

ICAO'S POLICIES ON CHARGES FOR AIRPORTS AND AIR NAVIGATION SERVICES

Seventh Edition — 2004



Approved by the Council and published by its decision

INTERNATIONAL CIVIL AVIATION ORGANIZATION

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FOREWORD

1. ICAO's Policies on Charges for Airports and Air Navigation Services which follow contain the recommendations and conclusions of the Council resulting from ICAO's continuing study of charges in relation to the economic situation of airports and air navigation services provided for international civil aviation. The Policies, which are intended for the guidance of Contracting States, take into account the recommendations made in this field by the Conference on the Economics of Airports and Air Navigation Services (ANSCConf 2000), held in Montreal from 19 to 28 June 2000 (Doc 9764 — ANSCConf 2000), and supersede the policies contained in the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services*.

2. ICAO's commitment in the field of airport and air navigation services charges has its principal origin in Article 15 — *Airport and similar charges*, of the *Convention on International Civil Aviation*. This commitment has found further expression in the Organization's *Consolidated Statement of Continuing ICAO Policies in the Air Transport Field*, which is updated at each regular Session of the Assembly; currently, in Resolution A33-19, Appendix F — *Airports and air navigation services*, the Assembly *inter alia* requests the Council to ensure that the guidance and advice contained in Doc 9082 is current and responsive to the requirements of Contracting States.

3. The Council wishes to draw attention to the distinction between its policies and guidance on charges contained in this document, the policies on customs duty in Article 24 of the *Convention on International Civil Aviation*, and the Council's policies and guidance on taxation set out in *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632), which address taxation of fuel, lubricants and other consumable technical supplies, as well as taxation of income of international air transport enterprises and aircraft and other moveable property; and taxes on the sale and use of international air transport. As considered by the Council, a charge is a levy that is designed and applied specifically to recover the costs of providing facilities and services for civil aviation, and a tax is a levy that is designed to raise national or local government revenues which are generally not applied to civil aviation in their entirety or on a cost-specific basis.

4. In developing these Policies the Council has noted with concern that the problems involved in providing and maintaining the airport and air navigation facilities and services required by the Regional Air Navigation Plans are particularly serious for the less advanced economies, principal among these being the limited financial resources available for economic development in general, the higher priority assigned to other sectors of the economy whose needs are considered more urgent, under-utilization of airports and air navigation services, the high cost of obtaining equipment from other States and the difficulties in recruiting and retaining sufficient numbers of qualified personnel. The Council will continue to take appropriate action towards obtaining more assistance for the States concerned in planning and financing air navigation services as well as with regard to the provision of adequate human resources.

5. Further to a suggestion arising from ANSCConf 2000, the Council decided to disseminate information received from States on their implementation of the basic cost recovery principles applicable to charges for airports and air navigation services, as set out in paragraphs 22 (*The cost basis for airport charges*), 23 (*Airport charging systems*), 38-39 (*The cost basis for air navigation services charges*), 40 (*Allocation of costs of air navigation services among aeronautical users*) and 41 (*Air navigation services charging systems*) of the present document. This information is published in the form of a supplement to this document and will be amended whenever needed.

6. A glossary of terms as used in the present Policies on Charges is contained in Appendix 3. To assist States in the implementation of the Policies, the ICAO Secretariat has developed and maintains two manuals: the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161). Parallel Assembly and Council policy on the regulation of air carriers is contained in *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587), which is similarly complemented by a *Manual on the Regulation of International Air Transport* (Doc 9626). Information on the airport and air navigation services charges actually levied in States is updated and published annually in the *Tariffs for Airports and Air Navigation Services* (Doc 7100), while traffic and financial data for airports and air navigation are published through the ICAO civil aviation statistics Web site.

I. INTRODUCTION

Financial background

7. The Council notes that the financial situation of airports as well as that of air navigation services are in a stage of evolution, and the financial situation of their primary users, the scheduled airlines, generally fluctuates with the performance of national, regional and global economies¹.

Scope and proliferation of charges

8. The Council recommends that States:

- i) Permit the imposition of charges only for services and functions which are provided for, directly related to, or ultimately beneficial for, civil aviation operations;
- ii) Refrain from imposing charges which discriminate against international civil aviation in relation to other modes of international transport.

9. In this regard the Council is concerned over the proliferation of charges on air traffic and notes that the imposition of charges in one jurisdiction can lead to the introduction of charges in another jurisdiction.

Organizational and managerial issues

Autonomy and privatization

10. The Council observes that experience gained worldwide indicates that where airports and air navigation services have been operated by autonomous entities their overall financial situation and managerial efficiency have generally tended to improve. Nearly all the entities have been established by governments although the operation of many such entities, in particular those operating airports, has since been transferred partly or completely to private enterprise.

11. The Council therefore recommends that where this is in the best interest of providers and users, States consider establishing autonomous entities to operate their airports or air navigation services, recognizing that in some circumstances a single entity may operate both airports and air navigation services, and that the entity may be in the form of an autonomous civil aviation authority.

12. The Council also encourages international cooperation in the provision and operation of air navigation services where this is beneficial for the providers and users concerned. (See also paragraph 18 addressing charges collection).

13. The Council emphasizes with regard to private involvement that States, when considering the commercialization or privatization of airports and providers of air navigation services, bear in mind that the

¹ Historical trends and recent information on the financial situation of the various parties may be found on the ICAO civil aviation statistics Web site and in the relevant ICAO publications.

State is ultimately responsible for safety, security, and, in view of the monopolistic nature of airports and air navigation services, economic oversight of their operations.

