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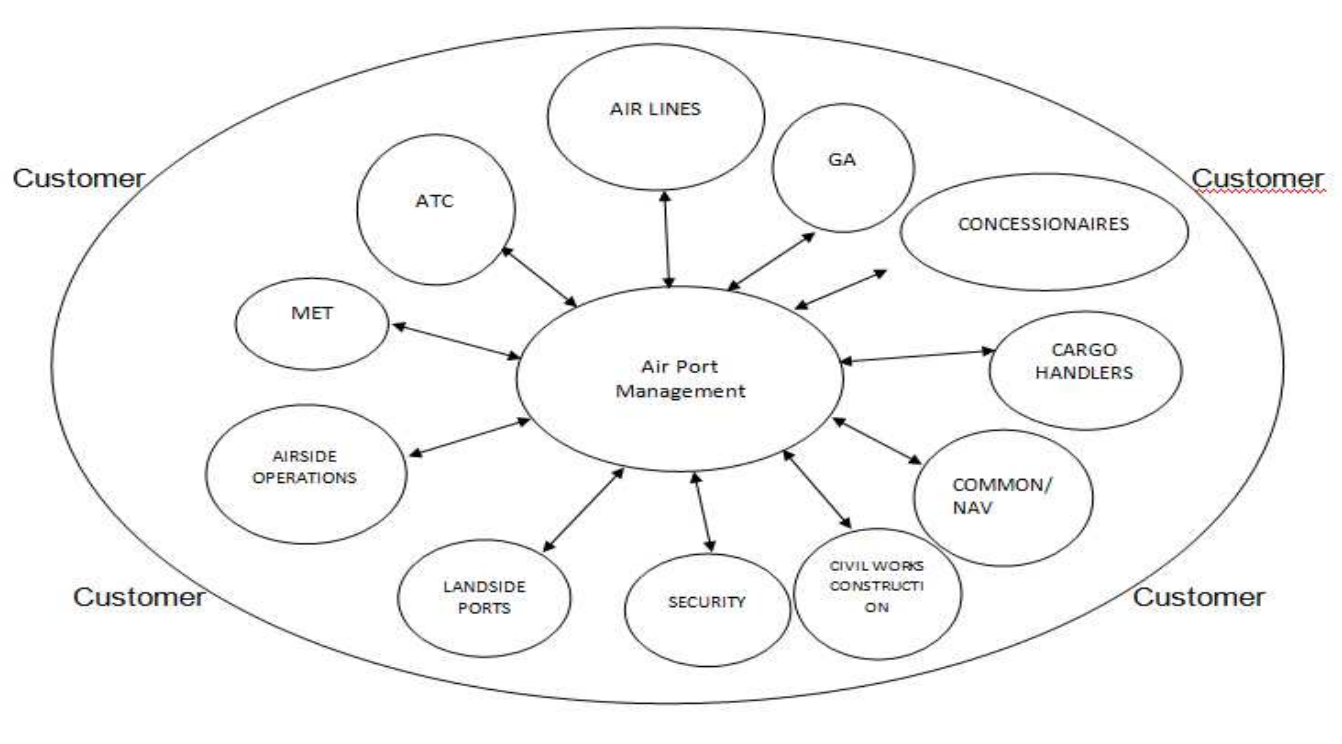
COMMON ISSUES

- Customer is the “KING”
- Handling diverse service providers and users
- Multicultural/ Multilingual nature of passengers
- Need for synergy
- Use of ICT
- Need for less physical coordination
- Unruly behavior
- Trespass
- Breach of security
- Demand for slots and facilities like aerobridges and conveyer belts

AIRFORCE AIR PORT

- **COMMON CAUSE: SAFE FLYING ENVIRONMENT FOR MISSION ACCOMPLISHMENT**

MODERN COMMERCIAL AIRPORT



- **COMMON CAUSE: SAFETY, ECONOMIC VIABILITY ARE PRIME FOCUS WITH PASSENGERS SATISFACTION**

FACTORS IN AIRPORT-AIRLINE RELATIONSHIP

- Costing of service
- Airline
- Non-Airline
- Rents and Fees
- Meaningful impact on the size of the local market
- Local market
- Cargo
  - ❖ Hyderabad Airport gets cargo from parts of Maharashtra not from Andhra
  - ❖ AP supplies fish and eggs within the country but not of export quality
  - ❖ Airport fees are not significant cost factor for airlines
- Airport fees are minor revenue

