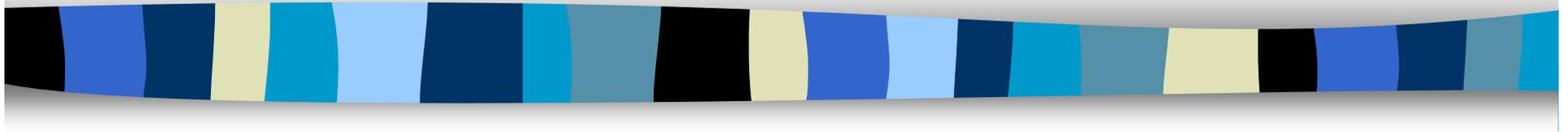
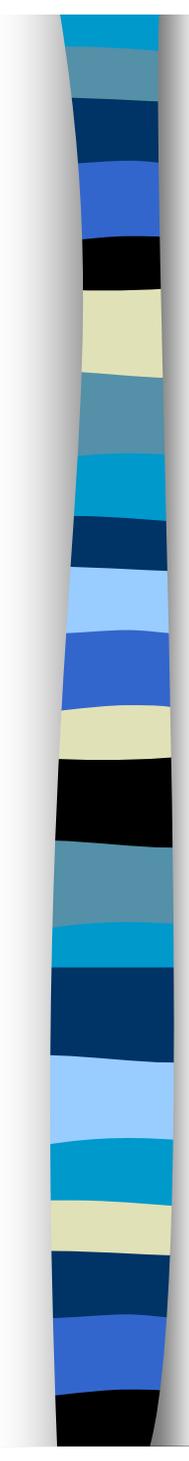


Agenda Item 4

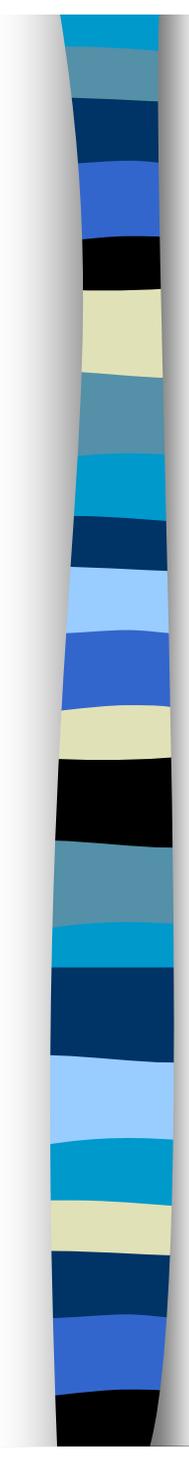


Development and Management of Non-aeronautical Activities



Background, 2003

- World-wide average – 41% of total income per airport
- Major airports – 53%
- Caribbean, Central and South America – lowest regional average at 27%
- Non-aeronautical income per passenger highest in Asia/Pacific – US\$ 8



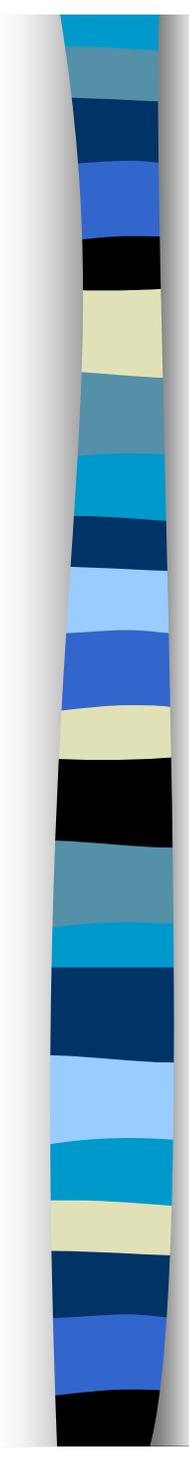
Single till and ANSConf

Pooling airport revenues and costs from all revenue-generating activities

Advantages with existing principles:

