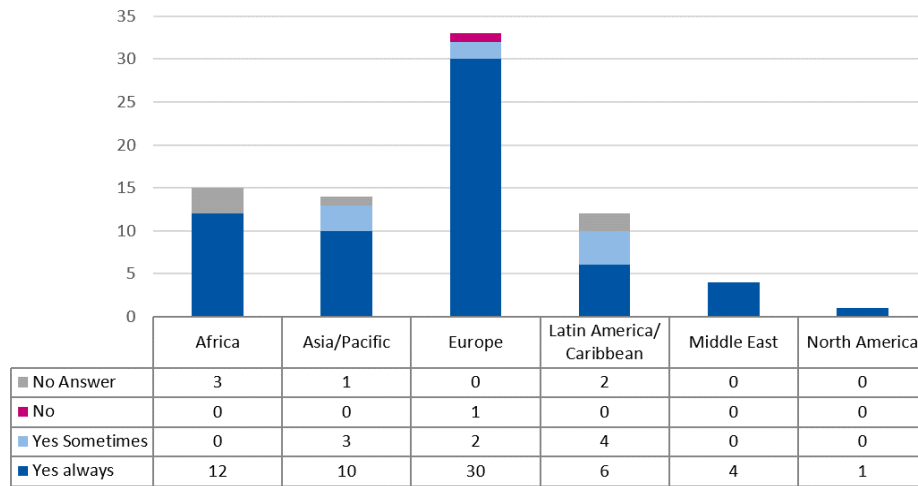
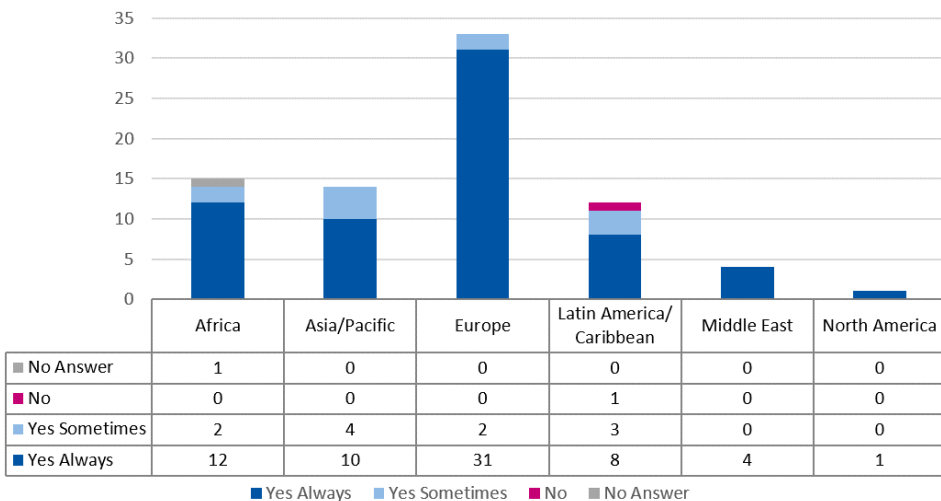
## Implementation of ICAO's Policies on Charges

- ❑ **Surveys on status of implementation of ICAO's policies on charges done in 2020.**
- ❑ **Of 79 States and territories that responded (covering 75% of aircraft departures in 2019)**
- ❑ **Survey scope:**
  - ❑ awareness of ICAO's policies on charges for airports and air navigation services;
  - ❑ national rules and legislations on charges for airports and air navigation services;
  - ❑ implementation of ICAO's policies on charges;
  - ❑ forms of economic oversight on airports and air navigation services providers (ANSPs) adopted by States; and
  - ❑ any other comments and/or suggestions for improving the implementation of ICAO policies on charges.



