

Measure 20: Airport charges

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<p><i>Policy package:</i> 3C: Air transport pricing, taxation and financing</p>
<p><i>Measure 20:</i> Airport charges</p>
<p><i>What is the problem being addressed ?</i></p> <p>Airport charges are charges that airport operators levy on aircraft and passengers as a payment for the provision by the airport and the use by the air carriers and passenger of aeronautical services and facilities. The recommendations of international organizations (ICAO and IATA) regarding airport cost coverage include the application of average costs as the basic price. In addition, these organizations sought to establish a uniform fare structure for the whole industry. Dividing incurred costs by the number of processed traffic units provides a unitary tariff. Several fares for each service could be obtained with this procedure by distinguishing among the different components of total cost.</p> <p>In practice, the basic airport pricing structure corresponds to a landing fee calculated according to aircraft weight, plus a departure fee for passengers. Given that all users pay the same amount for the utilization of the same services, most airlines support this mechanism as objective and fair. However, the reality is that different operators impose different costs, and therefore should face different charges. For example, an airline that operates during peak periods imposes a cost (capacity cost) that is higher than others who operate during off-peak periods. Moreover, the increasing involvement of the private sector in airport activities might break the uniformity of pricing structures around the world, leading to a more efficient pricing system at privatized airports. For a privately owned airport, coverage of actual costs, as well as the coverage of those costs related to future investments in additional capacity are of critical importance.</p>
<p><i>Measure's costs and/or benefits:</i></p> <p>The assessment of the costs, and a charging mechanism, will concern the new initiative of the Commission announced for the year 2004, which is however still to be defined (see box below)</p>
<p><i>Legislative implementation at the EU level:</i></p> <p>The Commission has made two attempts in the past to provide specific EU legislation on the issue of airport charges.</p> <p>The first initiative of the Commission was a proposal for a Council Regulation on consultation between airports and airport users and on airport charging principles (COM 90/100 final of 22 May 1990). It meant to introduce an obligatory consultation procedure and exchange of information between airports and air carriers, and to lay down as the main principle to which charges should conform, the criterion of cost-relatedness. Cost-relatedness does not necessarily exclude that a reasonable return on capital is included in the charge.</p> <p>The second initiative was the Commission proposal for a Council Directive on airport charges (COM 97/154 final of 23 April 1997), whose aim was to establish a common framework to ensure fair and equitable treatment of airport users, and also to allow airports to adapt the use of the charging system to be compatible with environmental constraints. This proposal included three basic principles underlying any charging system as established by ICAO: non-discrimination between equivalent services; cost-relatedness; and transparency. In relation to the environmental component, the proposal allowed for the modulation of airport charges on the basis of the environmental costs due to air traffic, provided that it was revenue neutral and applied in a transparent and non discriminatory manner.</p> <p>However, both attempts failed in the Council as Member States did not want to see their hands tied on the how they regulated their national charging systems and on how they would use the revenues from the airport activities. In this context, a relevant aspect for a number of Member States was that they did not want to give up their practice of cross-subsidisation.</p> <p>The Commission work programme for 2004 announces fresh Commission initiative in this field. In view of the previous experiences it will be essential to keep the possible EU principles on the setting of airport charges simple and limited to areas where rules and principles are required to ensure a minimum degree of</p>

harmonisation. In a new Directive, there should be rules on what Member States have to regulate, leaving decisions on the details in conformity with existing national legal systems and policy priorities to the competent authorities at national level.

What are the objectives ?

The analysis of objective achievement will concern the new initiative of the Commission announced for the year 2004, which is however still to be defined.

Interactions with other WP measures:

Whatever form will take the future proposal of the Commission, the actual pricing structure upon which regulatory devices shall be applied could be made consistent with additional capacity investment so that corresponding costs are also covered. Since the allotted period to recover the investment is quite long, the regulator could permit price variations during the investment period with the aim of adjusting costs and generating revenue. Therefore, there is potentially an interaction between airport charges and the expansion of airport capacity with new infrastructure (Measure 25). In particular, it is often the case that when the new facilities will be opened to operations, the Airport Authority is planning to raise airport charges. Alternatively, levels of charging could be managed in a different way, with lower charges in the first period which are increased later, when demand approaches again capacity.

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Output indicators:

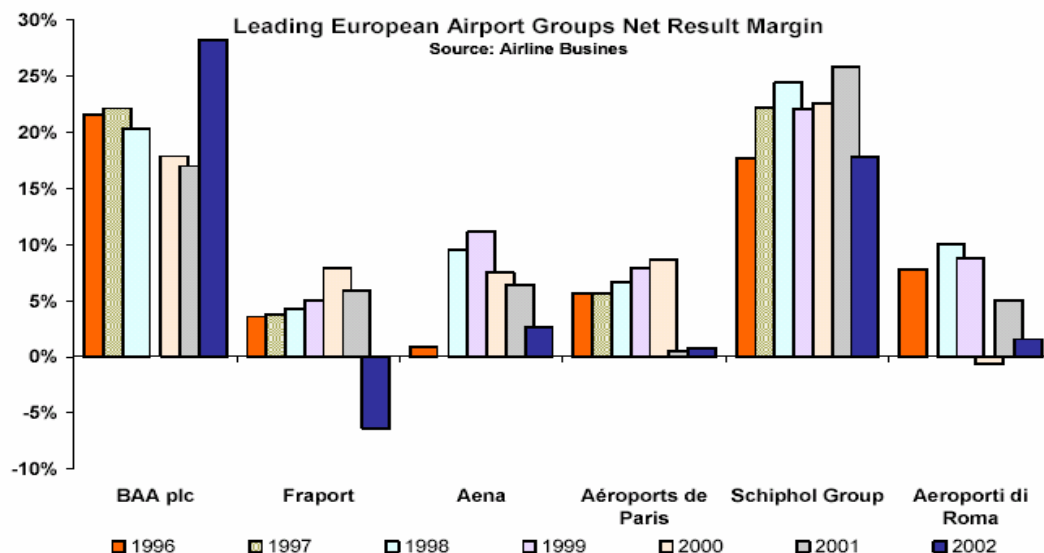
Suitable output indicators can be discussed in relation to the new proposal of the Commission announced for the 2004.

Outcome indicators: intermediate impacts on transport markets

Suitable indicators can be better identified when the characteristics of the new airport charges framework that the Commission shall proposed in the year 2004 will be known. However, key market indicators should include:

- Changes in the average airport charges
- Impacts on airports financial performance.

As it concerns the financial performance of the airport sector, leading European airport groups have historically produced fairly steady returns, less impacted by economic cycles than its airlines customers. Nevertheless, for many airport groups, profitability in 2001 and 2002 was below historic benchmarks.



Outcome indicators: final impacts on transport users and non users

In so far as a different system of airport charges will have an impact on the utilisation of airport capacity, the measure may produce impacts on congestion and emissions variables.