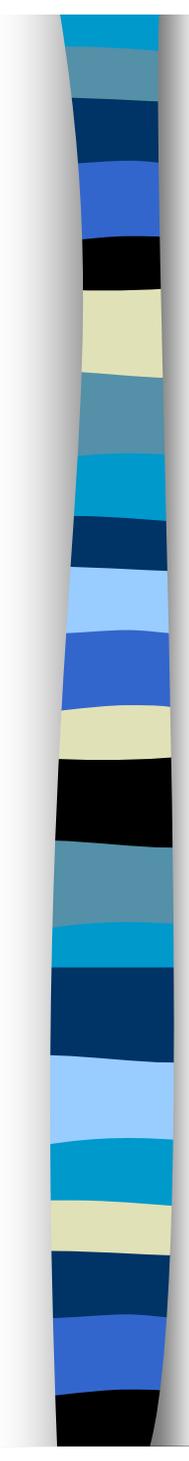
- Reduces cost base for charges
- Motivates airport to develop revenues from non-aeronautical activities
- Provides for capital investment

Support for more flexibility in interpretation and application of principles



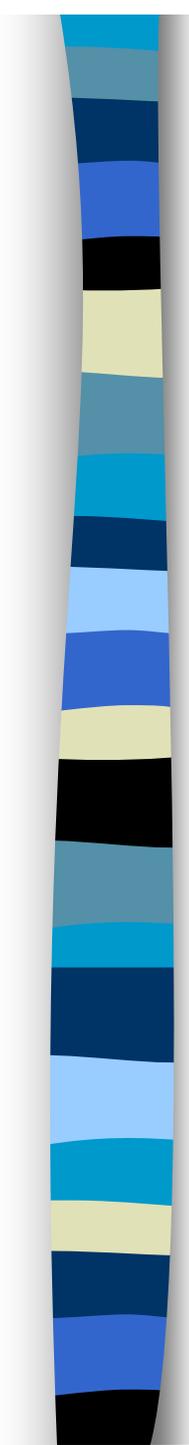
Chapter 6 of the Airport Economics Manual

- Basic factors
- Types and operational responsibility
- Managerial aspects
- Setting fees and charges
- Contractual aspects



Basic Factors

- No non-aeronautical activity permitted that can compromise safety or security
- Traffic volume significant – relative share and non-aero. revenue per passenger increase with traffic
- Organizational aspects – hindrance to development if airport management is not in control of concessions and rental



Revenues for the airport

- Fees for business rights
- Rentals of land and premises
- Revenues from its own activities