## Given regard to ICAO's policies and guidance - airports

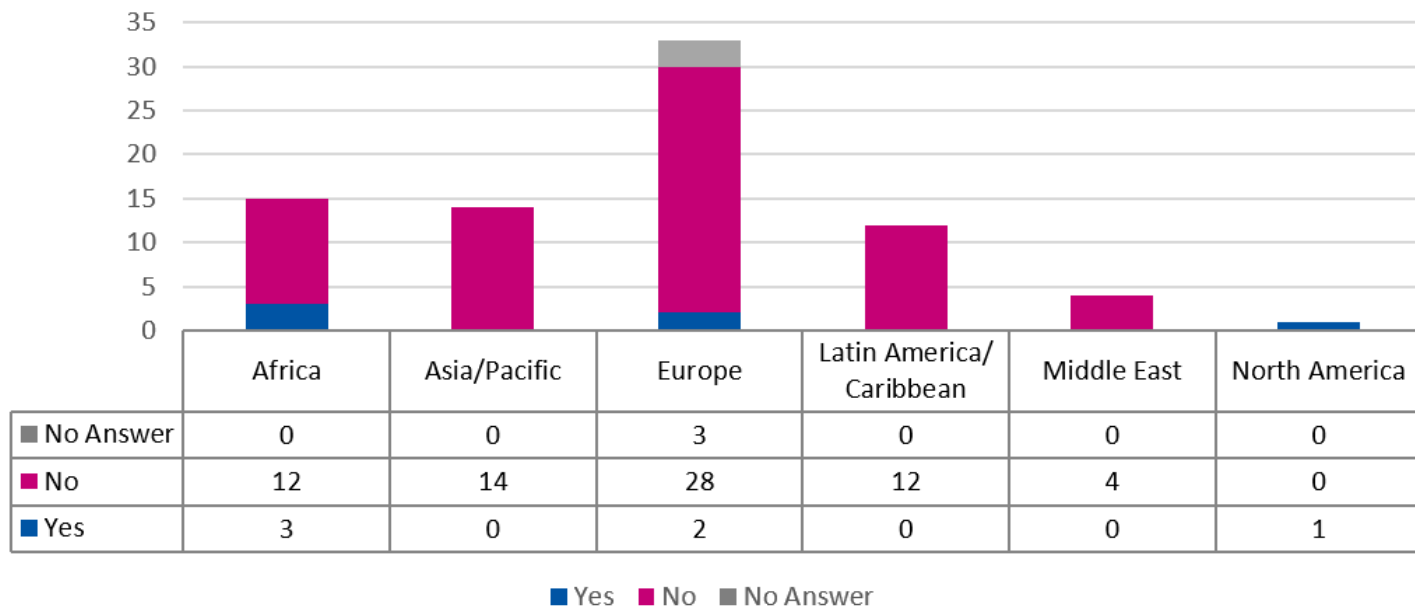
## Given regard to ICAO's policies and guidance - ANSPs





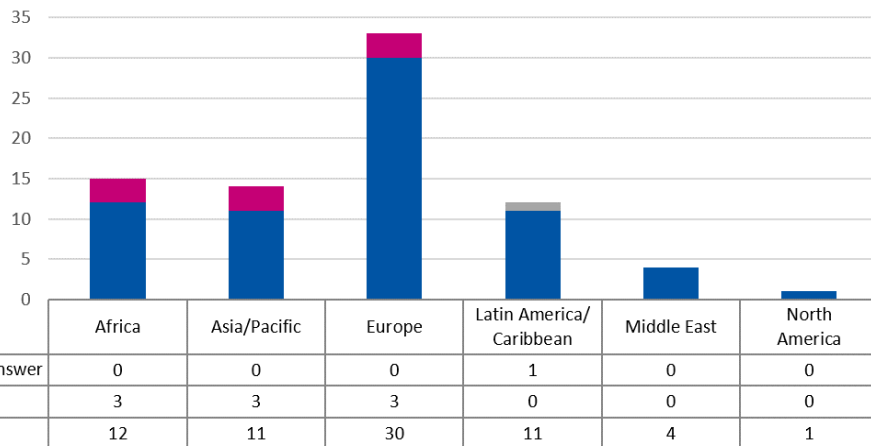


**Issues in ensuring “no fees, dues or other charges shall be imposed by any contracting State in respect solely of the right of transit over or entry into or exit from its territory of any aircraft of a contracting State or persons or property thereon”**



