



Airport charges and economic recovery

Ensuring the take-off of African airports



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The
voice
of the
world's
airports

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ensuring the take off of African airports

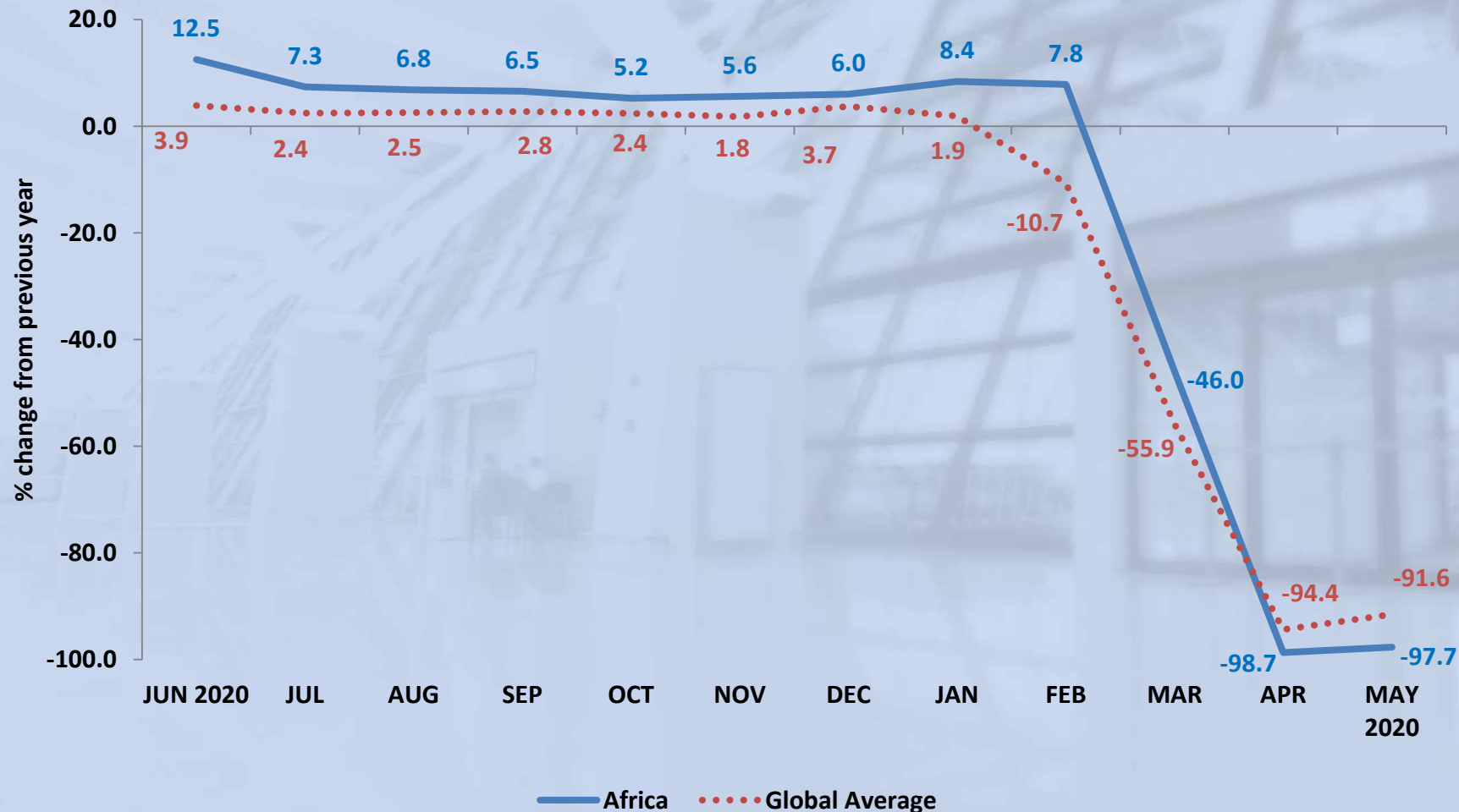


Status update: Africa



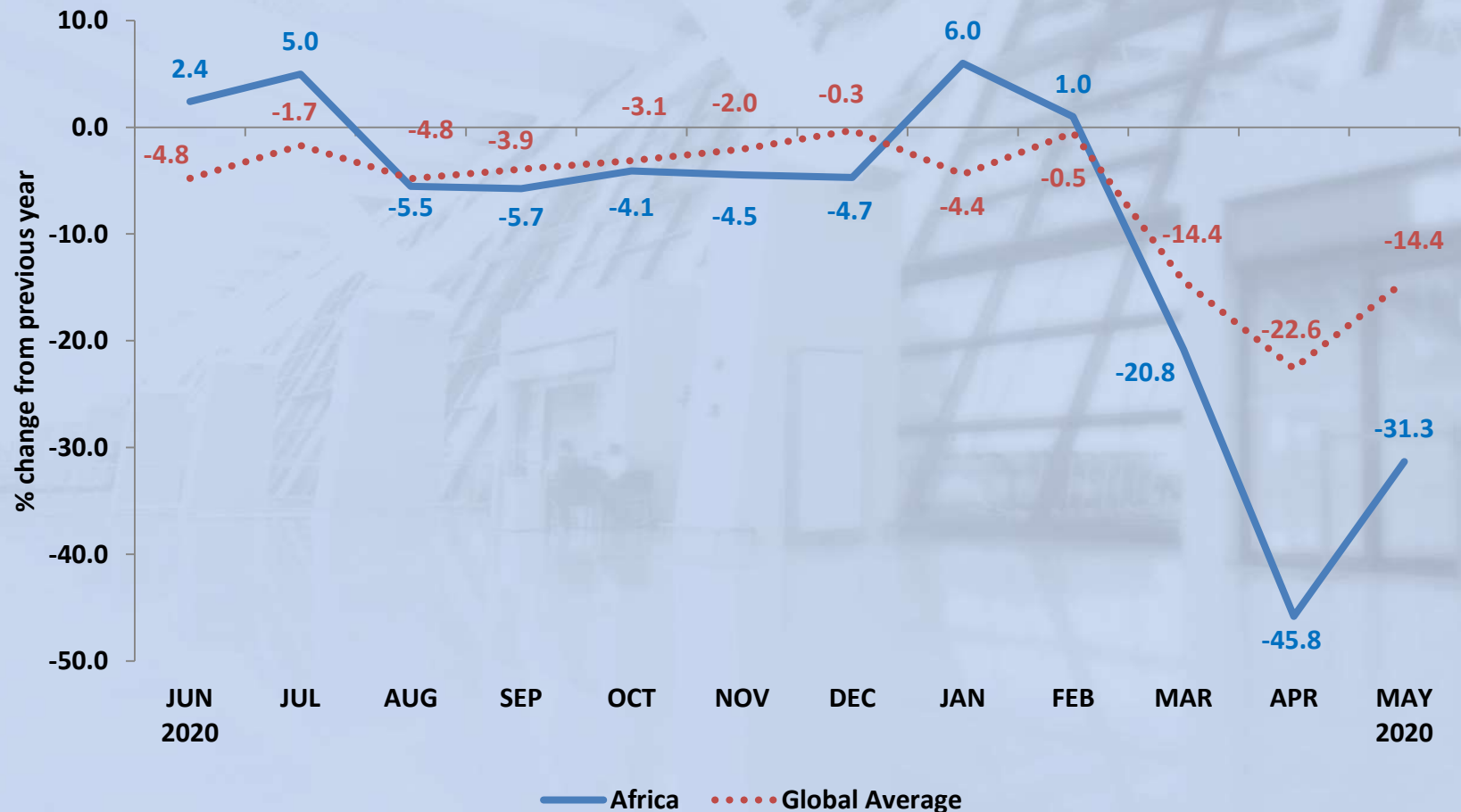
Africa trends - Traffic

Passenger % change trends



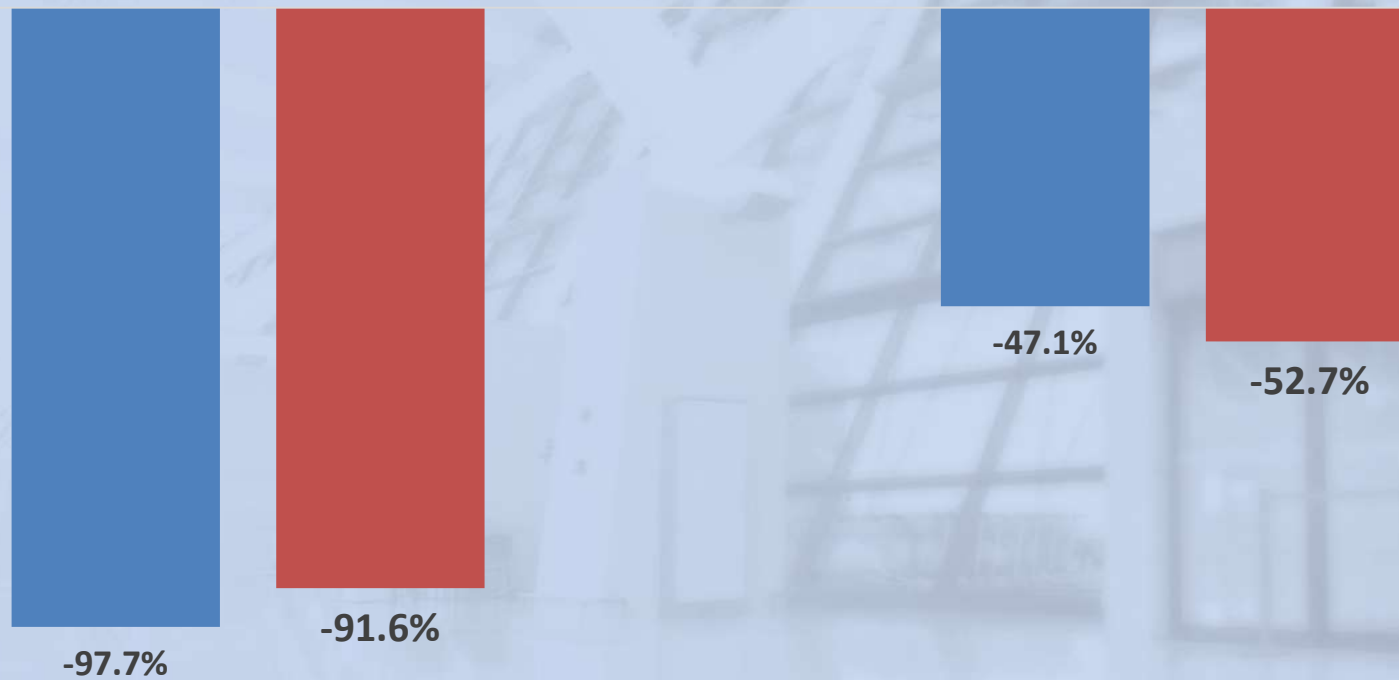
