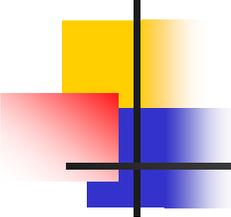


Agenda Item 3

Airport Financial Management and Airport Charges on Air Traffic





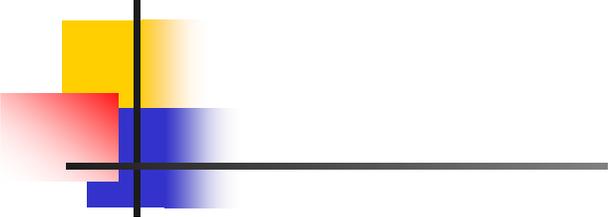
Overview

- ICAO's Policies
- Airport Economics Manual:
 - Chapter 3 - Financial management
 - Chapter 4 - Determining the cost basis
 - Chapter 5 - Charges on air traffic and their collection

Recommendations in ICAO's Policies (Doc 9082/7)

- that the users shall bear their full and fair share of the cost [§ 21]
- that airports maintain accounts for determining and allocating the costs to be recovered [§ 21]
- that no users shall be burdened with costs not properly allocable to them according to sound accounting principles [§ 22v)]





Doc 9562

Airport Economics Manual – Chapter 3





BEST COMMERCIAL PRACTICES

- Definition
- Application in accounting practices



FINANCIAL CONTROL AND ACCOUNTING

- Financial Control:
 - Comparison of actual income and expenses against budget
 - Where deviation, determine cause
 - Corrective measures
- Financial accounting:
 - System of recording and presenting income and expenses
- Financial statements annually



PLANNING PROCESS

- long-term **strategy**
- medium-term **business plan** (3 to 5 years)
- short-term **budget**





AIRPORT ACCOUNTING SYSTEM

Should respond to the needs of:

- Airport owners, governments, etc.
- Airport managers
- Airport users

EXPENSES BY CATEGORY

- Operation and maintenance (staff, supplies and services)
- Administrative overheads
- Capital costs (depreciation and/or amortization, and interest, taxes)

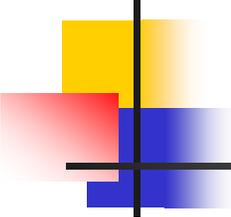
Operation

Administration

Other

Taxes

Capital



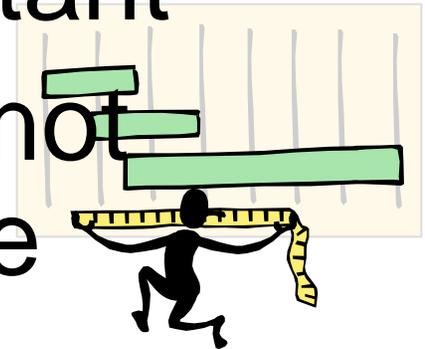
COST ACCOUNTING SYSTEM

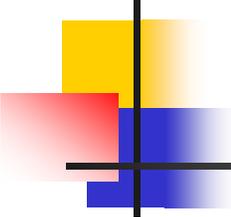
- **Cost center statements**
(administration, air side maintenance, firefighting, security, etc.)
- **Service lines statements** (air side, passenger processing, concessions, property rental, etc.)

ANSEP - Guidance material in Doc 9161/4

Purpose:

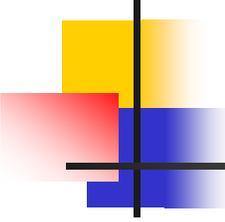
- To improve performance and minimize costs
- Applicable to all aspects
- Measure what is important
- To improve over time, not for comparison purpose





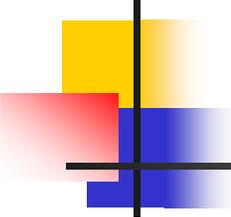
Performance management

- Consultation and selecting goals
- Measurement method
- Setting targets
- Planning to achieve the goals
- Assessing performance metrics



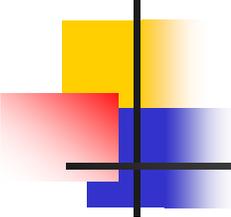
Areas of measurement

- Safety
- Delay
- Productivity and cost-effectiveness
- Flight efficiency
- Availability
- Environmental performance



