

## **Section 5**

# **AVIATION SECURITY FUNDING MECHANISMS**

**September 2004**



<b>CIVIL AVIATION SECURITY FINANCING STUDY</b>	<b>5</b>
<b>Aviation security funding mechanisms</b>	

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## 5 Aviation security funding mechanisms

### 5.1 Summary

#### Funding of security activities

- In general, end users fund security related activities. When States or airports bear the cost of security related activities, all or some of this cost is recovered either through specific security related taxes, charges or general traffic charges.

#### Aviation security funding mechanisms

- There are four main mechanisms for funding security activities within Europe: 1) Aviation security taxes, 2) Airport related security charges, 3) Carrier security surcharges or fees and 4) State grants and subsidies.
- Aviation security taxes and airport security charges are levied, almost exclusively, on passengers. Normally based on a 'per departing passenger' basis, most States apply a fixed tax on passengers regardless of their origin and destination. Some States do apply different taxes depending on the departure airport of the passenger or destination.

#### Aviation security taxes, charges and surcharges

- In 2002, States levying aviation security taxes on passengers generated an estimated **€85m**. This equates to a weighted average tax of **€1.08** per passenger. Germany, the Netherlands, Italy and France accounted for almost **83%** of the total State tax income.
- A further **€13m** was generated by non-passenger taxes (i.e. air freight and staff background check revenues). This increases the security taxation income to **€99m**.
- The total European aviation security related State and airport income from security related State taxes, airport charges and State grants is estimated at circa **€1.3bn**. This is a combination of **€99m** in State security taxes, **€605m** in airport security related charges and **€132m** in State grants.
- In addition, a further **€34m** was estimated to have been raised by carriers from surcharges levied on passengers and airfreight. This brings the total estimated income raised to almost **€2.0bn** in 2002. The estimates for the carriers are more difficult than for the State and airport elements in that many of the carriers do not levy surcharges. Simply applying the weighted average surcharge to all of the European traffic is likely to over estimate the likely level of income raised.
- Eight of the 18 States currently impose security related taxes (Austria, Belgium, France, Germany, Greece, Iceland, Italy and Portugal). Although Spain does not levy a direct tax, it does receive 50% of the security charges revenue generated by the nation's airports. In terms of airport passengers, the 9 States (including Spain) account for almost 63% of European passenger throughput.
- For those States imposing taxes, some date back to the early to mid 1990s (e.g. Germany

and Portugal). In Belgium, security taxes were introduced more recently, probably as a direct result of increasing aviation security activities after 11 September 2001.

- Although France and Greece do not levy security related taxes specifically, they impose other more comprehensive aviation related taxes (i.e. Civil Aviation Tax and Airport Development Tax respectively) that help fund, either fully or in part, their aviation security measures.
- France is the only State to levy a security related tax on airfreight and mail; while Germany and Italy levy a separate tax on aviation staff for conducting their background checks.

#### State passenger security taxes

- State security taxes are usually charged on a per departing passenger basis.
- The level of passenger security taxes varies significantly across the States from €0.15 per departing passenger in Belgium, to €10.00 per departing passenger at Saarbrücken airport in Germany.
- The level of passenger security taxes has increased across most of the States between 2001 and 2003. Whilst security taxes were already being levied in 8 States (plus Spain) before the terrorist attacks on 11 September 2001, the level of such taxes has increased as a direct result of increasing security measures since that time.
- Passenger taxation accounts for **98%** of total European security tax.

#### Airfreight taxes

- France is the only State that advised it currently imposes a security related tax on airfreight. Labelled as part of the wider Civil Aviation Tax (CAT) and levied by the French CAA (DGAC), in 2002 an estimated 22% of the proceeds were dedicated to funding aviation related security activities across French airports. This tax is levied on both air cargo and airmail on a per tonne basis.

#### State security related taxation income

- The 9 States generated an estimated income of **€85m** during 2002 from security related taxes on passengers.
- Germany, with an estimated security tax income of **€87m**, is the largest tax income generator accounting for **49%** of all security tax income from **24%** of passenger traffic throughput of those States levying security related taxes.
- Italy, France and the Netherlands generated an estimated **€32m**, **€62m** and **€54m** in security taxation income respectively. Combined they account for some **34%** and **46%** of total income and traffic respectively for those States levying taxes. However, the Netherlands stopped levying a security tax from 1 April 2003.
- Overall, national and regional authorities generated a weighted average security tax of **€1.08** per passenger during 2002 compared to an estimated weighted average of **€0.75** in 2001.

- In general, it would appear that where the State imposes a security related tax, airports in that State do not levy any further security related charges. This is the situation in 5 States (Austria, Greece, Iceland, Italy and Portugal).

#### Airport security charges

- Where the authorities do not impose any security taxes, the security activities provided by the airports are funded through either general airport traffic charges (e.g. Denmark and some UK airports) or through specific security charges. This is the case in 10 States (Finland, Ireland, Luxembourg, Netherlands, Norway, Spain, Sweden and Switzerland, Denmark and the UK).
- From the 30 responses providing financial details, 17 airports confirmed that they are currently imposing security related charges. Security charges information was also sourced for a number of other airports and included as part of this study.
- Security charges are levied on passengers and generally collected by carriers on behalf of airports through the passenger tickets. The tickets also normally also include other airport charges such as the passenger service charge (PSC) or passenger facility charge (PFC). Increasingly any charges in addition to the airfare are shown separately by the carriers.
- A few airports, including Brussels, Schiphol and Zurich, have introduced a dual pricing structure that differentiates between originating and transferring passengers. This may be due to cost and/or competitive reasons.
- Many airports (16 out of 33 in the study) introduced security related charges in late 2001 and during 2002 in the aftermath of the terrorist attacks in the US.
- Security related airport charges per departing passenger range from **€0.17** at Frankfurt to **€10.85** at Schiphol in 2003. Airports reported substantial increases in security charges between 2001 and 2002.
- Airports across Europe generated an estimated **€605m** in income from levying security related charges in 2002. This equates to a weighted average charge of **€0.75** per passenger.
- French airports are estimated to generate the largest share of security income accounting for **28%** of total airport security income in 2002 from **22%** of traffic for airports levying security charges. It is followed by Italy, the UK, the Netherlands, Switzerland, Spain and Ireland with a combined share of **60%** of security income.
- The remaining **12%** represents the income generated by airports in Belgium, Germany, Greece, Luxembourg, Portugal and Sweden.

**Carrier security surcharges or fees**

- More than **124** carriers worldwide have introduced a passenger surcharge on flights to help recoup some of the costs of additional security measures and increases in insurance premiums that have been incurred since the terrorist attacks in the US<sup>1</sup>.
- From a total of 27 responses, 14 carriers confirmed that they currently impose security related surcharges. For those carriers imposing security related surcharges, seven apply to both passengers and airfreight; four apply to passengers only, and three apply to freight only.
- Although carrier related security surcharges range between **€1.59** (or **\$1.50** British Airways ex-Ireland) and **€8.00** (Iberia, Lufthansa and TAP) per passenger, they do not vary as widely as State security taxes and airport security charges.
- Airfreight security surcharges vary between **€0.06** per kilo for SAS and Finnair and **€0.15** for Lufthansa and Austrian Air.
- Most carriers charge different surcharge rates dependent on the status of the consignor with the rate for known consignors being lower.