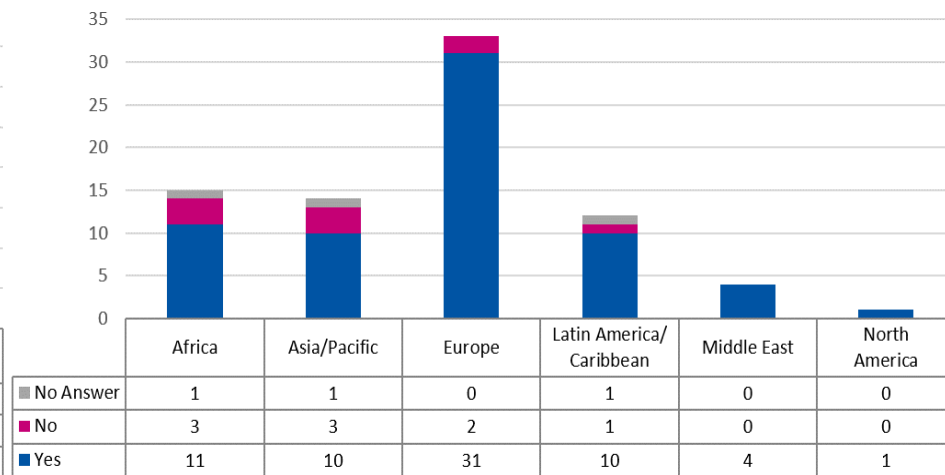


## Rules and regulations governing charges for airports



■ Yes ■ No ■ No Answer

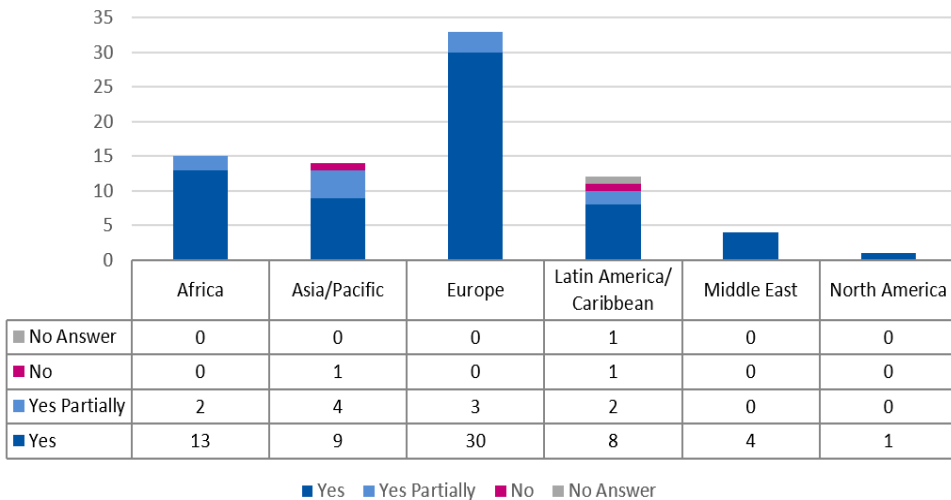
## Rules and regulations governing charges for ANSPs