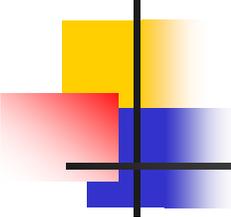
Categories of measures

- Input (e.g. capital assets, staff numbers)
- Output (e.g. number of passengers, aircraft movements)
- Outcome (reflects quality and efficiency of service provided)



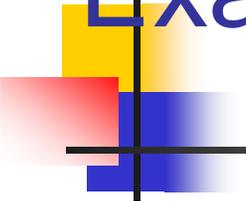
Applications

- internal assessment tool
- benchmarking
- identify best practices and performance drivers
- forecasting
- investment analysis
- consultations with users
- performance reports



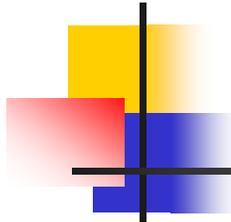
Recommended practices

- Accurate data
- Consistent methods to compile/estimate results
- Should be published
- A management tool to identify process changes and encourage accountability



Examples of measures (airports)

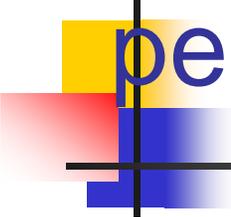
- Incursions per million operations
- Delays per hour
- Passengers per employee
- Aircraft movements per gate
- Air side costs per aircraft movement
- Passenger facility costs per passenger
- Total cost per tonne of cargo handled



Performance

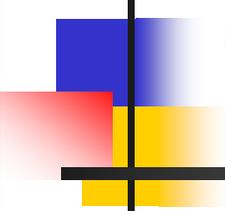
- ANSConf 2000
- ANConf/11
- Assembly 35

ANSCConf 2000 – Application of performance parameters. Doc 9082.



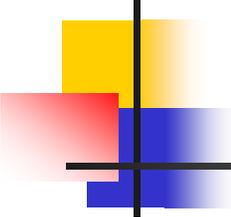
That States encourage airports and ANSPs:

- develop/collect data on performance
- evaluate/improve quality of services
- investment decisions
- consultations with users
- understand the true costs



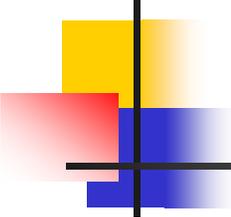
Eleventh Air Navigation Conference

Agenda Item 3: ATM performance
targets for safety, efficiency and
regularity ...



Recommendation 3/2

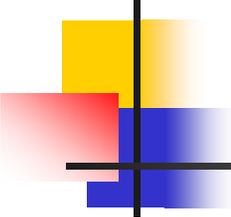
- That ICAO continue its work on economic performance of ATM
- Assess the need for world-wide standardization of minimum reporting requirements in relation to information disclosure



Recommendation 3/3

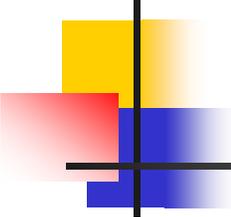
That ICAO

- formulate the objectives and targets for a future global ATM system
- continue the definition of performance metrics
- coordinate and harmonize the performance framework, incl. definitions, standard for reporting requirements and guidance for monitoring



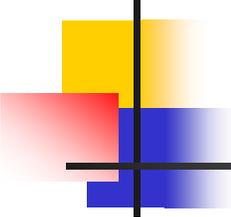
35th Assembly

That ICAO would convene, at an appropriate time, in cooperation with other organizations, a global meeting to agree on performance objectives and monitoring requirements.



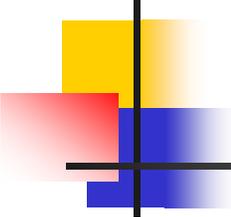
A35-15

Urges the Council to take the steps necessary to ensure that the future global ATM system is performance-based ...



