

International Conference on Contemporary Issues in Air Transport, Air Law & Regulation

Emerging Issues for Airports

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The Legality of Airport Charges

Article 15 of the Chicago Convention

→ No charges from which the proceeds are not used as a compensation/remuneration for the use of an airport or its services

ICAO Resolution on Taxation in Int'l Air Transport

→ Each Contracting State shall reduce to the fullest practicable extent and make plans to eliminate as soon as its economic conditions permit all forms of taxation on the sale or use of international transport by air, including taxes on gross receipts of operators and taxes levied directly on passengers or shippers

ICAO Policies on Charges for Airports and Air Navigation

→ Chicago Convention permits the imposition of charges specifically to recover the costs of providing facilities and services to international civil aviation

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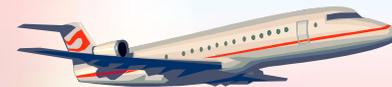
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The Indian Aviation Situation

- Indian airports have been criticized as amongst the worst in the world
- Indian air transport sector is only beginning to see substantial growth after decades of regulatory restrictions
- Promise for the future...
 - \$13 billion spent at the 2005 Paris Air Show for new aircraft
 - Commitment to 164% fleet growth in comparison to the 2.7% growth worldwide
 - Middle class of 300 million to utilize the aviation sector



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Improving Infrastructure



Without substantial improvements to airport infrastructure and accessibility, aviation growth will stagnate

On the other hand...

- Air navigation charges are 60% higher than in neighboring countries
- Airport charges are 78% higher than in neighboring countries
- 44% of the fuel costs in India are due to taxes
- No new airports within 150km of another

Question: How to balance a need to improve infrastructure legally and efficiently?

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The Problem with India's Airport Charges

- International flights estimated to pay 33% more for landing at Indian airports than domestic ones
- Handling charges compared to airports in neighboring countries three to four times as much
- Non-aeronautical revenues typically subsidize aeronautical charges; the opposite is true in India



Albert Tjoeng, IATA Spokesperson → India imposes excessive overflight charges at seven profitable airports to cross-subsidize its non-profitable airports

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Recommendations of the Ministry of Civil Aviation Naresh Chandra Report

- Airport charges should be reduced a comparable rate with South East Asian and Gulf countries
- The various aviation taxes should be replaced with a single lower ad valorem sector specific rate of 5% of the airfare
- The 150km airport rule should be removed
- Parts of the airport and air traffic control services should be subject to independent economic regulation



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IATA on India's Airports

Giovanni Bisignani, Director General & CEO of the International Air Transport Association, *Aviation in India: Great Opportunities and Great Challenges*

- Massive changes will be required to improve India's airports before its substantial fleet increase arrives
- New airports must be safe, cost-efficient, and provide adequate capacity; commercial discipline must be maintained
- Aviation funds its own infrastructure—over \$42 billion a year; there's no reason to overburden it with excessive taxes



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Challenges for Airport Development

Question: With India's aggressive approach to expanding its aviation sector, how will it handle the influx?

- Airports and airlines will remain interdependent
- Too little infrastructure will harm the airlines; too much capacity will harm the airports
 - Congestion may signal a need to expand
 - Overexpansion may waste limited resources
 - Finding the right balance will take time
- Ability of Indian airlines to successfully compete in the global market will shape the development of airports



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Challenges for Airport Development

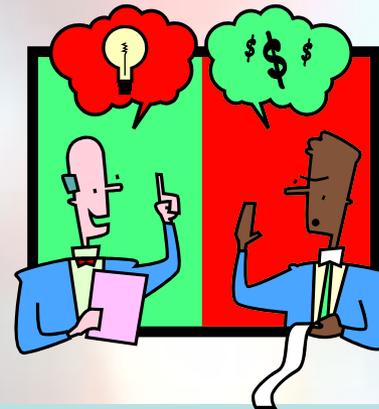
Global trend seems to be moving away from the old “hub” system with one dominant airline to being open to multiple carriers

– **Pro**

- Less dependent on the economic viability of one carrier; as it goes, so goes the airport
- More attractive to a diverse array of carriers and their customers

– **Con:**

- More difficult to manage multiple airlines over a select few
- More difficult to gauge traffic demands and thus adjust airport sizing and design accordingly



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Challenges for Airport Development

Privatization → Airports must move towards becoming viable economic entities operating according to the market

Needed Developments

- (1) More competition between airports in order to lower charges
- (2) Increased involvement from non-aviation firms to inject capital
- (3) Freedom of disposal of revenues by airport stakeholders



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Challenges for Airport Development

Environmental Concerns

- No getting around it: increased infrastructure means more noise, air pollution, and land use
- As India increases and refines its aviation infrastructure, it must do so with an eye towards long term development
- Investment in the latest “clean” technologies and utilization of efficient practices will payoff in the long run
- Maximizing efficiency and reducing environmental concerns now means less costs and hassles later





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