



IMPLEMENTATION OF EUROPEAN REGULATION FOR DETERMINATION OF AIRPORT CHARGES

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Abstract: *The harmonization of European legislation with the national one is related to Bulgaria's membership in the EU. In the field of civil aviation this process requires application of the regulations and other legislative acts of the European Parliament. In order to implement the EU regulation on airport charges in Bulgaria, conditions were created for consideration by the national legislation with Directive 2009/12EU during 2011. This study the established organization for setting airport charges with the relevant procedure in Directive 2009/12EU will be analyzed and compared.*

Key words: *European legislation, civil aviation, airport charges, harmonization.*

The main activity at the airports for public usage in Bulgaria is focused to ensure servicing of landing and taking off-airplanes, as well as providing service to passengers, cargo and mail, using air transport services. Specialized facilities are built and services are provided for running that business and guarantee normal daily operation of the aircrafts and servicing passengers and cargo. The construction costs of facilities and provision of services are covered by legally regulated airport charges. The competent authority to determine these charges in the country is the Council of Ministers that, determines the amount, terms and cases in which fees are collected through “Ordinance on fees for use of public airports and air navigation services in Bulgaria”.

In 2004 the Council of the International Civil Aviation Organisation (the ICAO Council) decided to apply new policies on airport charges based on principles of cost-relatedness, non-discrimination against airport users (local and international) and an independent mechanism for economic regulation of airports. As a step to avoid discrimination, it recommends a compulsory procedure for regular consultations between the airport administration and airport users on the issues of the charging system. Mutual exchange of information at these meetings would allow air carriers to have a clear tablatore of the nature of costs and return of investment at airports. On the basis of the exchanged information airport operators are expected to refine their plans for future investments upon becoming aware of the specific requirements and suggestions of air carriers as well as expectations and plans for development related to the respective airport.

After the accession of Bulgaria to the Treaty of the European Union in 2007, the regulations of the Union became part of our state legislation. Since 2009 the European Community has established a common framework regulating the essential features of airport charges and the procedures for their establishment. By transposition of Directive 2009/12/EC of the European Parliament and the Council [1], a greater transparency in the process of setting airport charges as well as non-discrimination of

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airport users is provided in the Bulgarian legislation. Thus, **the actuality** of this research lies in tracing the process of implementing the European regulation for setting airport charges at the Sofia airport.

The Directive establishes two requirements for its application - either the airport is open to commercial traffic of over 5 million passengers or the airport has the largest passenger movement in each Member State. In Bulgaria, none of the airports meets the first requirement; therefore, the directive is only applicable for Sofia airport.

Currently at civil airports taxes for landing of aircraft, parking, passengers, use of passenger sleeve, **security** and **noise** (ecological) (last two with effect from April 19, 2012) are collected.

The users of civil airports are charged for each landing at an airport in Bulgaria, and the charge depends on the maximum takeoff weight of the aircraft used. The landing fee includes the costs of the airfield maintenance and development of airport infrastructure, limitation and/or removal of obstacles on the aerodrome field or rolling paths, maintenance of the visual aids for navigation, search and rescue and fire safety of flight within the airport area and its vicinity, the airport security and flight safety, traffic management within the territory of the airport, equipment and installations for power, of demurrage of the passenger aircraft up to 3 hours on a distant or "contact" stand, or demurrage of the cargo aircraft up to 6 hours on a distant or "contact" stand, as well as administrative costs [2].

As a result, the fees for landing at major civil airports in Bulgaria are legally assessed to be as follows:

Table 1 Amount of the airport charges

Maximum take-off weight	Sofia, Varna, Burgas		Plovdiv	
	international	domestic	international	domestic
Up to 3 t	20	10	20	10
3 - 10 t	40+14	20	40+14	20
11 - 20 t	180+14	60	180+14	60
21 - 40 t	320+4	80	320+4	80
41 - 60 t	400+7	100	400+7	100
61 - 80 t	540+5	120	540+5	120
81 - 100 t	640+5	140	640+5	140
Over 100 t	740+5	160	740+5	160

Source: Ordinance on fees for usage at the civil airports and for air navigation services in Bulgaria