**Passenger and Freight surcharge income**

- The 13 responding carriers reported generating an estimated **€633m** in security related surcharges in 2002 of which passenger surcharges accounted for **81% (€510m)** and airfreight for the remaining **19% (€124m)**.
- **Passenger surcharge income:** Lufthansa is estimated to have generated the largest passenger surcharge income among responding carriers totaling €176m in 2002 followed by British Airways and SAS generating approximately €137m and €58m in 2002 respectively.
- **Freight surcharge income:** Lufthansa is estimated to have generated around €77m on airfreight security related surcharges during 2002. This income is greater than the amount generated by the remaining carriers combined. Lufthansa is followed by British Airways and SAS, but with significant lower income levels at €29m and €11m respectively during 2002.

**State grants and subsidies**

- All States advised that additional security measures have been introduced after 11 September 2001. Thirteen States confirmed that some of these measures had been partially or fully financed from public funds.
- It is estimated that between 2001 and 2002, **€132m** was provided from public funds. Several States have acknowledged that an additional **€190m** is estimated to be provided in future security grants - particularly for acquisition of hold baggage screening equipment.

<sup>1</sup> Source: British Airways website. BA security and insurance surcharge explanatory notice.

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## 5.2 Introduction

This section identifies the key aviation security activity groups and examines how organisations or air transport users fund the provision of these activities. Also examined in this section are the different funding mechanisms for aviation security currently used within the 18 States, their airports and/or carriers in order to fully or partially fund aviation security measures. It also identifies the parties remunerating or paying for the different aviation security activities and services as outlined in Regulation (EC) No 2320/2002.

This section reviews the funding mechanisms already in existence before the terrorist attacks in the US on 11 September 2001 as well as those subsequently introduced across Europe as a result of the security measures implemented following the attacks.

Estimations are included of the levels of income generated by the different stakeholders (i.e. State authorities, airports and carriers) across the 18 States as a result of imposing security related taxes, charges and/or carrier surcharges. This section also includes a benchmark of the weighted average taxes and charges being levied by different stakeholders in each State. Further analysis shows the average charge imposed by different sized airports.

Finally, there is an estimation of the level of security related income generated across the States as well as a calculation of the average levy on a per passenger basis.

## 5.3 Funding of security activities

An analysis of how organisations or air transport users fund the provision of aviation security activities is outlined below. The security activities and measures have been grouped in the following categories:

- Airport security.
- Aircraft security.
- Passenger and baggage screening.
- Cargo and mail screening.

### 5.3.1 Funding airport security

Access control activities are mostly funded by the airport companies and carriers across the European airports. Physical security and patrols at terminal facilities and other public areas are paid for primarily by airport companies. However, in a few States, these costs are covered by the respective police services.

In some States the cost of airport security related measures is directly funded by carriers and passengers as end users through Passenger Security Charges levied by airports such as Schiphol. In the UK, although the cost of measures is, in the first instance, borne by the airport operator, these are mainly passed on to carriers through general traffic charges.

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### **5.3.2 Funding of aircraft security**

Across Europe, the costs associated with protection, search and checking of aircraft are mainly funded by carriers.

In Portugal, the provision of aircraft protection is sometimes provided by the police, particularly to those aircraft regarded as high-risk flights (e.g. US and Israeli carriers). Under these circumstances, the cost of guarding aircraft whilst on the ground is borne by the police services.

### **5.3.3 Funding of passenger and baggage screening**

In most cases, the screening of passengers, their hand and hold luggage, is funded by passengers through the levying of security taxes and charges and/or general airport charges.

Baggage reconciliation and protection activities are mainly funded by carriers.

### **5.3.4 Funding of cargo and mail**

Carriers pay for cargo and mail screening security costs, including courier and express mail.

### **5.3.5 Funding of security activities - summary**

The following figure shows the body or stakeholder funding each security activity across the 18 States. The position on funding of security activities in Belgium, Iceland, Luxembourg and Norway is unknown because the security questionnaire responses did not include any information on this issue.

Whilst the airport or carrier carries out many of the activities, in most cases, these costs are passed on fully or in part to the end user (the passenger) through add-ons to the basic carrier ticket price. In the case of cargo and mail, the charges are generally included in the rates passed on to customers.

Figure 5-1: Funding of security activities for the 18 States

		Remuneration of security activities							
Category	Activity	Austria	Belgium	Denmark	Finland	France	Germany	Greece	
1. Airport Security	1.1. Access control	Airport ID cards issue	Airport	u/n	Airport	Airport	u/n	Airport	Carrier
		Check on applicants for obtaining ID cards	Airport	u/n	Airport	Airport	u/n	CAA +Airport	Carrier
		Vehicles access ID passes issuing	Airport	u/n	Airport	Airport	u/n	Airport	Carrier
		Vehicles inspection	Airport	u/n	Airport	Airport	u/n	Airport	Carrier
	1.2. Terminal areas	Terminal surveillance	Airport + Police	u/n	Airport	Airport	u/n	CAA +Airport	Airport
	1.3. Other public areas	Public car parks	Police	u/n	Airport	Airport	Airport	Airport	Airport
		Taxi and ground transport staging areas	Police	u/n	Police	Airport	Airport	Airport	Airport
		Public access roadways	Police	u/n	Police	Airport	Airport	Police	Airport
	1.4. Physical security and patrols	Terminal patrol	Police	u/n	Police	Airport	Police	CAA +Airport	Airport
		Airside patrol	Airport + Police	u/n	Police	Airport	Police	CAA +Airport	Airport
		Airport perimeter surveillance and patrol	Airport + Police	u/n	Police	Airport	Police	CAA +Airport	Airport
	2. Aircraft security	2.1. Searching and checking aircraft	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Carrier
2.2. Protection of aircraft		Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Carrier	
3. Pax & Baggage	3.1. Screening of passengers & hand baggage	MOI	u/n	Pax	Pax	Pax	Pax	Pax	
	3.2. Baggage screening	MOI	u/n	Carrier	Pax	Pax	Pax	Pax	
	3.3. Baggage reconciliation	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Carrier	
	3.4. Baggage protection	Carrier	u/n	Carrier	Carrier	Carrier	CAA +Airport	Airport	
4. Cargo & mail	4.1. Cargo screening	u/n	u/n	Carrier	Carrier	u/n	Carrier	Carrier	
	4.2. Courier and express mail screening	u/n	u/n	Carrier	Carrier	u/n	Carrier	Carrier	
	4.3. Cargo trans-shipment	u/n	u/n	Carrier	Carrier	u/n	Carrier	Carrier	
	4.4. Mail screening	u/n	u/n	Carrier	Carrier	u/n	Carrier	Carrier	
	4.5. Mail trans-shipment	u/n	u/n	Carrier	Carrier	u/n	Carrier	Carrier	