14. The Council also wishes to stress that where an autonomous body or entity is established, whether by a government or by private interests, to operate an airport(s) and/or air navigation services, the State should stipulate as a condition for its approval of the new body or entity that it observe all relevant obligations of the State specified in the *Convention on International Civil Aviation* and its Annexes. The observance by autonomous bodies or entities of other ICAO policies and practices, such as those contained in the present Policies on Charges, should be recommended or required as necessary, by States.²

Independent mechanism for economic regulation of airports and air navigation services

15. The Council notes that with the rapidly growing autonomy in the provision and operation of airports and air navigation services many States may wish to establish an independent mechanism for the economic regulation of airports and air navigation services. Such a mechanism, the establishment of which in such circumstances is recommended by the Council, would oversee economic, commercial and financial practices and its objectives could be drawn or adapted from, but need not be limited to, the following:

- i) Ensure non-discrimination in the application of charges;
- ii) Ensure there is no overcharging or other anti-competitive practice or abuse of dominant position;
- iii) Ensure transparency as well as the availability and presentation of all financial data required to determine the basis for charges;
- iv) Assess and encourage efficiency and efficacy in the operation of providers;
- v) Establish and review standards, quality and level of services provided;
- vi) Monitor and encourage investments to meet future demand;
- vii) Ensure user views are adequately taken into account.

Development and application of performance parameters

16. The Council recommends that States encourage their airports and providers of air navigation services to:

- i) Develop and collect data on performance in the provision of their services (such as aspects related to safety, delay, predictability, flexibility, efficiency, availability, access, environment and cost of service);
- ii) Use these parameters to evaluate and improve the quality of services provided;
- iii) Take these parameters into account to help support their investment decisions;

² Guidance on the organizational structures of airports and of air navigation services is contained respectively in the *Airport Economics Manual* (Doc 9562) and *Manual on Air Navigation Services Economics* (Doc 9161).

- iv) Undertake consultations with users to achieve mutual understanding and consensus;
- v) Develop and maintain costing systems that permit users and providers to understand the true costs of providing services.

Best commercial practices for airports and air navigation services

17. The Council endorses the application of principles of best commercial practice for airports and air navigation services in order to promote transparency, efficiency and cost effectiveness in the provision of an appropriate quality of services and facilities. The Council therefore recommends that States apply best commercial practice in such areas as:

- i) Quality and timeliness of services;
- ii) Assessment of investment proposals;
- iii) Consultation process and dealings with users;
- iv) Accounting practices and transparency;
- v) Subsidization;
- vi) Development plans.

Charges collection

18. For the successful collection of charges for airports and air navigation services entities, it is essential that a collection policy be established by an airport or air navigation services entity, or where applicable by a State, and that the following functions be up-to-date: national legislation; accurate invoicing; comprehensive and updated databases on airlines; a transparent cost recovery system with a fair and equal treatment of all users; precise and correct accounting; credit control; and enforced recovery procedures. Regarding air navigation services, the Council recommends that States or their delegated service providers consider participating in joint charges collection agencies whenever this is advantageous.

Other factors affecting the economic situation of airports and air navigation services

19. The Council notes that a number of additional factors are likely to exert an important influence on the organization and economic development of airports and air navigation services. These include the growing liberalization of air services, air carrier concentration including mergers, changes in approaches to financing with airports (in particular) and providers of air navigation services being expected to assume primary responsibility for financing investments in their infrastructure requirements, capacity management, airport and airspace congestion, and environmental concerns. Also, the number of autonomous entities operating airports or air navigation services is expected to increase. This is resulting in more situations where an airport is operated by a different entity from that providing air navigation services (both approach and aerodrome control and route air navigation services). Also, additional resources will be required to deal with the problem of airport and airspace congestion, and to implement satellite-based communications, navigation and surveillance (CNS) and air traffic management (ATM) systems, as well as other multinational facilities and services, and other improvements in infrastructure.

20. The Council observes that under these circumstances many airports and providers of air navigation services may find it necessary to increase their charges and in the case of airports place greater emphasis on further developing revenues from non-aeronautical sources. However, recognizing that users face restrictions with regard to their choice of particular airports and of routes to be flown, the Council recommends that caution be exercised when attempting to compensate for shortfalls in revenue and that account be taken of the effects of increased charges on air carriers which may need to adjust their tariffs to deal with increases in cost arising from higher charges. The Council also considers that there should be a balance between the respective interests of airports and providers of air navigation services on one hand and of air carriers on the other, in view of the importance of the air transport system to States and its influence in fostering economic, cultural and social interchanges between States. This applies particularly during periods of economic difficulty. The Council therefore recommends that States encourage increased cooperation between airports and providers of air navigation services and air carriers to ensure that economic difficulties facing them all are shared in a reasonable manner.

II. ICAO'S POLICIES ON AIRPORT CHARGES

The cost basis for airport charges

21. The Council considers that as a general principle it is desirable, where an airport is provided for international use, that the users shall ultimately bear their full and fair share of the cost of providing the airport. It is therefore important that airports maintain accounts which provide information adequate for the needs of both airports and users and that the facilities and services related to airport charges be identified as precisely as possible. In determining and allocating the total cost to be met by charges on international air services, the list in Appendix 1 may serve as a general guide to the facilities and services (including satellite services) to be taken into account. Airports should maintain accounts that provide a satisfactory basis for determining and allocating the costs to be recovered, should publish their financial statements on a regular basis and should provide adequate financial information to users in consultations.¹ Moreover, the Council recommends that States consider the application, where appropriate, of internationally accepted accounting standards for airports.

22. The Council also states that in determining the cost basis for airport charges the following principles should be applied:

- i) The cost to be shared is the full cost of providing the airport and its essential ancillary services, including appropriate amounts for cost of capital and depreciation of assets, as well as the costs of maintenance, operation, management and administration, but allowing for all aeronautical revenues plus contributions from non-aeronautical revenues accruing from the operation of the airport to its operators.
- ii) In general, aircraft operators and other airport users should not be charged for facilities and services they do not use, other than those provided for and implemented under the Regional Air Navigation Plan.
- iii) Only the cost of those facilities and services in general use by international air services should be included, and the cost of facilities or premises exclusively leased or occupied and charged for separately should be excluded.
- iv) An allocation of costs should be considered in respect of space or facilities utilized by government authorities.
- v) The proportion of costs allocable to various categories of users, including State aircraft, should be determined on an equitable basis, so that no users shall be burdened with costs not properly allocable to them according to sound accounting principles.
- vi) Costs related to the provision of approach and aerodrome control should be separately identified. (Principles applicable to the recovery of such costs are addressed more fully in the Policies on Charges for Air Navigation Services.)

¹ Guidance on accounting contained in the *Airport Economics Manual* (Doc 9562) may be found useful in this general context, although there are other approaches.