CONCESSIONAIRES

- Airports that have spent large sums of money to create an air transport facility have also created a marketplace in the process
- The customary financial mechanisms include a square footage charge for rented space and/or a percentage of gross revenues
- Rents for square foot and a percentage of gross revenue with minimum annual guarantee

CONCESSIONAIRES

- At larger airports, the airport owner may employ a master contractor who operates one of the major concessions
- Pricing, product offering, total service hours
- Financial incentives for the operator may be included in the management contract, risk and reward primarily accrue to the airport
- Local labour-Issues/ Advantages

GENERAL AVIATION

- Fixed Base Operator (FBO)
- Scenario in India is different; BAOA plays a role
- Indian GA is mostly corporate travel
- Air ambulance needs to pick up

AERONAUTICAL CHARGES AND AIRLINE OPERATIONS

- Traffic growth generates higher aeronautical revenues
- low cost companies
- Emergence and evolution of non-aeronautical charges and incomes are of recent origin. However the traditional source of airport revenue would always remain aeronautical incomes.
- As a general principle it is desirable that the users shall ultimately bear full and fair share of cost of providing the airport and its facilities

AERONAUTICAL CHARGES

- 5% more at night to cover the cost of lighting the airfield
- Concession in landing-Charges
- Passenger-service charges were initially conceived as a means of supplementing aircraft revenues and alleviating the magnitude of user charges paid directly by the airlines. Over the years, however, passenger-service charges have become increasingly associated with the recovery of costs of terminal buildings and of passenger facilities and services (such as immigration, passport control and customs)

AERONAUTICAL CHARGES

- Passenger-service charges be included in the passenger fare

- In some countries, the amount of passenger charge payable depends on the flight destination. In Singapore, passengers going to Malaysia and Brunei pay S$5 per departure. Passengers bound for other countries pay S$12. Transit passengers are exempted from payment. Appendix 2A gives a summary of the amount of passenger service charges and the collection methods used in various International Civil Aviation Organization (ICAO) contracting states.

- Noise charges included in Japan

AERONAUTICAL CHARGES

- "Redistributive" charges, which are charges collected to finance a noise-exposure reduction program. (An example of this is the levy introduced in France.)

- "Punitive" charges, i.e. those designed to penalize noisy aircraft.(An example of this is the noise charges introduced by the government of the Netherlands.)

AERONAUTICAL CHARGES

- "Incentive" charges, i.e. those designed to induce airlines to use less-noisy aircraft or retrofit aircraft. (An example is the BAA's scheme which involves a rebate.)
- Effect of delaying introduction
- Aviation (ICAO) policies on taxation in the field of International Air Transport [ICAO Document 8632-c/968] which call for aviation to be exempted from all taxes "regardless of the names attached to them“
- Funding by US transportation security agency has increased from US $2.2 Bn in 2002 to $18 Bn in 2013.
- The conclusion is that users should bear the cost

ENROUTE CHARGES

- **Enroute navigation aids, air traffic control services, the supply of information on weather conditions, and the provision of ground-based communication services**

- **Air navigation charges are included in the landing fees**

DEVELOPMENT AND MANAGEMENT OF NON-AERONAUTICAL ACTIVITIES

BASIC FACTORS

- **Non-aeronautical activities**
- **Single-till or the hybrid-till**
- **Organizational aspects may also hinder the development of non-aeronautical activities**

NON-AERONAUTICAL ACTIVITIES

- Manage non-aeronautical activities to maximize the potential of the commercial opportunity presented by the airport location

- Airports continue to provide services and products that customers wish to buy

TYPES AND OPERATION

Types Of Concessions And Rentals

- **Shops and service activities, office and other premises occupied**
- **Advertising is at the baggage claim area**
- **Cargo villages where trucking, containerization, warehousing and other cargo activities can be handled on airport property**

FREE ZONES

- Exemption of goods imported, exported, stored or processed from any import, export, transit or processing taxes or duties
- Goods produced benefitting from trade agreements to which the State may be party
- Possibility of entering a new market or improving present market position
- Tax exemptions or reductions regarding profits from export business

FREE ZONES

- Freedom to repatriate capital and profits
- Well planned secure zone with newly constructed buildings or sites prepared for construction with all necessary utilities
- Availability of materials, utilities and skilled and non-skilled labour at low cost; and
- Satisfactory air and surface transport services in multimodal transportation

OFF-AIRPORT ACTIVITIES

- **Hotels, restaurants, convention centres, shopping centres, freight forwarding agents, warehouses, e-commerce distribution centres, press distribution centres, light industries and surface transportation-related activities**