Key: u/n = unknown, no information was received from State, airport and/or carrier security representatives

MOI : Ministry of Interior

Source: State, airport and carrier security questionnaires

Figure 5-2: Funding of security activities for 18 States

			Remuneration of security activities								
Category	Activity		Italy	Luxembourg	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom
1. Airport Security	1.1. Access control	Airport ID cards issue	u/n	u/n	Pax (*)	u/n	Applicant	Airport	Airport	Airport	Carrier (**)
		Check on applicants for obtaining ID cards	u/n	u/n	Pax (*)	u/n	Police	Airport+Police	Airport+Police	Airport	Carrier (**)
		Vehicles access ID passes issuing	u/n	u/n	Pax (*)	u/n		Airport	Airport	Airport	Carrier (**)
		Vehicles inspection	u/n	u/n	Pax (*)	u/n		Airport	Airport	Airport	Carrier (**)
	1.2. Terminal areas	Terminal surveillance	u/n	u/n	Pax (*)	u/n	Police	Airport	Airport	Airport	Carrier (**)
	1.3. Other public areas	Public car parks	u/n	u/n	Pax (*)	u/n	Airport	Airport	Airport	Airport	Carrier (**)
		Taxi and ground transport staging areas	u/n	u/n	Airport	u/n	Police	Airport	Airport	Airport	Carrier (**)
		Public access roadways	u/n	u/n	Airport	u/n	Police	Airport	Police	Airport	Carrier (**)
	1.4. Physical security and patrols	Terminal patrol	u/n	u/n	Pax (*)	u/n	Airport	Airport	Airport	Airport	Carrier (**)
		Airside patrol	u/n	u/n	Pax (*)	u/n	Airport	Airport	Airport	Airport	Carrier (**)
	Airport perimeter surveillance and patrol	u/n	u/n	Pax (*)	u/n	Police	Airport	Airport	Airport	Carrier (**)	
2. Aircraft security	2.1. Searching and checking aircraft	Carrier	u/n	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Carrier	Carrier
	2.2. Protection of aircraft	Carrier	u/n	Carrier	u/n	Police	Carrier	Carrier	Carrier	Airport	Carrier
3. Pax & Baggage	3.1. Screening of passengers & hand baggage	Pax	u/n	Pax	u/n	Pax	Pax	Pax	Pax	Pax	Carrier+Pax
	3.2. Baggage screening	Pax	u/n	Pax	u/n	Pax	Pax	Pax	Pax	Pax	Carrier+Pax
	3.3. Baggage reconciliation	Pax	u/n	Carrier	u/n	Pax+Carrier	Carrier+Handler	Carrier	Carrier	Carrier	Carrier
	3.4. Baggage protection	Pax	u/n	Carrier	u/n	Pax+Carrier	Carrier+Handler	Carrier	Carrier	Airport	Carrier
4. Cargo & mail	4.1. Cargo screening	Carrier	u/n	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Airport	Carrier
	4.2. Courier and express mail screening	Carrier	u/n	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Airport	Carrier
	4.3. Cargo trans-shipment	Carrier	u/n	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Airport	Carrier
	4.4. Mail screening	Carrier	u/n	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Airport	Carrier
	4.5. Mail trans-shipment	Carrier	u/n	Carrier	u/n	Carrier	Carrier	Carrier	Carrier	Airport	Carrier

Key: u/n = unknown, no information was received from the State, airport and/or carrier security representatives (\*) Security activities remunerated through Passenger Security Charge at Schiphol Airport (\*\*) Carriers bear the cost of security measure through aeronautical charges - traffic charges at BAA's 3 London airports (i.e. Heathrow, Gatwick and Stansted) plus Manchester are subject to economic regulation under a single till approach.

Source: State, airport and carrier security questionnaires

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## 5.4 Aviation security funding mechanisms

The study has examined the different taxes, charges and surcharges currently levied on air transport users (i.e. airports, carriers, passengers, freight carriers) on a State by State basis.

The information outlined is a result of data provided by aviation security representatives from government agencies, airport organisations and carriers from the 18 States.

There are 4 main mechanisms currently being used to fund aviation security activities within Europe:

1. Aviation security taxes.
2. Airport security charges.
3. Carrier security surcharges or fees (including both passengers and freight).
4. State grants and subsidies.

In order to avoid misunderstandings regarding the definition of taxes, charges, surcharges and levies, the following definitions were provided within the questionnaires sent to the stakeholders.

**Figure 5-3: Definition of security taxes, charges, surcharges, State grants and subsidies**

<b>Aviation security taxes</b>	All those taxes imposed or levied by the State/Local Government on air transport users (i.e. airports, carriers, passengers or staff) and paid to the State/Local Government. In many instances these taxes may be collected by the airport operator or carrier on behalf of the State/Local Government.
<b>Airport security charges</b>	All charges imposed by the airport operator on other air transport users (i.e. passengers or carriers). In some cases they may be included as part of the overall aeronautical/airport charges.
<b>Carrier security surcharges</b>	All surcharges and/or levies imposed by the carriers on passengers aimed at recovering the additional expenditure on insurance premiums and/or security costs incurred since 11 September 2001.
<b>State grants &amp; subsidies</b>	All monies paid by the State/Local Government towards funding, totally or partially, any activities concerning civil aviation security measures.

### 5.4.1 Aviation security taxes

This section outlines the aviation security taxes being imposed by national or regional authorities across the 18 States. It also provides an indication of which stakeholders (i.e. airports, carriers, passengers, others) are paying the security taxes and the respective levels of taxation being levied.

#### 5.4.1.1 Application and levels

In some instances the State directly funds some specific security measures. For example, the police may be used for the guarding of aircraft on high-risk flights.

Eight of the 18 States currently impose security related taxes (Austria, Belgium, France, Germany, Greece, Iceland, Italy and Portugal). Although Spain does not impose a tax, the State receives 50% of the security charges revenue generated by the airports. In terms of airport passengers, these 9 (8 plus Spain) States account for almost 58% of European passenger throughput. These taxes are generally imposed on and paid for by passengers (normally added on to the air fare within the overall air ticket price) and collected by the carrier on behalf of the State. As such these are taxes on the passenger as the end user, not the carrier, which is the main collector of the taxes on behalf of the State.

The figure below shows those States currently imposing aviation security taxes, the stakeholders paying the taxes and when the taxes were first introduced.