Africa trends - Traffic

Freight % change trends



AFR trends - Traffic

2020 passenger growth



May 2020

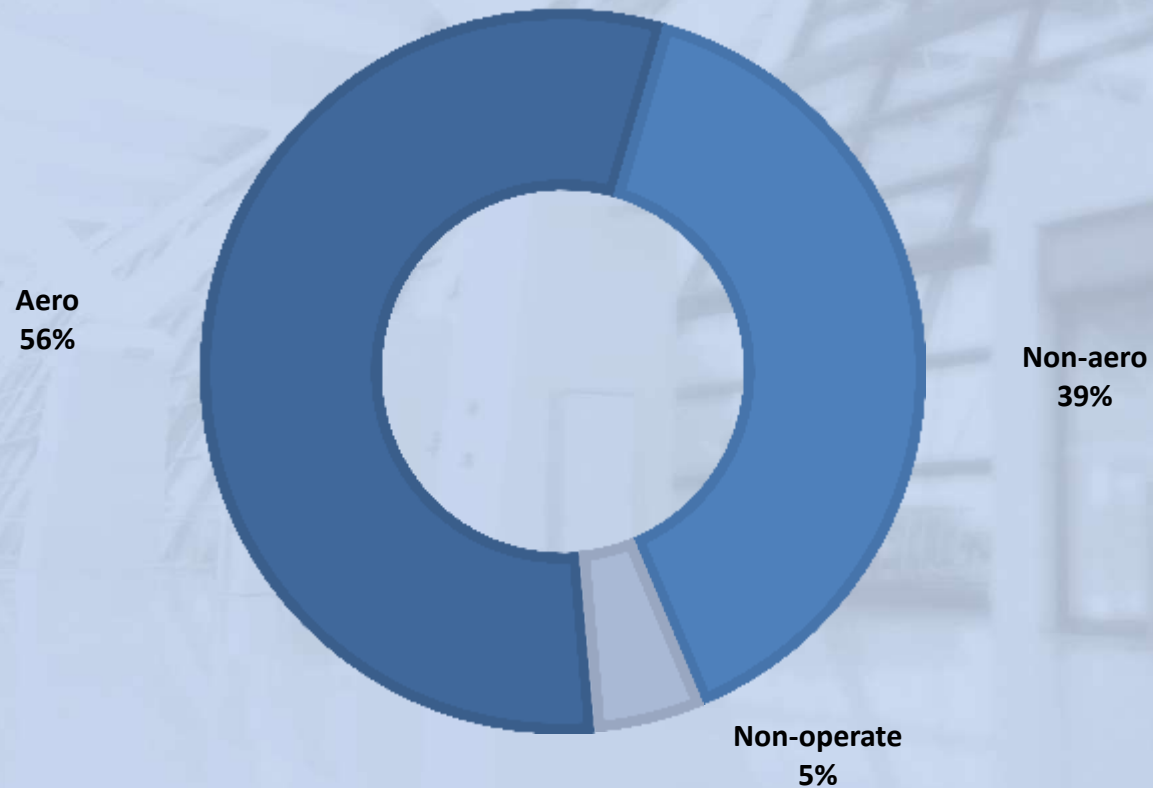
YTD May 2020

■ AFR ■ World



The way we were - Global view

