

## Agenda Item 3

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# Airport Financial Management and Airport Charges on Air Traffic





# Overview

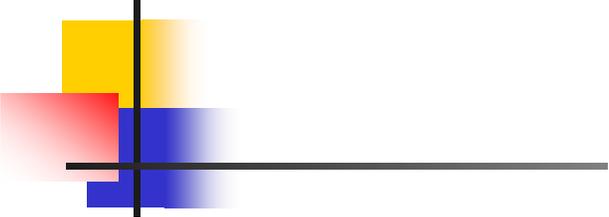
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- ICAO's Policies
- Airport Economics Manual:
  - Chapter 3 - Financial management
  - Chapter 4 - Determining the cost basis
  - Chapter 5 - Charges on air traffic and their collection

# 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

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- Definition
- Application in accounting practices



# FINANCIAL CONTROL AND ACCOUNTING

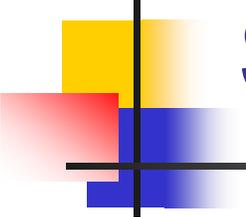
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- Financial Control:
  - Comparison of actual income and expenses against budget
  - Where deviation, determine cause
  - Corrective measures
- Financial accounting:
  - System of recording and presenting income and expenses
- Financial statements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

# PLANNING PROCESS

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





# AIRPORT ACCOUNTING SYSTEM

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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)

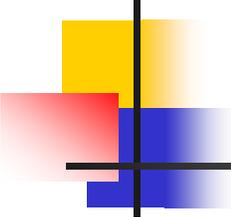
Operation

Administration

Other

Taxes

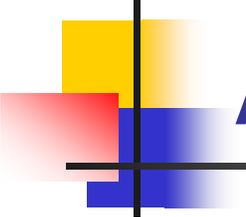
Capital



# COST ACCOUNTING SYSTEM

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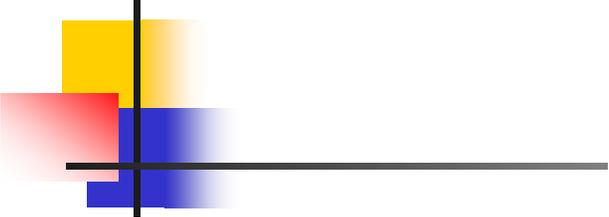
- **Cost center statements**  
(administration, air side maintenance, firefighting, security, etc.)
- **Service lines statements** (air side, passenger processing, concessions, property rental, etc.)



# MEASURING PERFORMANCE AND PRODUCTIVITY

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- Selecting goals
- Measurement method
- Setting targets
- Planning to achieve the goals
- Assessing performance measures



Doc 9562

# Airport Economics Manual – Chapter 4

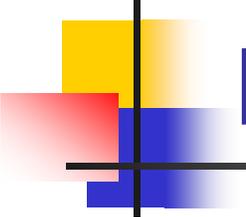


# DETERMINING THE COST BASIS

## 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

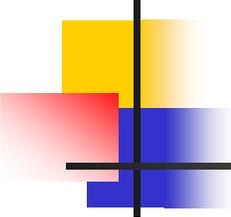




# DETERMINING THE COST BASIS

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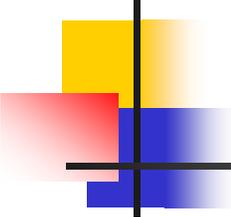
1. Full costs of the airport
2. Transfer costs from/to others (+/-)
3. Depreciation/interest (+/-)
4. Non-aviation off-airport (-)
5. En route utilization (-)
6. Exempted flights (-)
7. Adjusted costs = basis for charges



# ALLOCATION OF COSTS

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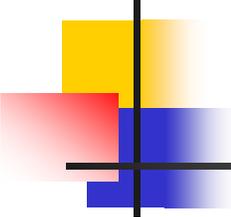
- Cost centers/service lines
- User categories
- International/domestic



# Cost basis for individual charges

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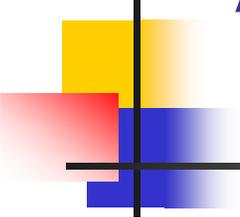
- ICAO's Policies recommend that a single charge be applied for costs of as many as possible of airport-provided facilities and services for normal landing and take-off [§ 26 v)]
- Cost basis for individual charges [Doc 9562 § 4.31 – 4.45]



## Determining the costs for non-aeronautical activities

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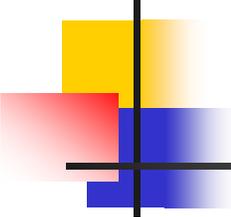
- ICAO's Policies [§ 34] recommend the full development of such revenues, except for concessions directly related to the operation of air transport services.
- Purpose to establish a minimum for non-aeronautical fees and charges



# ATTRIBUTING COMMERCIAL REVENUES TO THE COST BASE

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- Single till
- Dual till
- Hybrid



# Discussion

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