

## WORKSHOP ON AIRPORT AND ROUTE FACILITY MANAGEMENT

(Montreal, 15-19 April 2002)

**Agenda Item 1: ICAO policy on airport charges**

**Agenda Item 7: ICAO policy on air navigation services charges**

### THE PRACTICAL APPLICATION OF ICAO DOC 9082/6

(Presented by Colombia)

#### SUMMARY

This paper refers to the difficulties that may affect some States of the Latin American region in putting into practice the recommendations of Doc 9082/6 and some measures to get round these difficulties.

#### 1. PRINCIPLES AND GUIDELINES OF DOC 9082/6

1.1 Paragraph 15, subparagraph i), establishes non-discrimination in the application of charges as an objective.

1.2 With regard to air navigation services, paragraph 36 states that “international civil aviation should not be asked to meet costs that are not properly allocable to it”. More specifically, paragraph 40 establishes that: “The proportions of cost attributable to international civil aviation and other utilization of the facilities and services (including domestic civil aviation, State or other exempted aircraft, and non-aeronautical users) should be determined in such a way as to ensure that no users are burdened with costs not properly allocable to them according to sound accounting principles.”

1.3 Furthermore, paragraph 22, subparagraph i), establishes that: “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 aeronautical revenues plus contributions from non-aeronautical revenues, accruing from the operation of the airport to its operators.” What is indicated in the previous paragraph is the “single till” principle by which international airlines share in the surplus non-aeronautical revenues through a reduction in the landing charges and other charges collected from aircraft operators for the use of airports.

(3 pages)

## **2. THE SITUATION PRIOR TO THE APPLICATION OF DOC 9082/6**

2.1 The accounting of the civil aviation organizations responsible for the management of airports and air navigation services in some countries of the Latin American region is governed by an annual budget and accounting, the records and reports of which are oriented for the purposes of the civil service and national accounts that are difficult to adapt to the standards required by civil aviation.

2.2 In fact, not all countries have been able to structure an accounting plan with the ancillary accounts of fixed assets that permanently identify and value at the replacement price both the equipment and the aeronautical infrastructure that support the airport and air navigation services. Something similar happens with the identification of the payroll to the aeronautical services.

2.3 Once the accounting has been adapted for civil aviation purposes, it is necessary to assign costs to the different phases of flight or activities, that is the services of the control tower (TWR), approach (APP) and route (ACC). This makes it necessary to implement activity base costs (ABC) with a detailed study of the activities and processes undertaken at the level of each of the services such as air traffic, aeronautical meteorology, communications, radio aids, in order to be able to assign the correct proportion of the costs of personnel, assets and direct and indirect expenses involved in the process of providing services to users.

2.4 Furthermore, the requirement to have the costs assigned to different categories of users (international commercial civil aviation, domestic commercial civil aviation, general aviation, State aviation, etc.) implies having a computer database and software that makes it possible to handle each operation in the accounting period of one year, identifying the user, the maximum gross operating weight of the aircraft, the distance travelled and the origin and destination in order to differentiate whether it was an international or domestic operation when one tries to establish costs for services en route. Something similar happens with cost accounting for each of the airport services.

## **3. TARIFFS, COSTS AND SUBSIDIES**

3.1 Once the civil aviation organizations have adapted their accounting and obtained the information on the demand for each of the airport and air navigation services, they are in a position to define tariffs as a function of the costs for the use of the facilities provided to users.

3.2 But to see what happens in practice, let us look, for example, at the tariffs for air navigation services en route published in ICAO Doc 7100.

**Aircraft** MD-80  
**Weight (t)** 63.5  
**Distance (km)** 600

Country	Currency	Currency Dollar	Date of Update	US \$ Tariff Int.	US \$ Tariff Dom.	% Tariff Dom. v Int.
Bolivia	Peso	5.75	05/03/99	442.74	6.14	1.39%
Argentina	Peso	1.00	31/03/00	239.06	133.35	55.78%
Ecuador	Sucre	25 000.00	27/01/00	120.00	7.92	6.60%
Peru	Sol	3.52	04/01/00	180.00	39.00	21.67%
Chile	Peso	256.00	30/06/90	66.00	11.53	17.47%
Colombia	Peso	2 245.00	30/01/01	280.31	65.21	23.26%
<b>Average</b>				221.00	43.90	20%

3.3 The table shows that some States charge an aircraft different tariffs on the same route depending on whether the flight is a domestic or international operation. In accordance with sound accounting principles, the cost for the same aircraft on a route, whether it is a domestic or international operation, is the same. Nevertheless, the charge is different and in the case of the example it becomes practically one fifth.

3.4 A similar situation can be seen with airport costs and tariffs. The civil aviation organizations are responsible for providing services and infrastructure at the national level irrespective of whether the traffic levels make cost-effective the operation of each of the airports that form the airport network. The technical requirement for the critical aircraft imposed by the airlines to operate at an airport (irrespective of the frequency of the operation) requires major investments in infrastructure that it can be difficult to recover through the tariffs applied to operators at airports of the domestic type.

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