After the expiring of planned standing time (3 or 6 hours respectively), the airline operator shall pay a fee for parking, which is calculated as a percentage of the landing fee considering the types of the flight – international or domestic, and is as follows:

Table 2 Fees for parking and basing

Airport	Fee for parking in % from landing fee	Basing fee in % from landing fee
Sofia	25	5
Plovdiv, Varna, Burgas	20	5

Source: Ordinance on fees for usage at the civil airports and for air navigation services in Bulgaria

Based on the above data in the tables we can be made the reasonable assumption that the present calculation of airport charges is not cost reflective. This is because the number of taking off airplanes and existing infrastructure do not correspond to the equal charging at various airports. Similar problem possessed the passenger handling. This information can be presented and compared in the following table:

Table 3 Statistics for the largest airports in Bulgaria

Airport	Sofia		Varna		Burgas		Plovdiv		
	Year	Take-off a.c.	passengers	Take-off a.c.	passengers	Take-off a.c.	passengers	Take-off a.c.	passengers
2000		24785	1127580	9425	18785	5528	398410	1518	37680

Airport	Sofia		Varna		Burgas		Plovdiv	
	Take-off a.c.	passengers	Take-off a.c.	passengers	Take-off a.c.	passengers	Take-off a.c.	passengers
2001	21860	1103869	9549	932549	5964	595813	132	8131
2002	24211	1204892	9006	1090709	6708	767476	975	26639
2003	25517	1346342	10107	1186349	8963	1026134	924	27379
2004	28700	1605492	11277	3607	11199	1352937	1277	37760
2005	32188	1866691	13616	1545880	12496	1556091	1598	66168
2006	38119	2200950	14721	1522658	14429	1802035	2011	93245
2007	43005	2738222	14971	1480444	16114	1941311	1990	104130
2008	48626	3219911	15129	1432703	16868	1925266	1702	61276
2009	45698	3121837	12699	1206535	15636	1689866	6138	24919
2010	47061	3287529	12577	1198956	15775	1874562	4983	26547

Source: <http://caa.gateway.bg/> (Republic of Bulgaria, Ministry of transport, information technology and communications, DG "Civil Aviation Administration")

When analyzing the number of the passengers being served with the data for passengers' fees, a discrepancy can be observed. If we compare the proportion of the number of travellers in 2010 at the largest international airports in the country in the following sequence Sofia-Burgas-Varna-Plovdiv, and the ratio of fees for their processing, the result is as follows:

Table 4 Comparison of charges for passengers and number of transported passengers

№	Comparable airports	Ratio by passengers	Ratio by fees International (Locals)
1	Sofia:Burgas	1,75 times	1,5 (3,33) times
2	Sofia:Varna	2,74 times	1,5 (3,33) times
3	Sofia:Plovdiv	123,84 times	1,5 (3,33) times

The greatest discrepancy is with the international flights compared to the domestic ones. This is clearly seen from the data presented in the following summarizing table:

Table 5 Fees for passenger service

Airport	Fee for passenger service in EUR – international flights	Fee for passenger service in EUR – domestic flights
Sofia	12	5
Plovdiv, Varna, Burgas	8	1,5

Source: Ordinance on fees for usage at the civil airports and for air navigation services in Bulgaria

The Directive introduces a requirement for transparency of costs. This in turn requires precise information about the components on which the charging system is determined. The information is collected and submitted by the relevant airport operator and includes:

- List of services and infrastructure provided for collected airport charges;
- Method for establishing airport charges;
- Cost components related to airport facilities and services;
- Revenue from various fees and total costs for services covered by them;
- Information about any financing by public authorities for the facilities and services which airport charges relate to;
- Prognoses for the condition of the airport related to charges, traffic growth and proposed investments;
- Actual use of the airport infrastructure and facilities for a specified period of time;
- Predicted outcome of any major proposed investments in terms of their impact on airport capacity.

In addition, in order to correctly assess the costs of the airport operator, airport users should provide the following minimum information in the process of the consultation procedures between them:

- Traffic estimates;
- Current state and envisaged usage of their fleet estimates;
- Development projects at the respective airport;
- Their requirements for the respective airport.