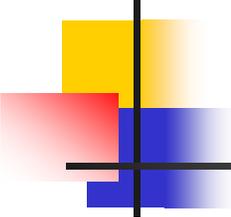
Development after A35

- ANC agreed in principle to a Performance Conference (January 2005)
- State letter SD 36/1-05/24
- ANSEP WG, ATMRPP WG/WHL
- Council postponed the Conference (June 2005)



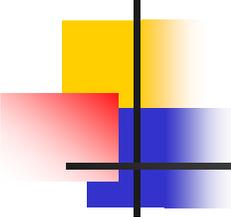
Council's decision

- requirement for further development of relevant subject matter
- secretariat to monitor, over the long-term, the need for a future conference
- secretariat to explore ways of increasing awareness and improving knowledge of performance issues and give serious consideration to convene a symposium



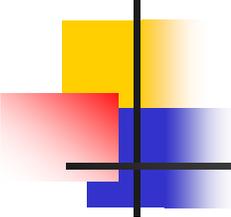
Conference on the performance of the air navigation system

- Safety performance and management targets
- Operational and economic performance, incl. environmental impact
- Technical performance
- Management of air navigation services



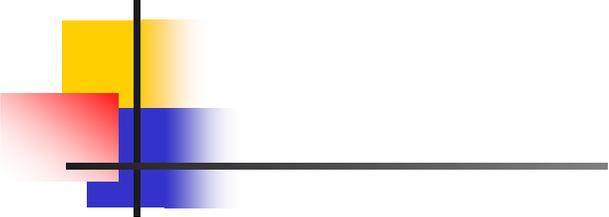
Examples of measures (ANS)

- Mid-air collisions per million flights
- Average en-route delay per delayed flight
- Average number of aircraft handled per sector
- Average IFR kilometers per ATCO
- Average cost per kilometer of IFR flights
- MET cost per flight



Group exercise

- Constitute groups, for airport and ANS performance
- Ref.: guidance in the Manuals (handouts)
- Identify those metrics that are appropriate/feasible
- Suggest other metrics
- Report on findings



Doc 9562

Airport Economics Manual – Chapter 4

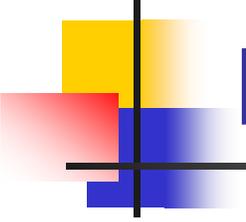


DETERMINING THE COST BASIS

ICAO's Policies (Doc 9082/7) recommend:

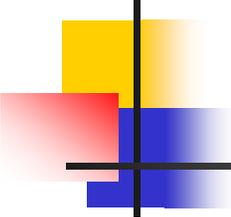
- The cost to be shared is the full cost of the airport [§22 i]
- Appendix 1 as a general guide





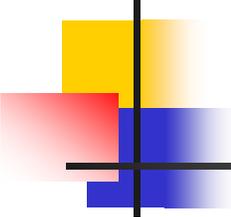
DETERMINING THE COST BASIS

1. Full costs of the airport
2. Transfer costs from/to others (+/-)
3. Depreciation/interest (+/-)
4. Non-aviation off-airport (-)
5. En route utilization (-)
6. Exempted flights (-)
7. Adjusted costs = basis for charges



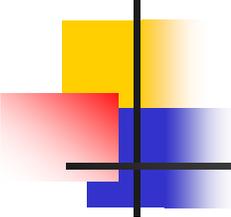
ALLOCATION OF COSTS

- Cost centers/service lines
- User categories
- International/domestic



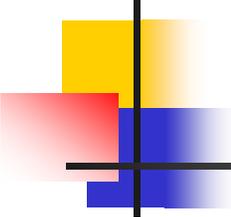
Cost basis for individual charges

- ICAO's Policies recommend that a single charge be applied for costs of as many as possible of airport-provided facilities and services for normal landing and take-off [§ 26 v)]
- Cost basis for individual charges
[Doc 9562 § 4.31 – 4.45]



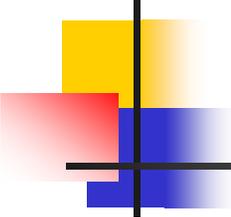
Determining the costs for non-aeronautical activities

- ICAO's Policies [§ 34] recommend the full development of such revenues, except for concessions directly related to the operation of air transport services.
- Purpose to establish a minimum for non-aeronautical fees and charges



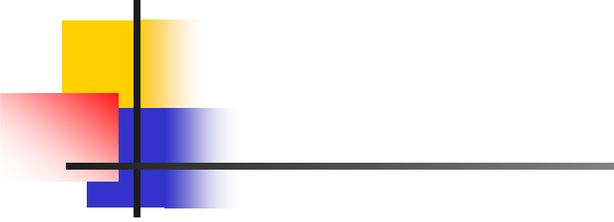
ATTRIBUTING COMMERCIAL REVENUES TO THE COST BASE

- Single till
- Dual till
- Hybrid



Discussion

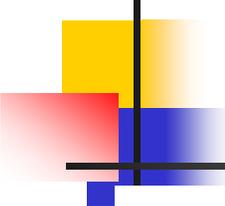
- Problems with accounting?
- Problems with establishing the cost basis?
- Or for allocation of costs?