- **MROs and Training facilities**

MANAGERIAL ASPECTS

Planning and Selection of Non-Aeronautical Activities

- **Net revenue**
- **Net revenue Vs Convenience**
- **Particularly important at the start of the master planning process**

MANAGERIAL ASPECTS

- **Conducive to the profitable conduct of non-aeronautical activities. Periodical reviews**
- **Targets client: passengers, visitors and employees at the airport**
- **Media**

SETTING FEES AND CHARGES FOR NON-AERONAUTICAL ACTIVITIES

Approaches to Determining Market Value

- **Tendering procedure**
- **Similar character in the vicinity of the airport**
- **Downtown area**
- **Nature of the trading activity**

SETTING FEES AND CHARGES FOR NON-AERONAUTICAL ACTIVITIES

- **Size of the market**
- **Volume of business transacted**
- **Certain areas or locations within the airport, particularly in the terminal building(s), are commercially much more attractive**

SETTING CONCESSION FEES

- Concession fees may be variable or fixed
- Combination of both
- Restaurants, bars, duty-free sales and shops, as well as car rental and car parking operations

FEES FOR CONCESSIONS DIRECTLY ASSOCIATED WITH THE OPERATION OF AIR TRANSPORT SERVICES

- ICAO's policies on charges (Doc 9082, Section II, paragraph 10)
- Aviation Fuel Concessions
- Ground-handling concessions and ground-handling charges
- Details of the size, location and condition of the premises
- The nature of the activities that could be conducted on the premises

FEES FOR CONCESSIONS DIRECTLY ASSOCIATED WITH THE OPERATION OF AIR TRANSPORT SERVICES

- The proposed date of commencement and duration of the lease
- Maintenance and services provided
- Improvements expected to be carried out by the lessee
- Security or guarantee deposit requirements; and
- Closing date for tender submissions

INFORMATION IN TENDER DOCUMENTS

- **Specific information on the type(s) of concessionary activity envisaged, including the variety of merchandise or services to be provided**
- **Nature of any exclusive trading rights to be granted**
- **Qualifications and other requirements regarding personnel**
- **The standards set for merchandise, service, fittings and furnishings**

INFORMATION IN TENDER DOCUMENTS

- Nature of furniture and fittings to be provided by the concessionaire
- Insurance requirements
- Data on past traffic volume and predictions for the future
- Past sales figures, if applicable
- Trading hours; and
- Extent of control to be exercised by the airport entity

SLOT ALLOCATION AT AIRPORTS

- **Access rights granted to States under air services agreements (ASAs)**

- **Conference on the Economics of Airports and Air Navigation Services (CEANS)**

ICAO AND SLOT ALLOCATION

- **Study on Regulatory Implications of the Allocation of Flight Departure and Arrival Slots**
- **Liberalizing market access; due consideration to airport capacity constraints**
- **Long term infrastructure needs**

ICAO AND SLOT ALLOCATION

- Be fair
- Non-discriminatory
- Transparent
- Take into account the interests of all stakeholders
- Globally compatible
- Maximizing effectiveness
- Simple
- Practicable

ICAO AND SLOT ALLOCATION

- Economically sustainable
- Development of model bilateral clauses on slot allocation
- Air Transport Regulation Panel (ATRP)
- Self-regulation is the traditional and widespread approach
- Overall and worldwide schedule co-ordination at twice-yearly IATA meetings

ICAO AND SLOT ALLOCATION

- Local co-ordination at individual airports usually through their own scheduling committees
- For their winter and summer schedules, normally in June for winter and in November for summer seasons
- Historical precedence or ‘grandfather rights’ (an airline can keep a slot previously allocated if it has operated it)
- Use it or lose it’ – if an airline used an allocated slot less than a certain proportion of time, it is given to someone else

ICAO AND SLOT ALLOCATION

- **Priority for regular services – if there is competing demand, it will be allocated to the service that plans to use it most frequently.**

- **Services of longer duration get preference over those that are of shorter duration (i.e. a year-round service would have priority over a summer-only service)**

ICAO AND SLOT ALLOCATION

- **Services operated on more days of the week have priority**
- **Airlines can exchange slots among themselves provided they have broadly similar operating characteristics**
- **An individual airline can also change the use of its own slots; switching a slot from a domestic to international service or from scheduled to charter**

CONCLUSION

- Airlines are users of services at an airport while they are service providers to the customers
- Airport management is a service provider
- Any issue even with the airlines, security, customs, other concessionaires can damage the reputation of an airport
- Airport managers need to create an environment conducive for participative and collaborative functioning
- Customers' satisfaction is the final objective