- vii) Airports may produce sufficient revenues to exceed all direct and indirect operating costs (including general administration, etc.) and so provide for a reasonable return on assets at a sufficient level to secure financing on favourable terms in capital markets for the purpose of investing in new or expanded airport infrastructure and, where relevant, to remunerate adequately holders of airport equity.
- viii) The capacity of users to pay should not be taken into account until all costs are fully assessed and distributed on an objective basis. At that stage the contributing capability of States and communities concerned should be taken into consideration, it being understood that any State or charging authority may recover less than its full costs in recognition of local, regional or national benefits received.

Airport charging systems

23. The Council recommends that charging systems at international airports be chosen in accordance with the following principles:

- i) Any charging system should, so far as possible, be simple and suitable for general application at international airports.
- ii) Charges should not be imposed in such a way as to discourage the use of facilities and services necessary for safety.
- iii) Charges should be determined on the basis of sound accounting principles and may reflect, as required, other economic principles, provided that these are in conformity with Article 15 of the *Convention on International Civil Aviation* and other principles in the present Policies.
- iv) The charges must be non-discriminatory both between foreign users and those having the nationality of the State in which the airport is located and engaged in similar international operations, and between two or more foreign users.
- v) Where any preferential charges, special rebates, or other kinds of reduction in the charges normally payable in respect of airport facilities are extended to particular categories of users, governments should ensure, so far as practicable, that any resultant under-recovery of costs properly allocable to the users concerned is not shouldered on to other users.
- vi) To avoid undue disruption to users, increases in charges should be introduced on a gradual basis; however, it is recognized that in some circumstances a departure from this approach may be necessary.
- vii) Where charges are levied by different entities at an airport, they should, so far as possible, be consolidated into a single charge or a very small number of different charges, the combined revenues being distributed among the entities concerned in a suitable way.
- viii) Maximum flexibility should be maintained in the application of all charging methods to permit introduction of improved techniques as they are developed.
- ix) Airport charges levied on international general aviation should be assessed in a reasonable manner, having regard to the cost of the facilities needed and used and the goal of promoting the sound development of international civil aviation as a whole.

Pre-funding of projects

24. The Council considers, notwithstanding the principles of cost-relatedness for charges and of the protection of users from being charged for facilities that do not exist or are not provided (currently or in the future) that, after having allowed for possible contributions from non-aeronautical revenues, pre-funding of projects may be accepted in specific circumstances where this is the most appropriate means of financing long-term, large-scale investment, provided that strict safeguards are in place, including the following:

- i) Effective and transparent economic regulation of user charges and the related provision of services, including performance auditing and “benchmarking” (comparison of productivity criteria against other similar enterprises);
- ii) Comprehensive and transparent accounting, with assurances that all aviation user charges are, and will remain, earmarked for civil aviation services or projects;
- iii) Advance, transparent and substantive consultation by providers and, to the greatest extent possible, agreement with users regarding significant projects;
- iv) Application for a limited period of time with users benefiting from lower charges and from smoother transition in changes to charges than would otherwise have been the case once new facilities or infrastructure are in place.

Currency issues

25. The Council recommends:

- i) That under normal circumstances user charges be expressed and payable in the local currency of the State concerned;
- ii) That under special circumstances, for example where economic conditions are not stable, when a State proposes, or allows, denomination of user charges in other than local currency, air carriers could apply the same currency of denomination, using the same exchange rate, for their local ticket sales;
- iii) That every effort be made to remove obstacles preventing an air carrier based in one State from transferring in convertible currency its net income from sales in another State².

Landing charges

26. The Council recommends that the following principles be taken into account when landing charges are established:

- i) Landing charges should be based on the weight formula, using the maximum certificated take-off weight as indicated in the certificate of airworthiness (or other prescribed document) as the basis for assessment. However, allowance should be made for the use of a fixed

² Further aspects of currency conversion, remittance of earnings and payment of local expenses are contained in *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587).

charge per aircraft or a combination of a fixed charge with a weight-related element, in certain circumstances, such as at congested airports and during peak periods.

- ii) The landing charge scale should be based on a constant rate per 1 000 kilograms or pounds in weight, but the rate may be varied at a certain level or levels of weight if considered necessary.
- iii) Where charges for approach and aerodrome control are levied as part of the landing charge or separately, they could take aircraft weight into account but less than in direct proportion. (Principles applicable to such charges are addressed more fully in the Policies on Charges for Air Navigation Services.)
- iv) No differentiation in rates should be applied for flights because of the stage length flown.
- v) A single charge should be applied for costs of as many as possible of airport-provided facilities and services for normal landing and take-off of aircraft (generally excluding hangars and certain terminal-building and other facilities as are normally handled by leases or other usual commercial practices).
- vi) Where restrictions on aircraft payload are imposed by airport limitations, consideration should be given locally to adjusting the landing charge indicated by the weight scale in cases where the restrictions are of a severe and long-lasting nature.
- vii) The ordinary landing charge should cover the use of lights and special radio aids for landing where these are required, since it is in the interest of safety that aircraft operators should not be discouraged from utilizing aids by the imposition of separate charges for their use. If separate charges are made for facilities of this kind, they should not be levied on the basis of optional use but should be uniformly imposed on all landings occurring during periods established by the airport operators.

Parking and hangar charges

27. The Council recommends that the following principles be applied in establishing parking and hangar charges:

- i) For the determination of charges associated with use of parking, hangar and long-term storage of aircraft, maximum permissible take-off weight and/or aircraft dimensions (area occupied) and length of stay should be used so far as possible as the basis.
- ii) The period of free parking time for aircraft immediately following landing should be determined locally by considering aircraft scheduling, space availability and other pertinent factors.