**Figure 5-4: National security taxes applicability in 2003**

State			Airport	Airlines	Passengers	Others	Applicable since
	No	Yes					
Austria		✓			✓		01 Jul 1996
Belgium		✓			✓		Dec 2001
Denmark	✓						n/a
Finland	✓				✓		n/a
France (1)		✓			✓		01 Jan 1999
Germany		✓			✓	✓	01 Jul 1990
Greece (1)		✓			✓		01 Apr 2001
Iceland		✓			✓		01 Mar 1994
Ireland	✓						n/a
Italy		✓			✓	✓	20 Mar 2000
Luxembourg	✓						n/a
Netherlands	✓						Changed 01 April 2003
Norway	✓						n/a
Portugal		✓			✓		08 Mar 1991
Spain (2)	✓						n/a
Sweden	✓				✓		n/a
Switzerland	✓						n/a
United Kingdom	✓						n/a

Notes: (1) France and Greece levy other taxes that help to fund aviation security measures; (2) Spanish government does not levy a security tax however it receives 50% of the security charges revenue generated by Aena.

Source: Security questionnaires

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States have been imposing security taxes for some time, some of which date back to the early to mid 1990s (e.g. Germany and Portugal). In Belgium, security taxes were introduced more recently, probably as a direct result of increasing aviation security activities after 11 September 2001.

The Netherlands levied a security related tax until 1 April 2003, when passenger and baggage screening duties were effectively transferred from the Ministry of Justice (Port Police) to the airport companies. Since then, the airports have introduced their own security charges to fund the provision of these activities. Effectively the Dutch authorities do not levy a tax at this time.

Although France and Greece do not levy security related taxes specifically, they impose other more comprehensive aviation related taxes (i.e. Civil Aviation Tax and Airport Development Tax respectively) that help to fund, either fully or in part, their aviation security measures. For the purposes of this study, these are treated as a passenger tax.

In addition to the passenger security tax, 3 States currently impose additional security taxes:

- France is the only State currently levying a tax on airfreight (cargo and mail).
- Germany and Italy levy a separate tax on staff requiring access to restricted areas at airports. This is aimed at recovering the cost of background checks undertaken by State security authorities.

From the questionnaire responses it would appear that no specific security tax is currently levied on airports.

#### **5.4.1.2 Passenger security taxes**

The level of passenger security taxes varies significantly across the States, from €0.15 per departing passenger in Belgium, to €10.00 per departing passenger at Saarbrücken airport in Germany.

The figure below summarises the current level of national security taxes, their applicability and the basis for charging.

Figure 5-5: Level of national security taxes in 2003

State	Tax (Euros)		Unit basis	Varies	Driver	Exemptions	Exemptions
Austria	€ 4.36	<i>all airports</i>	dep pax	No		No	
Belgium	€ 0.15	<i>all airports</i>	dep pax	No		No	
France (1)	€ 0.86	<i>Intra EU</i>	dep pax	Yes	O&D	Yes	Infants, transit, crew
	€ 1.47	<i>Non-EU</i>	dep pax				
Germany	€ 6.61	<i>average all airports</i>	dep pax	Yes	departing airport	Yes	Infants, transit, crew
	€ 7.61	<i>Frankfurt</i>	dep pax				
	€ 6.35	<i>Munich</i>	dep pax				
	€ 3.91	<i>lowest (Hamburg)</i>	dep pax				
	€ 10.00	<i>highest (Saarbrücken)</i>	dep pax				
Iceland	€ 3.46	<i>adult (&gt;12 years)</i>	dep pax	Yes	international traffic only	Yes	Infants, crew
	€ 1.73	<i>children (&gt;12 years)</i>	dep pax				
Italy	€ 1.80	<i>pax + hand baggage</i>	dep pax	No		Yes	Infants, transit, crew
	€ 2.00	<i>hold baggage (Rome)</i>	dep pax	Yes	departing airport		
	€ 2.07	<i>hold baggage (Malpensa)</i>	dep pax				
	€ 1.75	<i>hold baggage (Turin)</i>	dep pax				
Netherlands	€ 5.35	<i>all airports</i>	dep pax	No		Yes	Infants, transit, crew
Portugal	€ 2.39	<i>Schengen</i>	dep pax	Yes	O&D	Yes	Infants, transit, crew
	€ 3.06	<i>Intra EU</i>	dep pax				
	€ 4.07	<i>Int'l non-EU</i>	dep pax				
<b>Average</b>	<b>€ 3.08</b>						

Key: (1) Only a proportion of French Civil Aviation Tax (CAT) goes to fund security.

Note: Spanish government receives 50% of the airport security charge.

Taxes are set in local currency in Iceland.

Source: Security questionnaires.

Taxes are usually charged on a per departing passenger basis. From the information received, Germany would appear to levy the highest security taxes across the EU States.

In France, a proportion (22%) of the Civil Aviation Tax (CAT) is directed towards funding of security related measures.<sup>2</sup>

The Dutch security tax, levied until 1 April 2003 by the Ministry of Justice, was also one of the highest in Europe.

Taxation levels can vary according to different criteria, including:

- Origin & Destination (O&D) of the passenger: destination e.g. in Portugal (Schengen, international EU and international non-EU).
- Departing airport: Germany and Italy.
- Passenger age: different taxes can apply for adults and children.

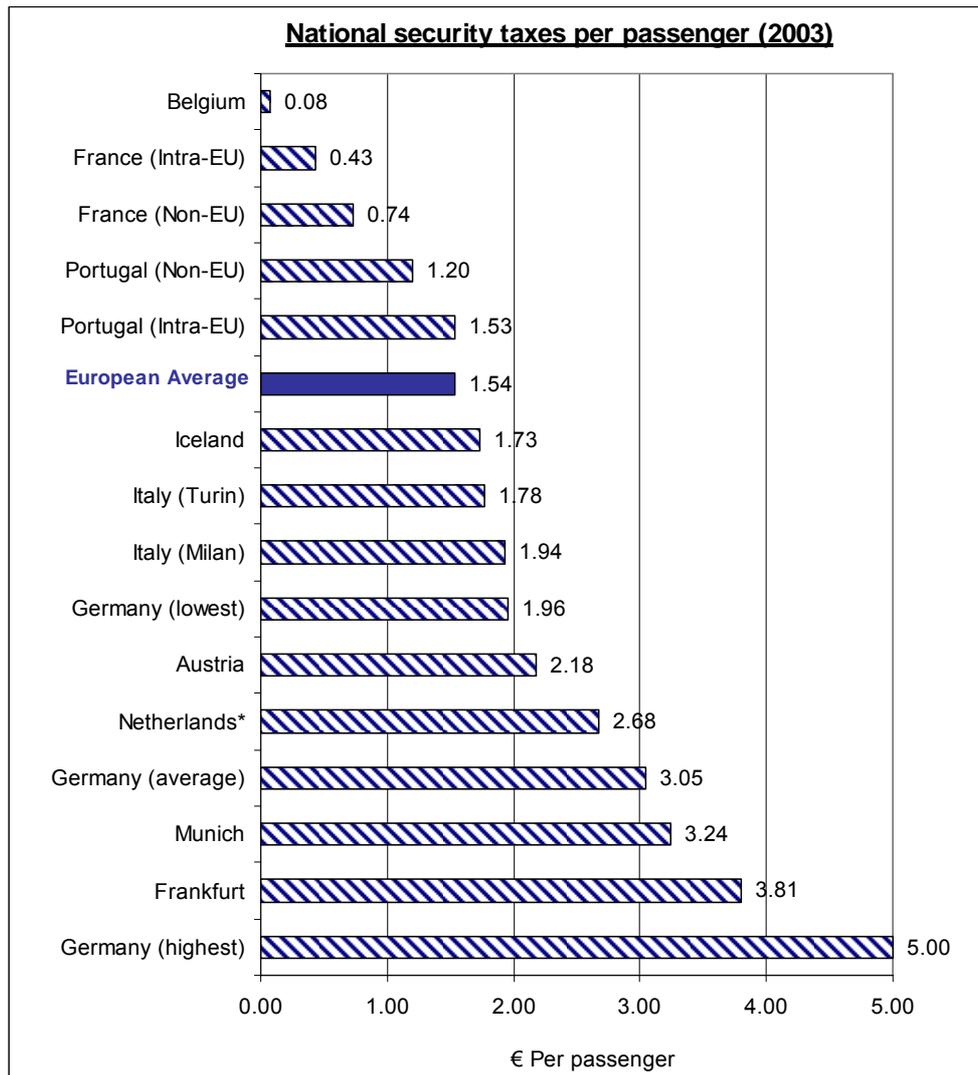
Infants (children under 2 years old), transiting passengers and crew on duty are usually exempt from paying security taxes. In some Scandinavian States, transferring passengers are also exempt, e.g. in Finland passengers transferring from domestic to international flights as well as