Distribution of revenue, 2018



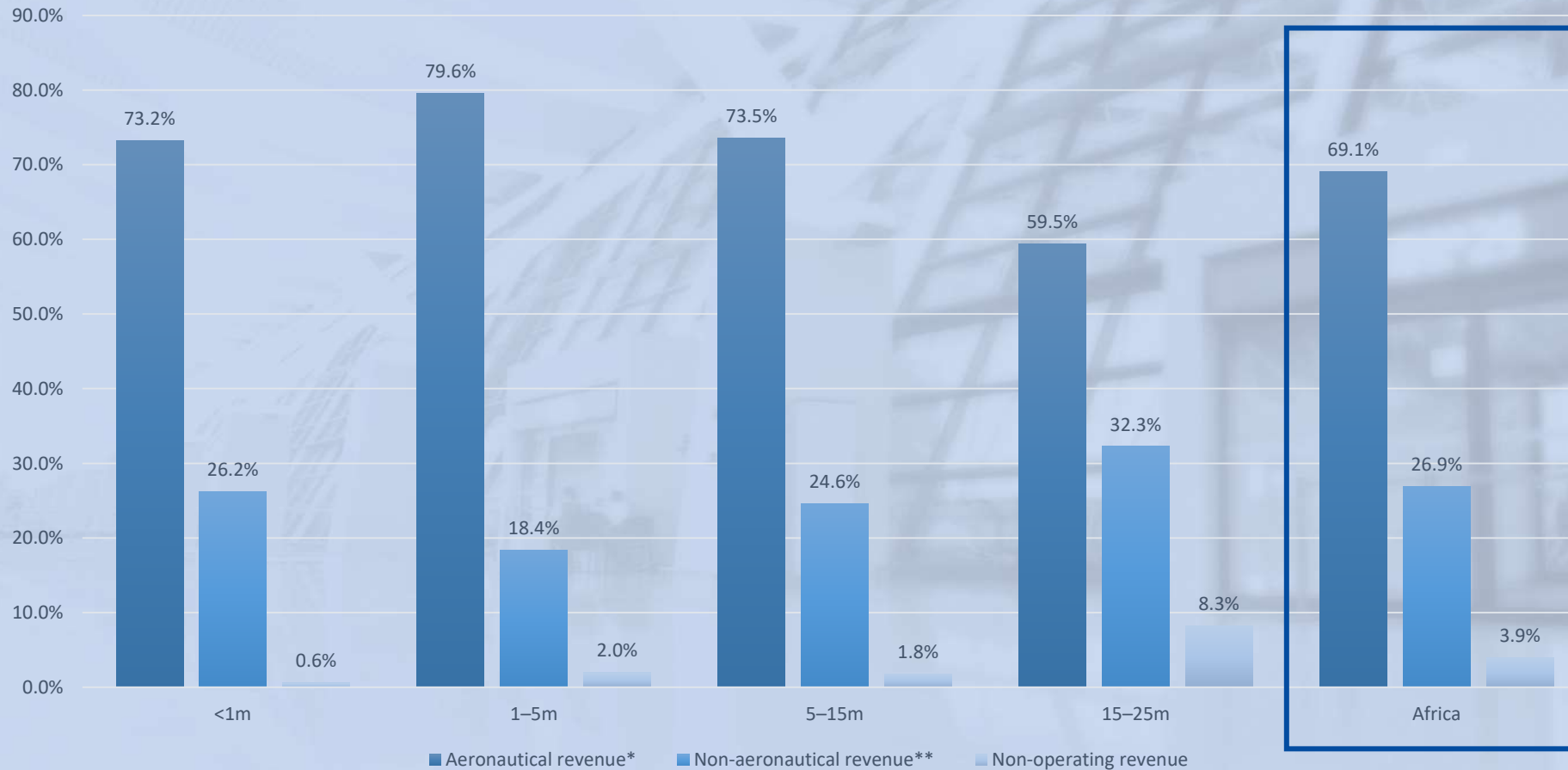
Aero: 5.7% 10-year CAGR

Non-aero: 4.8% 10-year CAGR



The way we were - Africa

Distribution of revenue by airport size (% of total airport revenue, 2018)