Passenger service charges

28. The Council recognizes that the revenue accrued from passenger service charges is essential to the economy of a significant number of airports. Frequently, however, there are major facilitation problems arising from the collection of such charges directly from the passenger, especially at large airports, and these

problems will potentially continue to mount with the continuing growth of passenger traffic and the increasing number of high-capacity aircraft operated, especially at busy terminal buildings during peak hours. The Council therefore recommends that States endeavour to ensure that the levying of passenger service charges does not create additional queueing and delays at airports, if appropriate by avoiding the collection of these charges directly and separately from the passenger at the airport. More specifically, the Council recommends that where the collection of a passenger service charge directly from passengers at an airport gives rise to facilitation problems, this charge should be levied instead on the air carriers where practicable. The Council also emphasizes the need for consultations between airport entities and air carriers at the local level with a view to alleviating collection problems.

Security charges

29. The Council notes that States are responsible for ensuring the implementation of adequate security measures at airports pursuant to the provisions of ICAO Annex 17 — *Security to the Convention on International Civil Aviation* and that they may delegate the task of providing individual security functions to such agencies as airport entities, air carriers and local police. The Council also notes that States may determine in which circumstances and the extent to which the costs involved in providing security facilities and services should be borne by the State, the airport entities or other responsible agencies. With reference to the recovery of security costs from the users, the Council recommends that the following general principles be applied:

- i) Consultations should take place before any security costs are assumed by airports, air carriers or other entities.
- ii) The entities concerned may recover the costs of security measures at airports from the users in a fair and equitable manner, subject to consultation.
- iii) Any charges or transfers of security costs should be directly related to the costs of providing the security services concerned and should be designed to recover no more than the relevant costs involved.
- iv) Civil aviation should not be charged for any costs that would be incurred for more general security functions performed by States such as general policing, intelligence gathering and national security.
- v) No discrimination should be exercised between the various categories of users when charging for the level of security provided. Additional costs incurred for extra levels of security provided regularly on request to certain users may also be charged to these users.
- vi) When the costs of security at airports are recovered through charges, the method used should be discretionary, but such charges should be based on either the number of passengers or aircraft weight, or a combination of both factors. Security costs allocable to airport tenants may be recovered through rentals or other charges.
- vii) Charges may be levied either as additions to other existing charges or in the form of separate charges but should be subject to separate identification of costs and appropriate explanation.

Noise-related charges

30. The Council recognizes that although reductions are being achieved in aircraft noise at source, many airports will need to continue the application of noise alleviation or prevention measures. The Council considers that the costs incurred in implementing such measures may, at the discretion of States, be attributed to airports and recovered from the users and that States have the flexibility to decide on the method of cost recovery and charging to be used in light of local circumstances. In the event that noise-related charges are to be levied, the Council recommends that consultations take place on any items of expenditure to be recovered from users and that the following principles be applied:

- i) Noise-related charges should be levied only at airports experiencing noise problems and should be designed to recover no more than the costs applied to their alleviation or prevention.
- ii) Any noise-related charges should be associated with the landing fee, possibly by means of surcharges or rebates, and should take into account the noise certification provisions of ICAO Annex 16 — *Environmental Protection to the Convention on International Civil Aviation* in respect of aircraft noise levels.
- iii) Noise-related charges should be non-discriminatory between users and not be established at such levels as to be prohibitively high for the operation of certain aircraft.

Consultation with users

Charges

31. The Council emphasizes the importance of consultation with airport users before changes in charging systems or levels of charges are introduced. The purpose of consultation is to ensure that the provider gives sufficient information to users relating to the proposed change and gives proper consideration to the views of users and the effect the charges will have on them. The aim should be that, wherever possible, changes are made in agreement between users and providers. Failing such agreement, airports would continue to be free to impose the charges concerned subject to users having the right of appeal to a body independent of the airport, where available, but the appeals process used should be consistent with the regulatory regime in the State concerned (see also paragraph 33). It is not possible to lay down a specific procedure for consultations of this kind owing to the diversity in the administrative, financial and legal frameworks within which airports function; the procedures at individual airports will also need to take account of the size and scale of the airport's activities. However, subject to these considerations, the Council recommends that:

- i) When a revision of charges or the imposition of new charges is contemplated by an airport operator or other competent entity, appropriate notice should normally be given to users or their representative bodies at least four months in advance, in accordance with the regulations applicable in each State.
- ii) In any such revision of charges or imposition of new charges, the users should be given the opportunity to submit their views and consult with the airport operator or competent entity.

For this purpose the users should be provided with transparent and adequate financial, operational and other information to allow them to make informed comments.

- iii) Reasonable advance notice of the final decision on any revision of charges or imposition of new charges should be given to the users.

Airport planning

32. The Council also considers it important in light of the very high and ever-increasing cost of new airports and major developments at existing airports that users or their representative organizations be consulted before the finalization of plans for projects. The purpose of such consultation is to ensure that, wherever possible, the developments concerned meet the needs of users and that users are aware of the financial implications in terms of the charges that would be paid by them. Equally, in order that airport entities may better plan their future financial requirements, airport users, particularly air carriers, should for their part provide advance planning data to individual airport entities on a 5- to 10-year forecast basis relating to future types, characteristics and numbers of aircraft expected to be used, the anticipated growth of passengers and cargo to be handled, the special facilities which the airport users desire, and other relevant matters. Such planning could best be accomplished by two-way discussions between airports and air carriers, either directly or through their respective representative organizations.³

"First resort" mechanism

33. The Council considers, with regard to charges in particular, that with the rapid growth in the number of airports that are independent from direct government control, there may, in the interest of the airports and their users, be a need for a neutral party at the local level to preempt and resolve disputes before they enter the international arena (a "first resort" mechanism). The mechanism should be flexible, and its focus should be on conciliation or mediation but could range to full arbitration if the State concerned so decides. Such a function might be included in the terms of reference of an independent body with the much broader responsibilities of overseeing the operations of the autonomous service providers, referred to in paragraph 15, or it might be separately established.

Development of revenues from concessions, rental of premises and "free zones"

34. The Council recognizes the continuing importance to airports of income derived from such sources as concessions, rental of premises, and "free zones". The Council recommends that, with the exception of concessions that are directly associated with the operation of air transport services, such as fuel, in-flight catering and ground handling, the full development of revenues of this kind be encouraged while keeping in mind the need for moderation in prices to the public, the requirements of passengers, and the need for terminal efficiency. All possibilities for developing airport concession revenues should be studied, and ICAO should be kept informed of practices and conclusions in this regard so that the benefit of experience may be made available to all.⁴

³ Extensive guidance on airport planning may be found in the *Airport Planning Manual* (Doc 9184).