<sup>2</sup> French DGAC confirmed that €62m from CAT was used to fund security related activities in 2002 from an estimated CAT tax income of €281.2 in 2002 (around 22%).

those transferring between international flights are exempt. A similar situation arises in Sweden where international transfer passengers (i.e. international to international flights) are exempt from paying the security tax.

While security tax levels may vary due to the reasons outlined (departing airport, origin and destination, passenger age, etc), the following figure compares the various levels of taxes in the relevant States in 2003.

Figure 5-6: Comparison of national security taxes per passenger (2003)<sup>3</sup>



Source: Security questionnaires.

Key: (\*) Taxes were levied in the Netherlands up to 1<sup>st</sup> April 2003 when responsibility for security activities were taken over by the airports.

<sup>3</sup> Note that charges are usually levied on a per departing passenger basis which effectively is double the per passenger tax level.

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The European average tax for those States levying a security related tax in 2003 is €1.54 per passenger (€3.08 per departing passenger).

A brief description of the main features of the taxes levied in each State is outlined below.

- **Austria**

At all Austrian airports, security tax is fixed at €4.36 per departing passenger. Part of the tax is shared between the Ministry of Transport (BWWIT) and the airports depending on the number of security activities undertaken by the airports themselves. It was reported that discussions relating to raising the security tax in the near future are underway. The current level of tax in Austria has remained unchanged since 1996.

- **Belgium**

The Belgian CAA introduced a security tax in December 2001. This tax is the lowest of all the States at €0.15 per departing passenger.

- **France**

The French CAA (DGAC) introduced a Civil Aviation Tax (CAT) on passengers in January 1999. The CAT currently ranges from €3.92 to €6.66 per departing passenger for EU and non-EU destinations respectively. Approximately 22% of this tax goes to fund security related activities in France<sup>4</sup>. An estimated €0.86 to €1.47 would therefore apply to security at the airports for EU and non-EU passengers respectively.

France is the only State that advised it currently imposes a security related tax on airfreight. Although this is not labelled as a security tax, it is part of the wider CAT. This tax is levied on both air cargo and airmail on a per tonne basis. The tax was €1.02 per in 2002 per tonne of cargo or mail.

- **Germany**

Germany was the first State in Europe to introduce a security tax (from 1<sup>st</sup> July 1990). The tax is collected by the Federal Border Guard at several airports including: Berlin-Schönefeld, Berlin-Tegel, Bremen, Dresden, Düsseldorf, Erfurt, Frankfurt/Main, Hamburg, Hannover, Cologne/Bonn, Leipzig/Halle, Saarbrücken and Stuttgart. At other airports, the tax is collected by the relevant regional authority.

The security tax is levied on departing passengers and is collected by carriers on behalf of the relevant authority. The tax is aimed at partially funding security activities undertaken at each airport. It is based on the security costs reimbursable to the relevant authority. The security tax covers the costs of the following activities:

- a) Passenger and hand baggage screening including armed protection at checkpoints.
- b) Any measures additional to those outlined in the basic security plan (i.e. NASP).
- c) Armed custody of high risk flights or jeopardised aircraft.

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<sup>4</sup> Based on DGAC security expenditure of €62m for 2002 which equates to around 22% of CAT.

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The tax is calculated on the basis of passenger volume and also depends on whether the security checks (i.e. screening of passengers and baggage) are undertaken at a central location or at each departure gate. Taxes are determined by the relevant authorities and approved by the Ministry of Transport (BMVBW). Tax adjustments are made on an annual basis.

German carriers have mounted a legal challenge claiming that measures outlined under (b) and (c) above are of a national security nature and should therefore be recovered from public funding (general taxation). The Federal Administration Court of Germany recently ruled that the aviation security taxes were raised without effective legal basis in 2002 and therefore these must be refunded to air carriers<sup>5</sup>.

During 2003 security taxes ranged from €3.58 (Zweibrücken) to €10.00 (Saarbrücken) per departing passenger, with a simple average tax of €6.61 per departing passenger across all German airports. Revised tariffs were introduced on 1 November 2003 with an average increase of 1.6%.

- **Greece**

Even though there is no specific tax to fund civil aviation security, the Greek government has levied an Airport Development Tax (ADT) on passengers since April 2001. The Greek CAA confirms that a proportion of this revenue is allocated to individual airports to fund expenditure related to security activities. An estimation of total tax income or proportion of ADT that goes to fund security related activities was requested, but the Hellenic CAA has not been able to provide any data.

The ADT is levied on departing passengers and varies depending on whether the passenger is travelling inside or outside of the EU. The ADT is set at €12.00 and €22.00 for departing passenger to EU and non-EU destinations respectively. Passengers travelling on certain routes, particularly those airports located on remote and/or small islands, are exempt from paying ADT.<sup>6</sup>

- **Iceland**

The Icelandic CAA has levied a security tax on international passengers departing from Keflavik airport since 1994. The tax was set at ISK 300 (€3.46) up to 2003 and is reduced by 50% for children (2 to 12 years old). The tax has been extended to all airports from 1 September 2003.

The security tax was raised to IKR 630 (€7.15) per passenger effective 2 July 2004 which represents an increase of over 106%. This tax is now collected by the Civil Aviation Administration directly instead of the handling agent.<sup>7</sup>

- **Italy**

Security tax is divided into two separate levies:

- Passenger and hand baggage screening tax.
- Hold baggage screening tax.

<sup>5</sup> As notified by Germany's Ministry of Interior (BMI).