The provision of the Civil Aviation Act account for all of the considerations listed above. Based on the annual financial statements of Sofia airport and in accordance with the International Accounting Standard 1 Presentation of Financial Statements [3], airport operator should submit a cost analysis of airport charges in the income statement using a classification which is based either on the nature of expenses or their function. For this purpose expenditure accounting articles are classified additionally by specifying a range of components of financial performance which may differ in terms of frequency, potential for gain or loss and predictability. Up to now the airport applies the following classification of expenses for financing its activities as an airport operator:

- Expenses for external services;
- Salaries, insurance and social expenses;
- Expenses for materials;
- Depreciation and amortization expense;
- Other expenses.

In the proposed "Methods for establishing airport charges collected by *"Sofia Airport Inc"* which is part of the process of negotiating the amount of charges, the following expenses components are presented:

- Human Resources expenses;
- Infrastructure, equipment and other assets expenses;
- Materials and Supplies expenses;
- Operating expenses;
- Investments;
- External crediting expenses.

The minimum additional information, which must be provided by the airport operator being also a provider of ground handling, is detailed information about the expenses of different types of activities funded by the fees or revenue from contracts for ground handling. Since charges for "security" and noise/ecological are defined with the recent amendments to the Civil Aviation Act, the airport operator should account for them as a new revenue, in which the breakdown of the revenue should be organized by analytical and synthetic accounting accounts as follows:

Table 6 Income by type of service

№	Type of fee	Amount in levs
1	Landing fee income	
2	Parking fee income	
3	Passenger fee income	
4	Passenger sleeve fee income	
5	Security fee income (in effect from April 19, 2012)	
6	Noise fee income (in effect from April 19, 2012)	
7	Ground handling income (by type of service)	

We suggest that the above income compared to the related expenses, subdivided into economic expenses and investment expenses, with the relevant accounting synthetic accounts as follows:

Table 7 Structure of expenses by types of fees

№	Expenses	Landing fee	Parking fee	Passenger fee	Sleeve fee	Security fee	noise fee	Ground handling
1	Economics'	Materials						
2		External services						
3		Amortization						
4		Salaries (incl. insurance)						
5		Other expenses						
6	Investment costs	Capital expenditure						
7		Financial expenses						
8		Investment expenses						
Total cost								

The definition of the airport charges in the Civil Aviation Act implies that these “fees are determined in accordance with the principles of the Convention on International Civil Aviation, to cover the costs for establishing the necessary conditions and standards to ensure safe and secure landing and parking of aircraft, usage of visual air navigation facilities and the costs of processing and security of passengers and cargo that start a trip from the airport.” But for effective transposition of Directive 12 in our legislation we should stick to the definition on airport charges, given in the directive, where it is more precise. There they are defined "as a levy collected for the benefit of the airport administration owed by airport users for the utilization of facilities and services related to landing, takeoff, air navigation lighting facilities, parking of aircraft and handling of passengers and freight".

Another problem appears to be also accounting for capital costs associated with maintaining and/or modernization of equipment used at the airport.

In the case that they are calculated in the cost of airport charges in the year of their execution, it is incorrect to be amortized in the subsequent periods. If this is the case, then we have a double inclusion of the same cost in defining the cost of airport charges - once as an investment and the second time - as amortized in subsequent periods. An exception to this rule may be made for the capital costs which are not included in the assets cost and therefore are not amortized. Currently a detailed picture cannot be obtained whether this double-counting of costs is a fact from the financial statements of Sofia Airport Inc, because the amount of airport charges is not always cost-oriented and revenue is always more than expenses, even when investments with airport charges are financed. When discussing the fees at Sofia Airport, this issue should be seriously considered. If the capital expenditure is accounted for in the airport fees, we must accept as a rule that it is excluded from the amortization.

In conclusion, the process of implementation of Directive 12 in the Republic of Bulgaria is in a final stage. The transposition of the Directive into national law was made through amendments to Civil Aviation Act in October 2011. The final stage of consultations between airport operator and users of airport infrastructure is forthcoming. In view of the classification of expenses which has been applied up to now, it is possible that during these consultations statistical information is used which would serve as a basis for determining a higher amount of negotiated fees. Adherence to the proposed structure of expenses in relation to the fees, suggested in the research would allow that the charges are determined in accordance with International Accounting Standards. This would increase the possibility for correct pricing by applying the principle of cost-relatedness.

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