Part B

ICAO WARFM T&T Oct 2005





Examples of concessions

Aviation fuel suppliers

Food/beverage concessions

Airline catering services

Duty-free and other shops

Banks

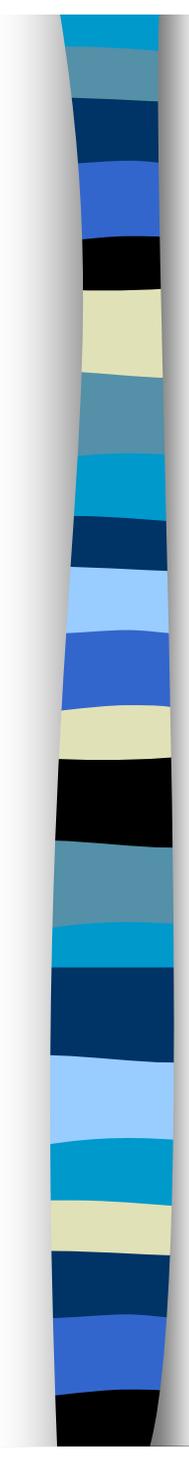
Car rental

Car parking

Advertising

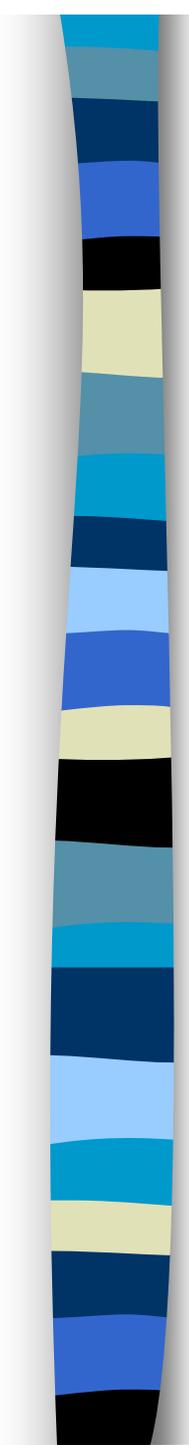
Conference facilities

Supermarkets



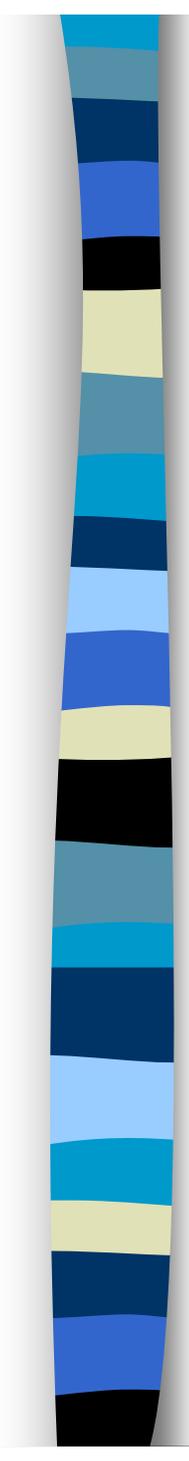
Extension of activities

- Duty-free shops for arrivals
- Persons working at airport, nearby communities
- Essential or desirable services



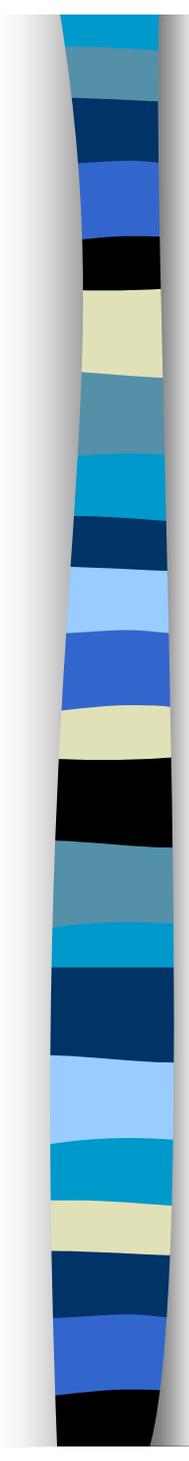
Airport City concept

- Catalyst for employment opportunities
- Meeting places



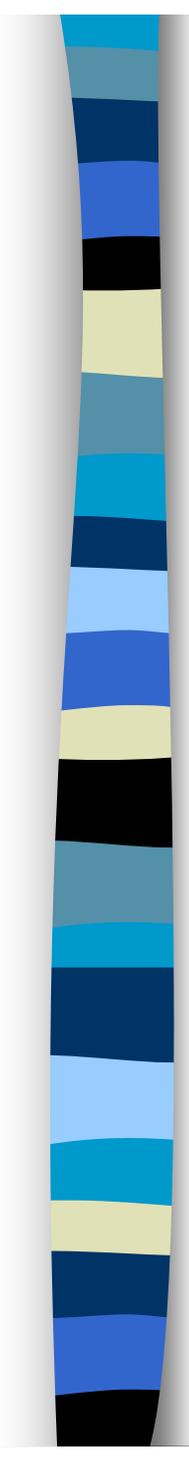
Free Zones

- Bonded warehousing and storage, assembly activities
- Imposes substantial financial commitment on airport and State
- Incentives for encouraging location
- Industries attracted
 - Producing high value per weight or volume units
 - Requiring substantial skilled/unskilled labour
- Sound investment?



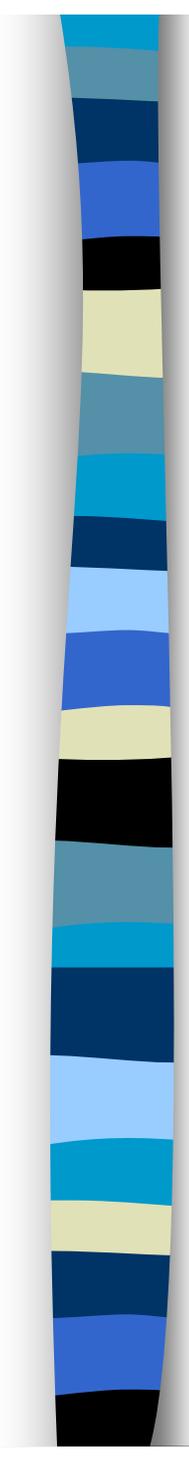
Group Activities

1. a) Suggest “new” commercial activities which are not already in widespread practice in the Americas, and
b) identify commercial activities in the Americas which could be of interest to other regions.
2. Which are the most important principles when setting fees and charges?
3. Which are the most important contractual aspects?