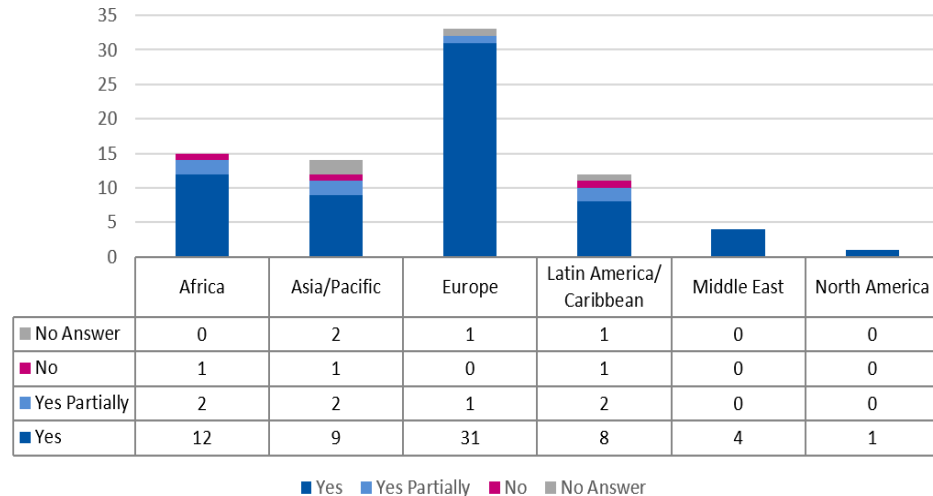
■ Yes ■ No ■ No Answer



## States' implementation of ICAO's policies on charges for airports



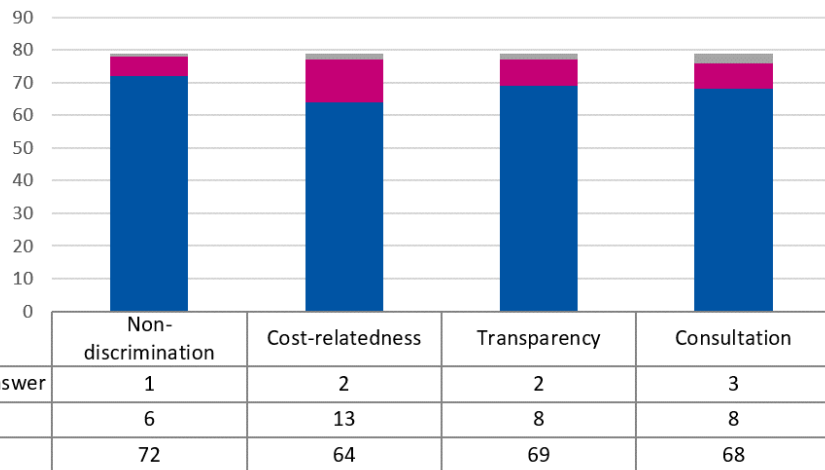
## States' implementation of ICAO's policies on charges for ANSPs



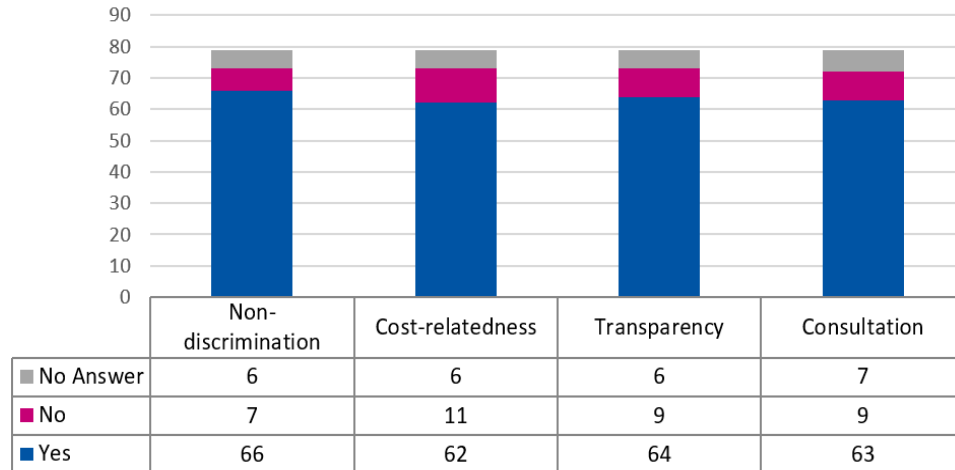


## Adoption of ICAO key charging principles - airports

## Adoption of ICAO key charging principles - ANSPs



■ Yes ■ No ■ No Answer



■ Yes ■ No ■ No Answer



## Highlights

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Charges is designed and applied specifically to recover the costs of providing facilities and services for civil aviation

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There should be a balance between the respective interests of airports and ANSPs on one hand and of aircraft operators and end-users on the other

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Incorporating key principles in ICAO's policies on charges: **non-discrimination, cost-relatedness, transparency and consultation with users**, into national legislation, regulation or policies

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In general, users should not be charged for facilities and services they do not use

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Allocation of costs should be equitable so that no users shall be burdened with costs not properly allocated to them

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Airports and ANSPs should maintain accounts that provide a satisfactory basis for determining and allocating the costs to be recovered

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THANK YOU