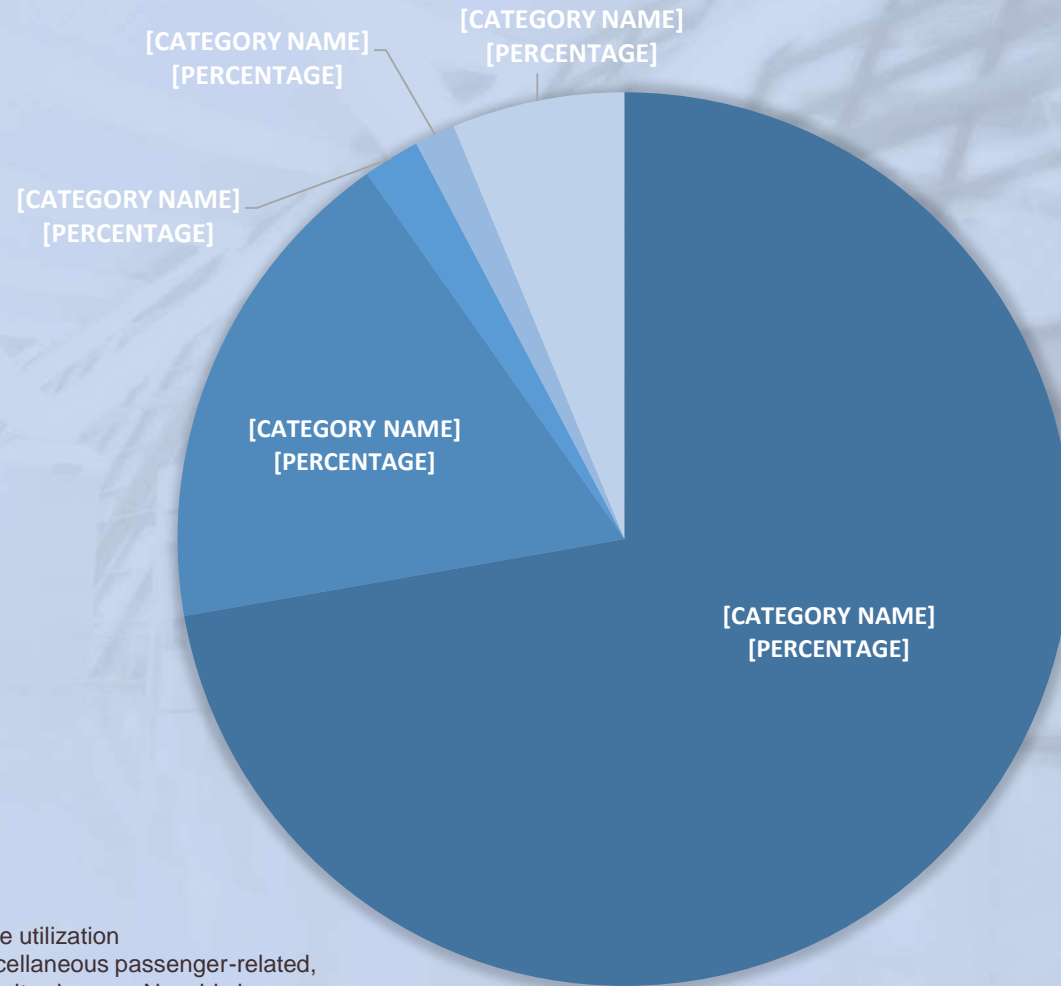
*Aeronautical revenue includes ground handling charges

**Non-aeronautical revenue includes ground handling concessions revenue



The way we were - Africa

Distribution of aeronautical revenue (2018)