⁴ In the development and determination of the fees for concessions directly associated with the operation of air transport services, reference might be made to the relevant guidance contained in the *Airport Economics Manual* (Doc 9562) and to the model clause on ground handling for optional application in air services agreements in *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587).

Fuel concession fees

35. The Council recommends that where fuel “throughput” charges are imposed they should be recognized by airport entities as being concession charges of an aeronautical nature and that fuel concessionaires should not add them automatically to the price of fuel to aircraft operators, although they may properly include them as a component of their costs in negotiating fuel supply prices with aircraft operators. The level of fuel “throughput” charges may reflect the value of the concessions granted to fuel suppliers and should be related to the cost of the facilities provided, if any. Alternatively, consideration may be given, where feasible, to replacing fuel “throughput charges” by fixed concession fees reflecting the value of the concession and related to the costs of the facilities provided, if any. The Council also recommends that any such charges or fees where imposed should be assessed by airport operators in such a manner as to avoid discriminatory effects, either direct or indirect, for both fuel suppliers and aircraft operators and to avoid their becoming an obstacle to the progress of civil aviation.

III. ICAO'S POLICIES ON CHARGES FOR AIR NAVIGATION SERVICES

The cost basis for air navigation services charges

36. The Council considers that as a general principle, where air navigation services are provided for international use, the providers may require the users to pay their share of the related costs; at the same time international civil aviation should not be asked to meet costs which are not properly allocable to it. The Council therefore encourages States to maintain accounts for the air navigation services they provide in a manner which ensures that air navigation services charges levied on international civil aviation are properly cost based.

37. The Council considers that an equitable cost recovery system could proceed from an accounting of total air navigation services costs incurred on behalf of aeronautical users, to an allocation of these costs among categories of users, and finally to the development of a charging or pricing policy system. In determining the total costs to be paid for by charges on international air services, the list in Appendix 2 may serve as a general guide to the facilities and services to be taken into account.¹ Moreover, the Council specifically recommends that States consider the application, where appropriate, of internationally accepted accounting standards for providers of air navigation services, which maintain separate accounts.

38. The Council recommends that when establishing the cost basis for air navigation services charges, the following principles should be applied:

- i) The cost to be shared is the full cost of providing the air navigation services, including appropriate amounts for cost of capital and depreciation of assets, as well as the costs of maintenance, operation, management and administration.
- ii) The costs to be taken into account should be those assessed in relation to the facilities and services, including satellite services, provided for and implemented under the ICAO Regional Air Navigation Plan(s), supplemented where necessary pursuant to recommendations made by the relevant ICAO Regional Air Navigation Meeting, as approved by the Council. Any other facilities and services, unless provided at the request of operators, should be excluded, as should the cost of facilities or services provided on contract or by the carriers themselves, as well as any excessive construction, operation or maintenance expenditures.
- iii) The costs of air navigation services provided during the approach and aerodrome phase of aircraft operations should be identified separately, and so should the costs of providing aeronautical meteorological service, when possible.
- iv) Costs for certain security measures of a preventive nature for the provision of air navigation services, which are specifically related to civil aviation and performed on a routine basis, may be included in the cost basis for air navigation services charges to the extent that they have not already been considered in the context of safety-related measures. Civil aviation

¹ Guidance on accounting contained in the *Manual on Air Navigation Services Economics* (Doc 9161) may be found useful in this general context.

should not be charged for any costs that would be incurred for more general security functions performed by States such as general policing, intelligence gathering and national security. Further, costs associated with airport security should not be combined with security costs incurred with regard to air navigation facilities or services.

- v) Air navigation services may produce sufficient revenues to exceed all direct and indirect operating costs and so provide for a reasonable return on assets (before tax and cost of capital) to contribute towards necessary capital improvements.
39. The Council observes that in determining the costs to be recovered from users:
- i) Governments may choose to recover less than full costs in recognition of local, regional or national benefits.
 - ii) It is for each State to decide for itself whether, when, and at what level any air navigation services charges should be imposed, and it is recognized that States in developing regions of the world, where financing the installation and maintenance of air navigation services is difficult, are particularly justified in asking the international air carriers to contribute through user charges towards bearing a fair share of the cost of the services.
 - iii) The approach towards the recovery of full costs should be a gradual progression.

Allocation of costs of air navigation services among aeronautical users

40. The Council recommends that the allocation of the costs of air navigation services among aeronautical users be carried out in a manner equitable to all users. The proportions of cost attributable to international civil aviation and other utilization of the facilities and services (including domestic civil aviation, State or other exempted aircraft, and non-aeronautical users) should be determined in such a way as to ensure that no users are burdened with costs not properly allocable to them according to sound accounting principles. The Council also recommends that States acquire basic utilization data in respect of air navigation services, including the number of flights by category of user (i.e. air transport, general aviation, and other) in both domestic and international operations, and other data such as the distance flown and aircraft type or weight, where such information is relevant to the allocation of costs and the cost recovery system.²

Air navigation services charging systems

41. The Council recommends that States ensure that systems used for charging for air navigation services be established in accordance with the following principles:

- i) Any charging system should, so far as possible, be simple, equitable and, with regard to route air navigation services charges, suitable for general application at least on a regional basis. The administrative cost of collecting charges should not exceed a reasonable proportion of the charges collected.

² Guidance on cost allocation is contained in the *Manual on Air Navigation Services Economics* (Doc 9161) and the *Airport Economics Manual* (Doc 9562), although States use any accounting approach they consider meets their particular requirements.