<sup>6</sup> In accordance with Public Service Obligation (PSO) imposed by Greek Government in accordance with the European Union Regulation (EC) No. 2408/92, whereby tickets issued on certain domestic sectors are exempt from ADT.

<sup>7</sup> Sourced from Keflavik International Airport's charges regulation.

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The passenger screening tax was gradually introduced across all Italian airports between March and September 2000. It is fixed at €1.81 per departing passenger nationwide. The level of the tax has not changed since inception.

The hold baggage screening levy was introduced by the Italian CAA (ENAC) on 26 June 2003 and varies between airports. For example, it ranges from €1.10 to €2.07 per departing passenger at Verona and Malpensa airports respectively. Both levies are reduced by 50% for children (2 to 12 years old).

- **Netherlands**

Passenger and baggage screening activities were carried out by the Royal Port Police up to 1 April 2003 when these responsibilities were transferred to the airports. Until then the Ministry of Justice, responsible for aviation security in the Netherlands, had applied a security tax on passengers.

Before it was discontinued (i.e. 31 March 2003), the security tax was €5.35 per originating departing passenger at all airports. It had risen from €2.80 per originating departing passenger effective from 1<sup>st</sup> April 2001.

These taxes were subsequently replaced by airport charges to cover the additional cost of security provided by the airports. Airport security related charges are discussed later in this section.

- **Portugal**

A security tax was first introduced in Portugal in March 1991. The tax varies depending on the destination of the passenger either inside or outside of the EU and is paid by departing passengers as part of their air ticket cost. The current tax levels are set out below:

**Figure 5-7: Portuguese security tax levels**

	EU		Non-EU
	Schengen*	Non-Schengen	Other international
Security tax per departing pax	€ 2.39	€ 3.06	€ 4.07

Note: (\*) Includes domestic passengers  
Source: INAC

In Portugal, proceeds from the security tax are shared between different stakeholders as shown in the following figure.

**Figure 5-8: Portuguese security tax distribution**

Stakeholder	Organisations involved	Percentage of security tax received
Airports	ANA (Aeroportos de Portugal)	12.5%
CAA	INAC	27.5%
Ministry of Interior	Police, Border Control	60.0%

Source: ANA

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- **Spain**

Although the Spanish government does not levy a security tax, it does receive 50% of the revenue generated by the airports from security charges. The airport security charge is shared in equal proportion between the Ministry of Interior (responsible for the Civil Guard and National Police forces) and the Spanish airports authority (Aena). Therefore it has been included in both the taxes and charges section.

**Figure 5-9: Spanish security charges per departing passenger**

Origin	Mainland		Balearics		Canary Islands		Melilla	
	Schedule	Charter	Schedule	Charter	Schedule	Charter	Schedule	Charter
Mainland	1.13	1.13	0.96	1.13	0.96	1.13	0.96	1.13
Balearics	1.13	1.13	0.17	0.57	0.96	1.13	0.96	1.13
Canary Islands	1.13	1.13	0.96	1.13	0.17	0.57	0.96	1.13
Melilla	1.13	1.13	0.96	1.13	0.96	1.13		
International	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13

Source: DGAC

#### 5.4.1.3 Passenger security taxes post 11 September 2001

Whilst security taxes were already being levied in 8 States before the terrorist attacks on 11 September 2001, the level of such taxes has increased as a direct result of increasing security measures since that time.

New security taxes were introduced in Belgium as a direct result of the additional security measures introduced after the attacks of 11 September 2001.

However, the level of the tax has recorded sharp increases between 2001 and 2003. For comparative analysis, the value of taxes in force at the end of 2001 was taken from the Airport Charges Manual compiled by IATA<sup>8</sup>, and taxes in 2003 have been derived from security questionnaire responses.

<sup>8</sup> IATA. Airport Charges Manual. Issued April 2002

Figure 5-10: Security taxes comparison per departing passenger (2003 vs. 2001)

State	Applicable to	Current level	Previous level	Annual Variation
		2003	2001	AAGR 2001-2003
		€ per dep pax	€ per dep pax	
Austria	<i>all airports</i>	€ 4.36	€ 4.36	0.0%
Belgium	<i>all airports</i>	€ 0.15	n/a	n/a
France	<i>Intra EU</i>	€ 0.86	€ 0.77	5.7%
	<i>Non-EU</i>	€ 1.47	€ 1.31	5.8%
Germany	<i>Frankfurt</i>	€ 7.61	€ 5.71	15.4%
	<i>Munich</i>	€ 6.35	€ 4.90	13.8%
	<i>Hamburg</i>	€ 3.91	€ 3.57	4.7%
	<i>Dusseldorf</i>	€ 5.17	€ 4.35	9.0%
Iceland	<i>Int'l adult passengers</i>	€ 3.46	€ 1.03	83.3%
Italy	<i>pax + hand baggage</i>	€ 1.80	€ 1.80	0.0%
	<i>hold baggage (Rome)</i>	€ 2.00	n/a	n/a
	<i>hold baggage (Malpensa)</i>	€ 2.07	n/a	n/a
Netherlands	<i>all airports</i>	€ 5.35	€ 2.80	38.2%
Portugal	<i>Schengen</i>	€ 2.39	€ 1.25	38.3%
	<i>Intra EU</i>	€ 3.06	€ 2.74	5.7%
	<i>Int'l non-EU</i>	€ 4.07	€ 3.74	4.3%