*AIF refers to airport improvement fees

**PFC refers to passenger facility charges

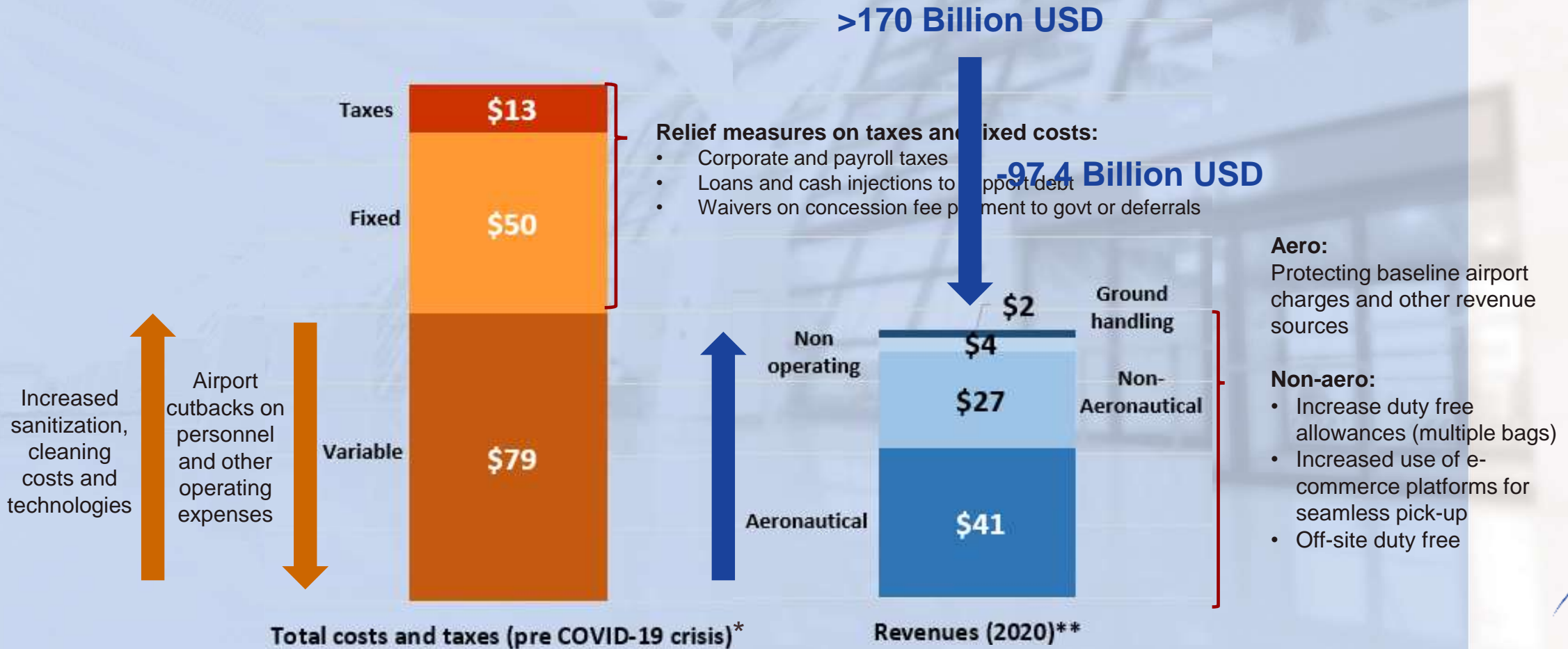
***Terminal rentals paid by airlines for space utilization

****Other aeronautical charges include miscellaneous passenger-related, aircraft-related, cargo-related charges, security charges, Navaid charges, ground handling charges, parking charges and all other unidentified charges of aeronautical nature



Projected airport revenue shortfall (billion USD)

-56.7% decline in 2020



*Estimated airport industry costs in 2018 (Airport Economics Survey 2019)