- ii) The charges should not be imposed in such a way as to discourage the use of facilities and services necessary for safety or the introduction of new aids and techniques. The facilities or services provided for in the ICAO Regional Air Navigation Plan(s) or in any recommendations of the relevant ICAO Regional Air Navigation Meeting as are approved by the Council, are, however, considered to be necessary for general safety and efficiency.
- iii) Charges should be determined on the basis of sound accounting principles and may reflect, as required, other economic principles, provided that these are in conformity with Article 15 of the *Convention on International Civil Aviation* and other principles in the present Policies.
- iv) The system of charges must be non-discriminatory both between foreign users and those having the nationality of the State or States responsible for providing the air navigation services and engaged in similar international operations, and between two or more foreign users.
- v) Where any preferential charges, special rebates, or other kinds of reduction in the charges normally payable in respect of air navigation services are extended to particular categories of users, governments should ensure, so far as practicable, that any resultant under-recovery of costs properly allocable to the users concerned is not shouldered on to other users.
- vi) Any charging system should take into account the cost of providing air navigation services and the effectiveness of the services rendered. The charging system should be introduced in such fashion as to take account of the economic and financial situation of the users directly affected, on the one hand, and that of the provider State or States, on the other.
- vii) Charges should be levied in such a way that no facility or service is charged for twice with respect to the same utilization. In cases where certain facilities or services have a dual utilization (e.g. approach and aerodrome control as well as en route air traffic control), their cost should be equitably distributed in the charges concerned.
- viii) The charges levied on international general aviation should be assessed in a reasonable manner, having regard to the cost of the facilities needed and used and the goal of promoting the sound development of international civil aviation as a whole.
- ix) States should refrain from segmenting Flight Information Regions (FIRs) solely for the purpose of generating revenue where this would not be related to the costs of service provision.

Pre-funding of projects

42. The Council considers, notwithstanding the principles of cost-relatedness for charges and of the protection of users from being charged for facilities that do not exist or are not provided (currently or in the future) that, after having allowed for possible contributions from non-aeronautical revenues, pre-funding of projects may be accepted in specific circumstances where this is the most appropriate means of financing long-term, large-scale investment, provided that strict safeguards are in place, including the following:

- i) Effective and transparent economic regulation of user charges and the related provision of services, including performance auditing and “benchmarking” (comparison of productivity criteria against other similar enterprises);

- ii) Comprehensive and transparent accounting, with assurances that all aviation user charges are, and will remain, earmarked for civil aviation services or projects;
- iii) Advance, transparent and substantive consultation by providers and, to the greatest extent possible, agreement with users regarding significant projects;
- iv) Application for a limited period of time with users benefiting from lower charges and from smoother transition in changes to charges than would otherwise have been the case once new facilities or infrastructure are in place.

Currency issues

43. The Council:

- i) Recommends that under normal circumstances user charges be expressed and payable in the local currency of the State concerned;
- ii) Recommends that under special circumstances, for example where economic conditions are not stable, when a State proposes, or allows, denomination of user charges in other than local currency, air carriers could apply the same currency of denomination, using the same exchange rate, for their local ticket sales;
- iii) Recommends that every effort be made to remove obstacles preventing an air carrier based in one State from transferring in convertible currency its net income from sales in another State;
- iv) Recognizes that when route air navigation services charges are billed on a regional basis (i.e. on behalf of several States or by a jointly operated agency), it may be advantageous to both users and providers to denominate and pay charges in a single convertible currency.³

Approach and aerodrome control charges

44. The Council recommends that where charges for approach and aerodrome control are levied, whether as part of the landing charge or separately, the charge should, so far as possible, be a single element of the landing charge or a single charge per flight and could take aircraft weight into account but less than in direct proportion.

Route air navigation services charges

45. The Council recommends that the charge for route air navigation services should be, so far as possible, a single charge per flight; that is to say, it should constitute a single charge for all route air navigation services provided by a State or group of States for the airspace to which the charge applies. The charge should be based essentially on:

³ Further aspects of currency conversion, remittance of earnings and payment of local expenses are contained in *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587).

- i) The distance flown within a defined area;
- ii) The aircraft weight.

The element of distance flown, taken as one of the acceptable measures of the service rendered, should be applied by means of a distance scale using great circle distances or other commonly agreed distances. The element of aircraft weight should be applied by means of a weight scale using broad intervals which should be standardized so far as possible. This weight scale should take into account, less than proportionately, the relative productive capacities of the different aircraft types concerned.

46. The Council recognizes, however, without prejudice to the guidelines provided above, which constitute a charging system for general application, that:

- i) The characteristics of a given airspace will determine the most appropriate charging method for that airspace, having regard to the type of traffic, the distances flown, and the characteristics of the aircraft in that airspace.
- ii) When the distance flown and/or the aircraft types are reasonably homogeneous, the distance and weight elements may be separately or jointly neglected as the case may be.
- iii) In some circumstances, it may be considered appropriate to use a combination of a flat charge per flight and a charge based on the parameters recommended above in recognition of an element of fixed costs in providing air traffic services.

Charges for air navigation services used by aircraft when not over the provider State

47. The Council observes that the providers of air navigation services for international use may require all users to pay their share of the cost of providing them regardless of whether or not the utilization takes place over the territory of the provider State. Accordingly, wherever a State has accepted the responsibility for providing route air navigation services over another State, over the high seas, or in an airspace of undetermined sovereignty (in accordance with the provisions of ICAO Annex 11 — *Air Traffic Services to the Convention on International Civil Aviation* and Regional Air Navigation Agreements approved by the Council), the State concerned may levy charges on all users for the services provided. A State may delegate to another State or to an organization the authority to levy such charges on its behalf.

48. The Council also notes that the collection of air navigation services charges in cases where the aircraft does not fly over the provider State poses difficult and complex problems. It is for the States to find the appropriate kind of machinery on a bilateral or regional basis for meetings between provider States and those of the users, aiming to reach as much agreement as possible concerning the facilities and services provided, the charges to be levied, and the methods of collecting these charges.