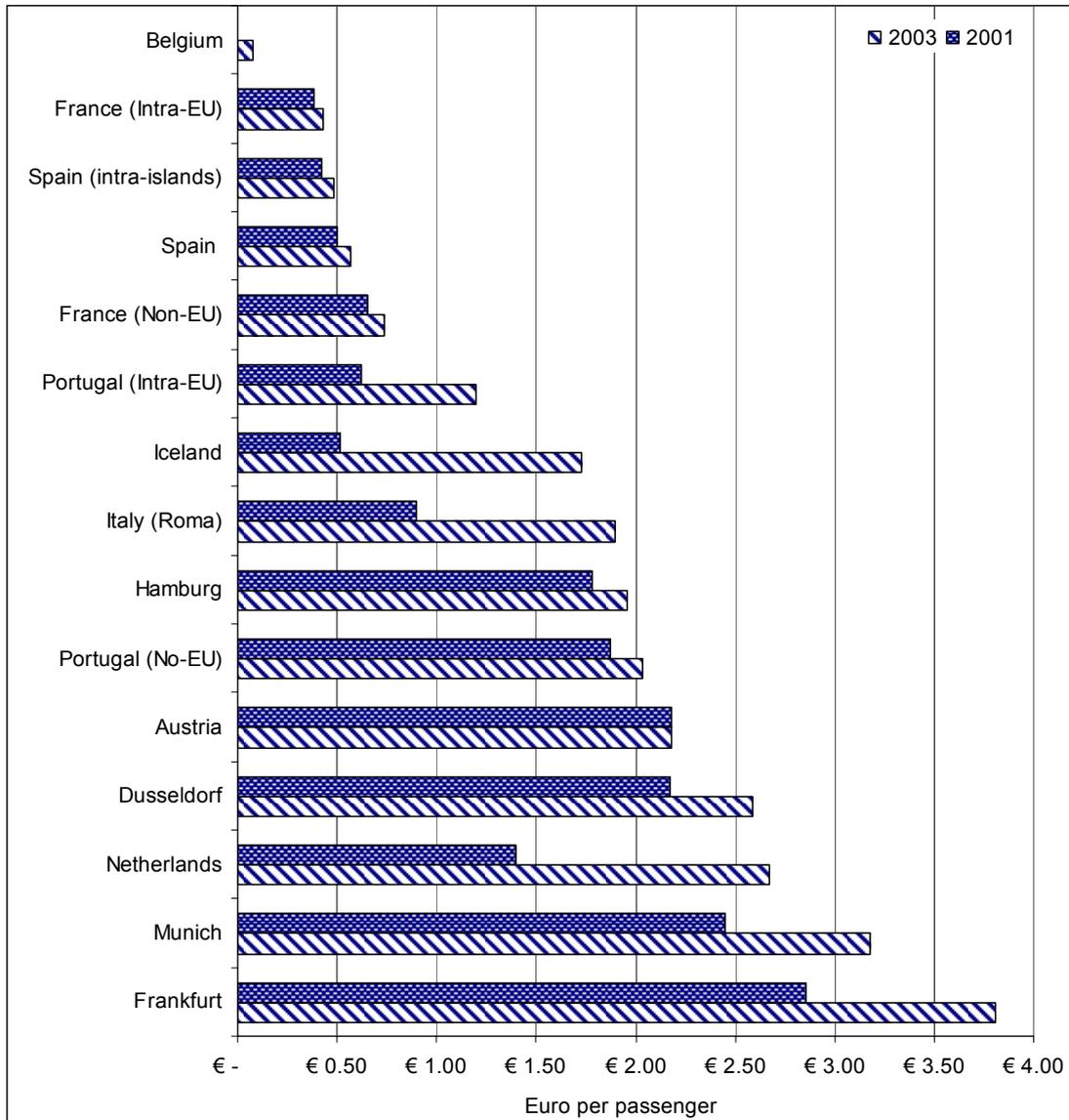
Key: AAGR = average annual growth rate

Source: Security questionnaires and IATA Charges Manual (April 2002)

Security taxes have significantly increased in Italy (a new hold baggage screening tax was introduced in 2003) and Iceland. In these two States, taxes have more than doubled between 2001 and 2003. Elsewhere, including France, Germany, Netherlands and Portugal, taxes have increased between 6% and 38% per annum.

The only State where the security tax has remained unchanged since its inception in 1996 is Austria. Stakeholders have confirmed that talks to increase the tax level are ongoing.

Figure 5-11: Security taxes comparison per departing passenger (2003 vs. 2001)



Source: Security questionnaires and IATA Airport Charges Manual (April 2002).

Key: (\*) Taxes were levied in the Netherlands up to 1<sup>st</sup> April 2003 when responsibility for security activities was taken over by the airports.

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#### 5.4.1.4 Airfreight security taxes

France is the only State that advised it currently imposes a security related tax on airfreight. Although this is not labelled as a security tax, it is part of a wider Civil Aviation Tax (CAT) levied by the French CAA (DGAC). Part of the CAT proceeds is dedicated to funding aviation related security activities across French airports, approximately 22% in 2002.

This tax is levied on both air cargo and airmail on a per tonne basis. The following figure shows the level of the tax over the last two years.

**Figure 5-12: French Civil Aviation Tax (CAT)**

Civil Aviation Tax	Tax rates		Unit basis
	2002	2001	
Freight and mail	€ 1.02	€ 0.91	per tone of air cargo and mail
Proportion allocated to security*	€ 0.22	€ 0.20	

Key: (\*) approximately 22% of CAT funds were allocated to security by DGAC in 2002

Source: DGAC

#### 5.4.1.5 Other aviation security taxes

Germany and Italy are the only States to impose further security taxes in addition to passenger related taxes. The security levy is related to the background security checks on staff based at, or with access to, restricted areas at airports.

The level of the tax in Germany is set by the Federal Border Guard and is based on actual expenditure levels by the relevant authorities undertaking background checks on staff working at airports. Background checks are conducted on an annual basis with personnel taxed accordingly.

The current tax stands at €50 per applicant (person) and impacts some 250,000 people per annum. The total funding generated by this tax across Germany is estimated to be around €12.5m nationwide.

The level of staff security tax applicable at Italian airports is not known.<sup>9</sup>

#### 5.4.1.6 State security related taxation income

This section estimates the total income generated by each State as a result of levying security related taxes on various stakeholders (i.e. passengers, airfreight and staff). It also compares the estimated level of income generated during the last two years (i.e. 2001 and 2002).

The income estimation is based on airports with traffic throughput in 2002 above 5,000 passengers across the 18 States. A total of 402 airports were taken into consideration.

The level of the taxes during 2001 and 2002 were taken from the security questionnaire responses and from the IATA Airport Charges Manual (Issue April 2002).

The following figure summarises the number of airports and their respective throughput (in passengers and traffic units) for each of the States in 2001 and 2002.

<sup>9</sup> ENAC's tariff rules outline a security tax applicable to staff for background checks.

Figure 5-13: European airports and traffic throughputs (2001 and 2002)

States	Number of Airports	Traffic 2002		Traffic 2001	
		Passengers	Traffic Units	Passengers	Traffic Units
		<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Austria	6	16	17	15	17
Belgium	5	16	25	21	31
Denmark	15	21	25	21	25
Finland	27	13	14	14	15
France	62	121	139	121	137
Germany	32	94	167	93	168
Greece	1	12	13	10	10
Iceland	9	2	2	2	2
Ireland	9	20	20	19	22
Italy	31	88	98	86	106
Luxembourg	1	2	7	2	7
Netherlands	5	42	55	41	54
Norway	50	31	32	32	33
Portugal	14	20	22	21	23
Spain	39	143	149	144	151
Sweden	40	30	32	32	35
Switzerland	5	29	33	32	37
United Kingdom	51	191	215	183	205
<b>Total</b>	<b>402</b>	<b>889</b>	<b>1,066</b>	<b>891</b>	<b>1,076</b>

Note: Traffic unit or workload unit (WLU) equals 1 passenger or 100 kilos of airfreight (traffic units for Germany not adjusted for transferring traffic).

Source: ACI.

Traffic at airports in the States included in the study reached 889m passengers in 2002. This was 2m fewer than the previous year, a reduction of 0.2%. The reduction in passenger traffic is mainly attributable to 3 key factors:

- 11 September 2001 aftermath.
- Economic downturn experienced by several States.
- The collapse of carriers including Swissair and Sabena.

In terms of traffic units (the combination of passengers and airfreight), the overall decrease was 0.9%. Airfreight increases helped to partially offset the impact of declining passenger numbers.