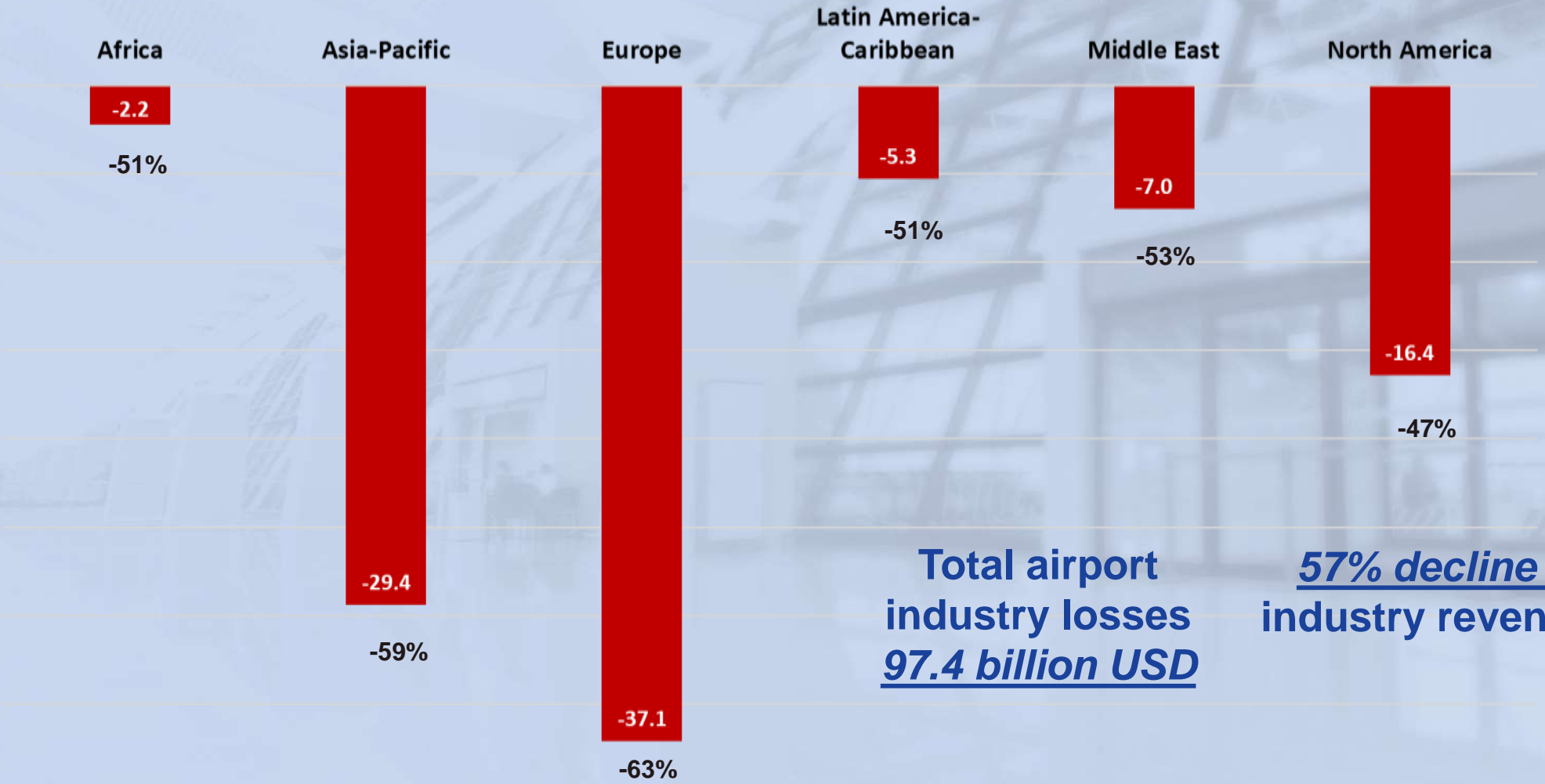
**Projected airport industry revenues in 2020

Source: ACI



Estimated airport losses for 2020

Revenue losses (billions USD) compared to projected baseline



Total airport industry losses
97.4 billion USD

57% decline in industry revenues



Source: ACI World, OAG

The determination of airport charges



ICAO's Policies on Charges for Airports and Air Navigation Services

Approved by the Council
and published by its decision

Ninth Edition — 2012

International Civil Aviation Organization

ICAO's policies

Section II para1 :

- Airlines and passengers shall ultimately bear their full and fair share of the cost of providing the airport

Section II para 2:

- The cost basis for airport charges is the full cost of providing the airport and its essential ancillary services, including appropriate amounts for
 - cost of capital
 - depreciation of assets
 - operating expenditures



The ICAO Building Blocks approach

Depreciation

+

Operating expenditures

+

Cost of capital

=

Cost base for charges

÷

Airport traffic

=

Individual airport charges





When traffic disappears...

The shortfall in the number of passengers and the cancellation of flights leads to reduced revenues from airport charges paid by both airlines and passengers....