Consultation with users

Charges

49. The Council emphasizes the importance of consultation with users of air navigation services before changes in charging systems or levels of charges are introduced. The purpose of consultation is to ensure

that the provider gives sufficient information to users relating to the proposed change and gives proper consideration to the views of users and the effect the charges will have on them. The aim should be that, wherever possible, changes should be made in agreement between users and providers. Failing such agreement providers of air navigation services would continue to be free to impose the charges concerned subject to users having the right of appeal to a body independent of the provider of air navigation services, where available, but the appeals procedure should be consistent with the regulatory regime in the State concerned (see also paragraph 51). It is not possible to lay down a specific procedure for consultations of this kind owing to the diversity in the administrative, financial and legal frameworks within which providers of air navigation services function. The procedures with regard to individual providers of air navigation services will also need to take account of the size and scale of the provider's activities. However, subject to these considerations, the Council recommends that:

- i) When a revision of charges or the imposition of new charges is contemplated by a provider of air navigation services or other competent entity, appropriate notice should normally be given to users or their representative bodies at least four months in advance, in accordance with the regulations applicable in each State.
- ii) In any such revision of charges or imposition of new charges, the users should be given the opportunity to submit their views and consult with the provider of air navigation services or competent entity. For this purpose the users should be provided with transparent and adequate financial, operational and other information to allow them to make informed comments.
- iii) Reasonable advance notice of the final decision on any revision of charges or imposition of new charges should be given to the users.

Air navigation services planning

50. The Council also considers it important in light of the high and ever-increasing cost of providing new or expanded air navigation services that users or their representative organizations be consulted before the finalization of plans for such projects. The purpose of such consultation is to ensure that, wherever possible, the developments concerned meet the needs of users and that users are aware of the financial implications in terms of the charges that would be paid by them. Equally, in order that providers of air navigation services may better plan their future financial requirements, the Council considers that users, particularly air carriers, should either directly or through their representative bodies, provide advance planning data relating to future types, characteristics and numbers of aircraft expected to be used, the special facilities which the users desire, and other relevant matters, to the extent possible on a 5- to 10-year forecast basis.

"First resort" mechanism

51. The Council considers, with regard to charges in particular, that with the accelerating growth in the number of instances where the provision of air navigation services is independent from direct government control, there may, in the interest of the providers of air navigation services and their users, be a need for a neutral party at the local level to preempt and resolve disputes before they enter the international arena (a "first resort" mechanism). The mechanism should be flexible, and its focus should be on conciliation or

mediation but it could range to full arbitration if the State concerned so decides. Such a function might be included in the terms of reference of an independent body with much broader responsibilities of overseeing the operations of the autonomous service providers, referred to in paragraph 15, or it might be separately established.

APPENDIX 1

GUIDE TO THE FACILITIES AND SERVICES TO BE TAKEN INTO ACCOUNT IN DETERMINING AIRPORT COSTS¹

Approach, landing and take-off facilities and services

Landing area with cleared approaches and taxiways with necessary drainage, fencing, etc. Also, lights for approach, landing, taxiing and take-off, as well as communications and other special aids for approach, landing and take-off (sometimes provided by other than the airport operator).

Approach and aerodrome control: air traffic control for approach, landing, taxiing and take-off with necessary communications, navigation and surveillance supporting services. (Approach and aerodrome control is sometimes partly or wholly provided by other than the airport operator. See also Appendix 2).

Meteorological services (frequently provided by an entity other than the airport operator). (See also Appendix 2 as to when an allocation of the costs of these services, proportional to their utilization for airport operations, should be considered).

Fire and ambulance service in attendance.

Terminals, aircraft parking space, hangars and other facilities and services provided for aircraft operators

Passenger and public waiting rooms and concourses with necessary heating, lighting, janitor service, approach roads, etc.

Accommodation for air carrier offices, traffic counters and air crews, and for the handling of passengers and cargo.

Assistance in handling passengers and cargo, and necessary equipment.

Special servicing of aircraft (air conditioning, cleaning, etc.).

Towing and other handling of aircraft.

Space for parking and long-term storage of aircraft.

Hangar, workshop, stores, garage and other technical accommodation.

Land leased to aircraft operators for various purposes.

Provision of aircraft fuel (usually via concessions) and other technical supplies, and also of maintenance and repairs for aircraft.

Communication facilities (aircraft operating agency messages - Class B).

Common services such as the provision of light, heat, power and heating fuel.

Security measures, equipment, facilities and personnel for the following functions

Security control, including screening of passengers and their cabin baggage.

Security control, including screening of hold baggage.

Security control of cargo, mail and other goods.

Security control of airport and airline personnel.

Monitoring of aircraft and security restricted areas.

Background checks on persons with access to security restricted areas.

Identification systems for security purposes at airports.

Training of security personnel.

¹ Further guidance on airport accounting is provided in the *Airport Economics Manual* (Doc 9562).

Note.— These functions relate to the Standards and Recommended Practices of ICAO's Annex 17 (and the definitions used therein) imposing on each Contracting State to have as its primary objective the safety of passengers, crew, ground personnel and the general public in all matters related to safeguarding against acts of unlawful interference with civil aviation.

***Accommodation for other than
aircraft operators***

Accommodation for shops, hotels, restaurants, ground transport providers, banks/money exchanges, post office, telegraph office, etc.

Facilities paid for directly by the public (car parking, sightseeing, etc.).

Accommodation for necessary government activities, customs, immigration, public health, agricultural quarantine, etc.

Land rented to other than aircraft operators (including grazing rights, etc.).

Noise alleviation and prevention

Noise monitoring systems, noise suppressing equipment and noise barriers.

Land or property acquired around airports.

Soundproofing of buildings near airports and other noise alleviation measures arising from legal or governmental requirements.

APPENDIX 2

GUIDE TO THE FACILITIES AND SERVICES TO BE TAKEN INTO ACCOUNT IN DETERMINING THE TOTAL COSTS OF AIR NAVIGATION SERVICES¹

Air traffic management

Air traffic management (ATM) is the aggregation of the airborne and ground-based functions required to ensure the safe and efficient movement of aircraft during all phases of operations. It consists of air traffic services (ATS), airspace management (ASM) and air traffic flow management (ATFM).

ATS is divided into air traffic control service (ATC), flight information service (FIS) and alerting service. ATC is further divided into the following services:

Aerodrome control service: Air traffic control service for aerodrome traffic, provided only by aerodrome control towers.

Approach control service: Air traffic control service for arriving or departing controlled flights. This includes services provided in a terminal control area, which is normally established at the confluence of ATS routes in the vicinity of one or more major aerodromes. Approach control service is provided either by an aerodrome control tower or area control centre. Alternatively, approach control service may instead be provided by an approach control unit when it is considered necessary or desirable to establish a separate such unit.