Doc 9562

Airport Economics Manual – Chapter 5

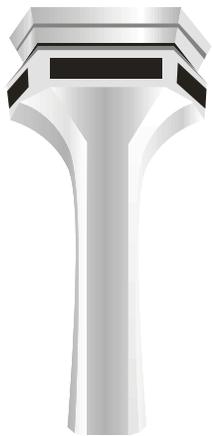




Charges and taxes

Charge

to defray the costs
of providing
facilities and
services



Tax

to raise government
revenues not
applied to civil
aviation in their
entirety or on a cost-
specific basis

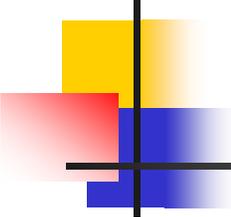


Doc 9082/7 § 23 –

Airport Charging Principles

■ Simple

- Safety not affected
- Sound accounting principles, incl. other economic principles
- Non-discriminatory
- Preferential charges do not penalize other users
- Increases be gradual
- A single charge if possible
- Reasonable for General aviation



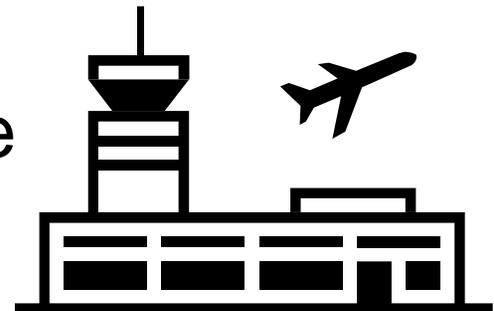
Factors influencing charges

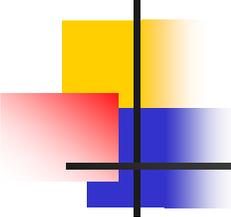
- Full/partial cost recovery
- Application of economic principles
- Discounts, rebates, reductions

Setting individual charges

Cost basis for the next financial year

- Traffic forecast
 - Number of aircraft movements
 - MTOW
 - Time of arrival
 - Departing passengers (international and domestic)
 - Cargo
 - Duration of stay by aircraft size
- Unit costs





Collection of charges

- Bill periodically as soon as feasible
- Billing at landing/take off (not recommended for regular operators)
- Invoice must provide necessary information incl. terms of payment (due date and penalty interest)

Collection of passenger service charges

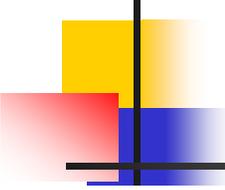
Billed together with landing charge

- Eliminate facilitation problems
- Reduce costs of collection
- Improve control and audit of revenues



Direct collection from passengers

- Collected by the airline or the airport
- Money received immediately



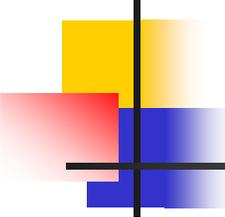
Collection problems

Domestic debtor:

- Seizure of aircraft
- Prevent take-off

Foreign debtor:

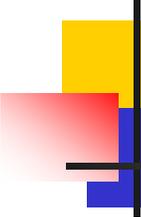
- Payment before departure
- Appoint an agent
- Guarantees



Recommended principles on consultation with users

Doc 9082/7 § 31 & 33

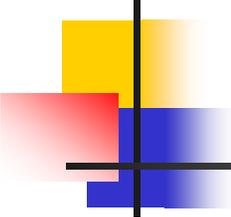
- Before changes in charging systems or levels of charges
- Purpose: to consider the views of the users and the effects on them
- Aim: to reach an agreement
- Airports free to impose the changes
- Users' right to appeal to an independent body (first resort mechanism)



Consultation with users (cont.)

Dispute resolution

- Before disputes enter the international arena
- Neutral and flexible
- Conciliation or mediation rather than full arbitration
- Part of an independent mechanism for economic regulation or separate



Discussion

- Collection problems?
- Procedures for consultations?