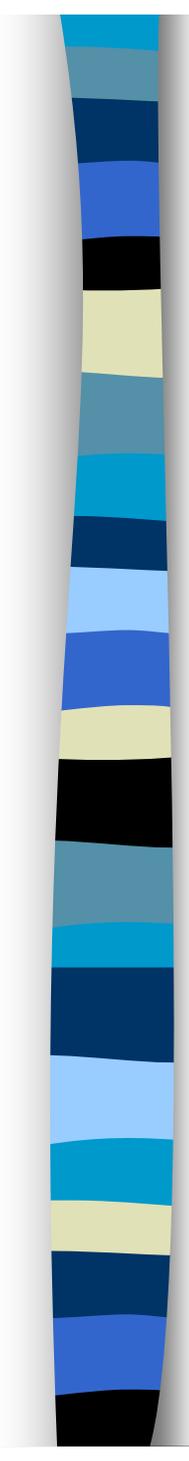
Sources

- Doc 9562, Chapter 6
- Your experience (and ... imagination)



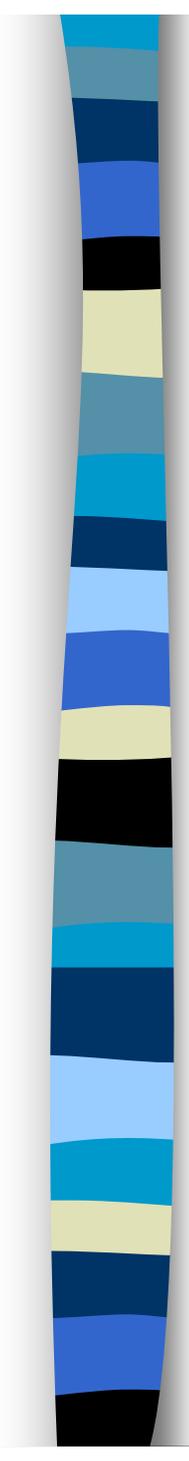
Setting fees and charges

- Determining market value – tenders and/or airport assesses (comparisons – divisions into different zones)
- Concession fees variable (turnover not profit) and/or fixed
- Airport to monitor prices, must be competitive with major destination/departure airports
- Rental charges



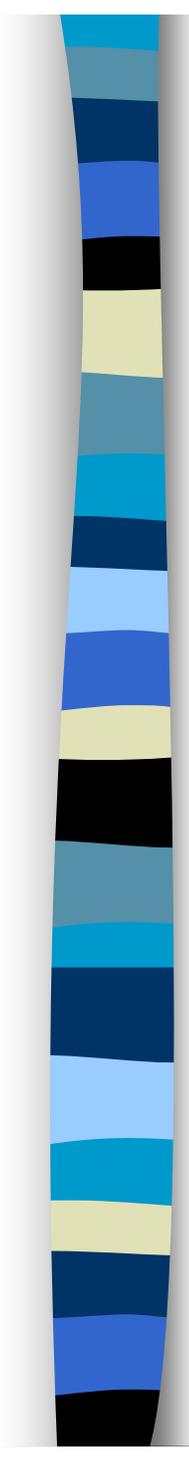
Tenders

- Highest not necessarily best, often two stages
- Invitation should include information – different for rentals vs/concessions



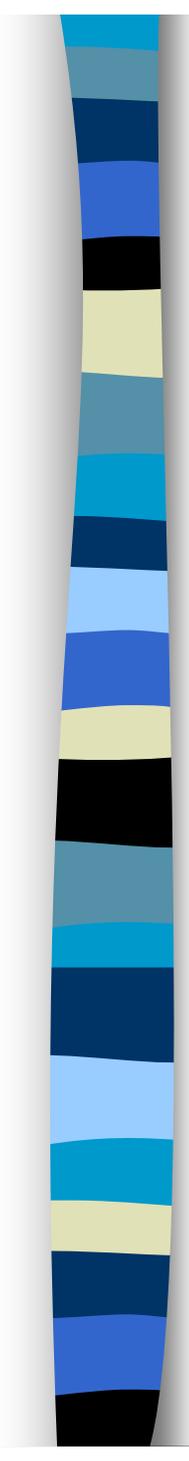
Contractual aspects

- Contracts drawn up and governed by laws of State of airport
- Disputes to be settled before the Court of that State



Contractual aspects (cont.)

- Concession contract – normal stipulations
- Leases normally less complex; right to repossess; compensation
- Length of contract – investment by concessionary/lessee relevant
 - Concessions: 1-5 years
 - Leases: premises up to 3 years; land 10-40 years, periodic review



Contractual aspects (cont.)

- Management contract – net revenues to airport, with commission possibly deducted
- Free-zone enterprises – contract involves other jurisdiction