Area control service: Air traffic control service for controlled flights in control areas (en route), provided either by an area control centre or, in rare cases, by a unit providing approach control service where no area control centre is established.

FIS and alerting service are provided to all aircraft which are subject to ATC or which otherwise are known to relevant ATS units. In addition, alerting service is provided to any aircraft known or believed to be the subject of unlawful interference.

ATFM is typically organized with a centralized flow management unit. A flow management cell (or flow management position) is established in each participating area control centre.

Communication, navigation and surveillance systems

Ground and/or satellite-based aeronautical communications (both air-ground and ground-ground), navigation and surveillance systems necessary for safety and regularity of flights. Major elements of these systems are:

Communications: Ground and/or satellite-based facilities supporting aeronautical fixed service (AFS), aeronautical mobile service (AMS) and aeronautical broadcast service.

Navigation: Conventional ground-based radio and visual aids to navigation, global navigation satellite system (GNSS) and its associated augmentation systems in support of all phases of flight.

Surveillance: Primary/secondary surveillance radars and other ground/satellite-based facilities supporting the automatic dependent surveillance (ADS) and/or ADS-Broadcast (ADS-B).

Meteorological services

All that part of the meteorological service allocable to civil aviation, including in particular, among the facilities and services whose costs are to be so allocated, those that furnish civil aviation with meteorological forecasts, briefs and observations, as well as SIGMET information, VOLMET broadcasting material and any other meteorological data provided by States for the use of civil aviation. The costs of all

¹ Further guidance on determining and allocating costs of air navigation services is contained in the *Manual on Air Navigation Services Economics* (Doc 9161).

meteorological services provided to civil aviation should, where appropriate, be allocated between air traffic services provided for airports and air traffic services provided en route. In States where more than one international airport is involved, consideration could be given, where possible, to allocating the costs attributable to airport utilization between the airports concerned.

Other ancillary aviation services

All that part of the services allocable to civil aviation of any permanent civil establishment of equipment and personnel maintained for the purposes of providing such services as search and rescue, accident investigation, aeronautical charts and information services.

APPENDIX 3

GLOSSARY OF TERMS

The following terms are described as they apply in the context of these Policies.

Aerodrome control service. Air traffic control service for aerodrome traffic.

Air navigation services. This term includes air traffic management (ATM, see Appendix 2), communication, navigation and surveillance systems (CNS), meteorological services for air navigation (MET), search and rescue (SAR) and aeronautical information services (AIS). These services are provided to air traffic during all phases of operations (approach, aerodrome control and en route).

Approach control service. Air traffic control service for arriving or departing controlled flights. This includes services provided in a terminal control area which is a control area normally established at the confluence of ATS routes in the vicinity of one or more major aerodromes.

Autonomous entity. An independent entity established for the purpose of operating and managing one or more airports and/or air navigation services, which is empowered to manage and use the revenues it generates to cover its costs.

Annex 11. Refers to ICAO Annex 11 — *Air Traffic Services* — to the *Convention on International Civil Aviation*.

Annex 16. Refers to ICAO Annex 16 — *Environmental Protection* — to the *Convention on International Civil Aviation*.

Annex 17. Refers to ICAO Annex 17 — *Security — Safeguarding International Civil Aviation Against Acts of Unlawful Interference* — to the *Convention on International Civil Aviation*.

Best commercial practices. Practices used by commercial industry that, over time, have proven

cost effective, efficient and successful in bringing quality products to the marketplace.

Commercialization. An approach to management of facilities and services in which business principles are applied or emphasis is placed on development of commercial activities.

Concession. The right to operate a certain commercial activity at an airport, commonly on an exclusive basis and usually at a specified location.

Council. The Council of ICAO.

Depreciation of assets. The decrease in the value of an asset due to wear and tear through use, action of the elements, inadequacy or obsolescence normally over a predetermined period of time (depreciation period/book life of the asset).

Economic oversight. Monitoring by a State of commercial and operational practices of a service provider.

Economic regulation. Measures taken by a State with regard to legislation or rule-making, establishment of regulatory mechanism, etc., to perform its economic oversight functions.

Financial statements. This includes the income statement and the balance sheet. The income statement summarizes all revenues and expenses, with the difference between the two totals being either a profit or a loss. The balance sheet summarizes assets and liabilities, with the difference between the two representing an increase or decrease in net worth.

Fixed costs. Costs which in the short term remain unchanged regardless of whether or not the volume of services provided increases or decreases.

Free zones. A defined area adjacent to or within the boundary of an international airport of a State

where goods may be imported, stored, processed and exported without being subject to any such import, export or transit duties and taxes as may normally be applicable to goods moving to or from that State.

Fuel "throughput" charges. A concession fee levied by an airport on each litre or gallon (or other liquid measure) of aviation fuel sold at the airport.

Great circle distance. The length of the shorter arc of the great circle joining two points. (**Great circle.** A circle on the surface of the earth, the plane of which passes through the centre of the earth.)

Multinational facility or service. A facility/service established for the purpose of servicing international air navigation in airspace extending beyond the airspace serviced by a single State. It could be operated by one State, a group of States or an international operating agency.

Pre-funding. Partial or complete financing of an airport or air navigation facility project through charges levied on users prior to completion of the facility concerned.

Privatization. Transfer of full or majority ownership of facilities and services to the private sector.

Regional plan. The relevant ICAO Regional Air Navigation Plan.

Rental of premises. The right to occupy certain defined premises against payment of a fee.

Representative user organizations. These include the International Air Carrier Association (IACA), the International Air Transport Association (IATA), the International Business Aviation Council (IBAC), and the International Council of Aircraft Owner and Pilot Associations (IAOPA).

Revenues from non-aeronautical sources. Any revenues received by an airport in consideration for the various commercial arrangements it makes in relation to the granting of concessions, the rental or leasing of premises and land, and free-zone operations, even though such arrangements may in fact apply to activities which may themselves be considered to be of an aeronautical character (e.g. concessions granted to oil companies to supply aviation fuel and lubricants and the rental of terminal building space or premises to air carriers). Also intended to be included are the gross revenues, less any sales tax or other taxes, earned by shops or services operated by the airport itself.