While airport costs are much more difficult to adjust as airports are largely asset-intensive.

Possible way forwards





Airlines face a **major cashflow challenge** in the face of the pandemic:

lower airport charges, temporarily, may help

Airport charges: only 5% of airline costs... but 55% of airport revenues:

ability of airports to cover costs must not be damaged



ICAO

CART

COUNCIL AVIATION RECOVERY TASK FORCE

REPORT

ICAO's Council

Recommendation 10

- States should provide the most appropriate means for supporting stakeholders across the civil aviation sector
- States should consider appropriate extraordinary emergency measures to support financial viability and to maintain an adequate level of safe, secure and efficient operations, which should be inclusive, targeted, proportionate, transparent, temporary and consistent with ICAO's policies.





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Foreword paras 7 and 8 :

- it is recommended that **caution be exercised when attempting to compensate for shortfalls in revenue** and that account be taken of the effects of increased charges on aircraft operators and end-users.
- Increased cooperation between airports aircraft operators is encouraged to ensure that the economic difficulties facing **airports and airlines all are shared in a reasonable manner.**



***No measure or relief package
should disproportionately
benefit one stakeholder at
the expense of another***





Potential financial and operational measures to mitigate COVID-19 impact related to Airports and ANSPs

Purpose and recommended approach

All IATA regions have been active to reach out to governments to emphasize the extreme financial pressure on airlines and to ask for relief measures / packages. Relief from Airport and ANSP Charges is one of the key areas identified in the Financial Health Action Plan.

For any follow up engagement with selected governments, airports or ANSPs, we've identified potential measures to be raised to help mitigating the financial and operational impact of COVID-19. The list of measures is not applicable to all airports/ANSPs and governments in the same manner and only relevant measures should be selected when engaging the stakeholders (also following advice from our members through the AWG and ATM WG).

This document also provides key messages which can be used in any letters or follow-up communications with providers, as well as the potential risks which need to be considered.

Equally, for centrally driven engagements and communications (e.g. ACI world, CANSO) the central team will gather regional inputs for aligned messaging.

IATA's proposals

- Postponement on charges payments without surcharge;
- Temporary charges reduction / Postponement of increases;
- Joint cost-reduction initiatives;
- Scrutinization of investments;
- Removal of inflation-based increases;
- Reduced or zero return of capital;
- Waiving of concession fees;
- Waiver of parking charges;
- Operational improvement measures;
- Funds to restart / maintain routes.





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Financial aid

States support to alleviate the financial support is a condition to the recovery:

- ensuring **access to finance** , e.g. government loan guarantees or funding of debt
- waiving airport **concession fees**;
- **tax relief** for the aviation sector
- providing **government assistance**, e.g. subsidies and grants
- bearing costs of public health measures





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Protect charges

- Airports will need to keep to ensure the continuity of services required for airport users and passengers.
- This includes safe and secure airport infrastructure staffed in the most efficient way to ensure continuity in the provision of services
- Alleviating the collection of airport charges through an overall suspension or by granting blanket discounts simply shifts revenue and liquidity from airports to airlines





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Incentives & deferrals

Depending on local circumstances:

- **Temporary discounts** or rebates on charges to support the recovery of traffic and for traffic development
- **Deferral mechanisms**: airport charges could potentially be deferred and be recovered over a period of years and at a interest rate to be determined or negotiated.





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Market mechanisms

Support the recovery of traffic with **market-base charging strategies and commercial agreements**:

- enabling traffic growth and incentivizing airline to open routes, grow operations and increase frequencies with commercial incentives such as rebates and discounts,
- ensuring green development of airports and incentivizing environmentally sustainable airline operations at airports
- encouraging the efficient use of airport capacity for instance through peak/off-peak charges





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Follow ICAO

- ICAO's CART enables collaboration – among governments and between governments and industry: its recommendations should be followed
- ICAO's policies should be followed: **airports should continue to recover their costs**. Airport charges and revenues must be protected.
- Adjustments are possible depending on the circumstances and as long as the interests of the airports is fully considered.





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Open consultations

- Economic recovery is dependent on the capacity of airports to cover their aeronautical costs from the users.
- Airport operators are committed to ensuring the right level of transparency when charges are set and to carrying out consultations with aircraft operators in a structured and meaningful way
- [ACI World Recommended Practices on Transparency and Consultations with Airlines on Setting Airport Charges](#)





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