#### 5.4.1.7 Passenger security taxation income

Nine States generated an estimated income of €585m during 2002 from security related taxes on passengers. Spain is also included as the Spanish government receives 50% of the revenue generated by the airport security charges, equating to €39m in 2002. This is treated as a tax income for this analysis. These States accounted for 57% of passenger traffic throughput in 2002.

The following figure summarises the total estimated security income generated by these States during 2002, the average tax per passenger for each State and a European weighted average tax per passenger for those States levying taxes.

Figure 5-14: State passenger taxation income estimates (2002)

STATE INCOME	2002		
	State income (taxation) € m	State traffic (all airports) m pax	Average tax per passenger € per pax
Combined States			
Austria (1)	34.1	16	2.18
Belgium	1.2	16	0.08
France	62.0	121	0.51
Germany (2)	287.1	94	3.07
Iceland	1.4	1.9	0.72
Italy	82.3	88	0.94
Netherlands	53.9	42	1.28
Portugal (1)	24.7	20	1.21
Spain (3)	38.5	143	0.27
<b>Total</b>	<b>585.2</b>	<b>541</b>	<b>1.08</b>

Notes: (1) Taxation income shared with airports. Only net income shown; (2) Passenger numbers exclude transfers (total passengers including transfers = 139M); Gross taxation income which includes the €85m refundable to carriers as ordered by Federal Administration Court; (3) Reflects net income received from airport security charges.

Estimation: IAA/Aviasolutions.

Greece is excluded from the calculation as only a proportion of Airport Development Tax (ADT) goes to fund some security related activities at regional airports operated by the CAA. The proportion of ADT allocated to fund security activities at these airports is unknown.

Whilst the Netherlands is included for 2002, the State ceased levying a tax from 1 April 2003 when the main security responsibilities were transferred to the airports.

In 2002, the weighted average charge for States levying a security tax was €1.08 per passenger or €2.16 per departing passenger.

There is a skewed distribution for aviation tax income across the States. Four States (Germany, Netherlands, Italy and France) generated around 83% of the total funds raised through security related taxes. These same States account for 64% of traffic in those States applying security related passenger taxes.

Germany, with an estimated security tax income of €287m, was the largest tax income generator accounting for 49% of all security tax income from 17% of passenger traffic throughput of those States levying security related taxes.

It is followed by Italy, France and the Netherlands which generated an estimated €82m, €62m and €54m in security taxation income respectively. Combined they account for some 33% and 46% of total tax income and traffic respectively for those States levying taxes. However, the Netherlands stopped levying a security tax from 1 April 2003.

The remaining 5 States together generate an estimated security tax income of circa €99m representing 17% of total tax income from 36% of traffic for those States levying taxes.

Recent increases in tax levels have led to additional security tax income being generated despite falling traffic levels. Total security tax income grew from an estimated €482m to €585m between

2001 and 2002, an increase of 21%. Traffic fell by 0.6% during the same period for those States applying taxes.

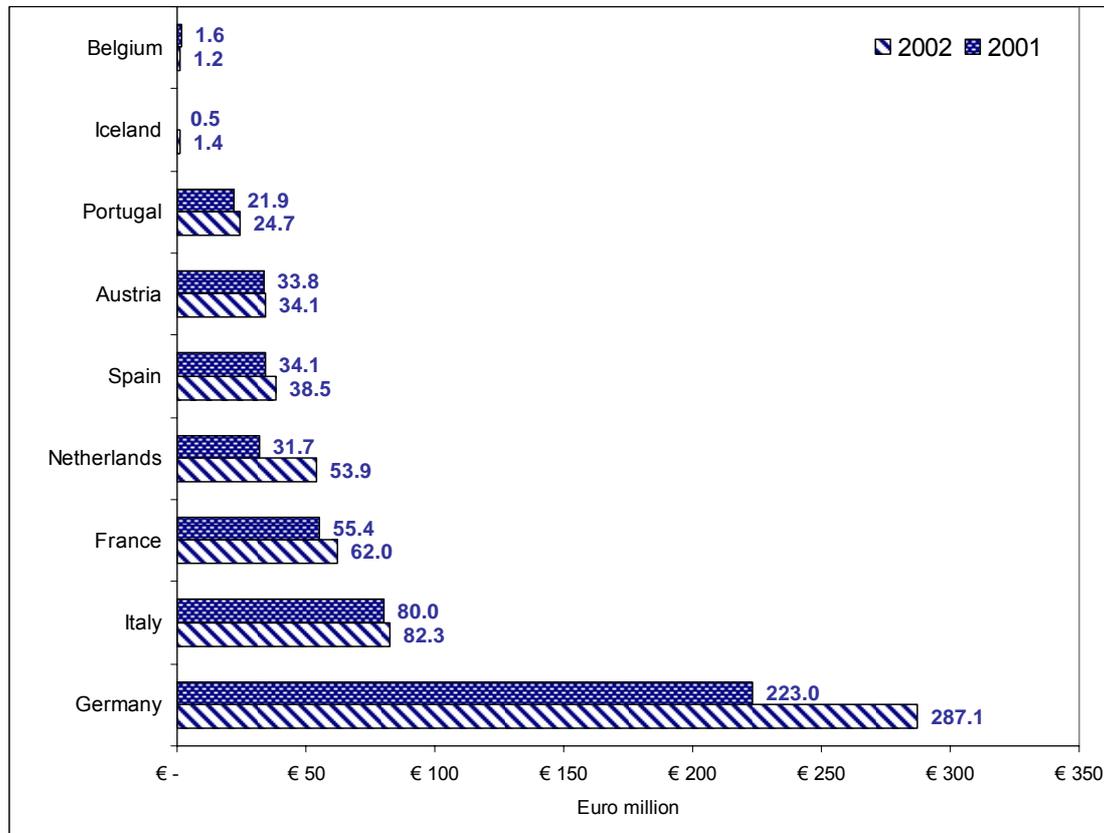
The following figure shows the estimation of security income earned during 2001 and 2002 for each State.

**Figure 5-15: Estimated State security passenger tax income estimates (2001 to 2002)**

STATE INCOME	2002			2001		
	State income (taxation) € m	State traffic (all airports) m pax	Average tax per passenger € per pax	State income (taxation) € m	State traffic (all airports) m pax	Average tax per passenger € per pax
Austria	34.1	16	2.18	33.8	15	2.18
Belgium	1.2	16	0.08	1.6	21	0.08
France	62.0	121	0.51	55.4	121	0.46
Germany	287.1	94	3.07	223.0	93	2.41
Iceland	1.4	1.9	0.72	0.5	2.1	0.22
Italy	82.3	88	0.94	80.0	86	0.93
Netherlands	53.9	42	1.28	31.7	40	0.79
Portugal	24.7	20	1.21	21.9	21	1.02
Spain	38.5	143	0.27	34.1	144	0.24
<b>Total</b>	<b>585.2</b>	<b>541</b>	<b>1.08</b>	<b>482.1</b>	<b>544</b>	<b>0.75</b>

Estimation: IAA/Aviasolutions

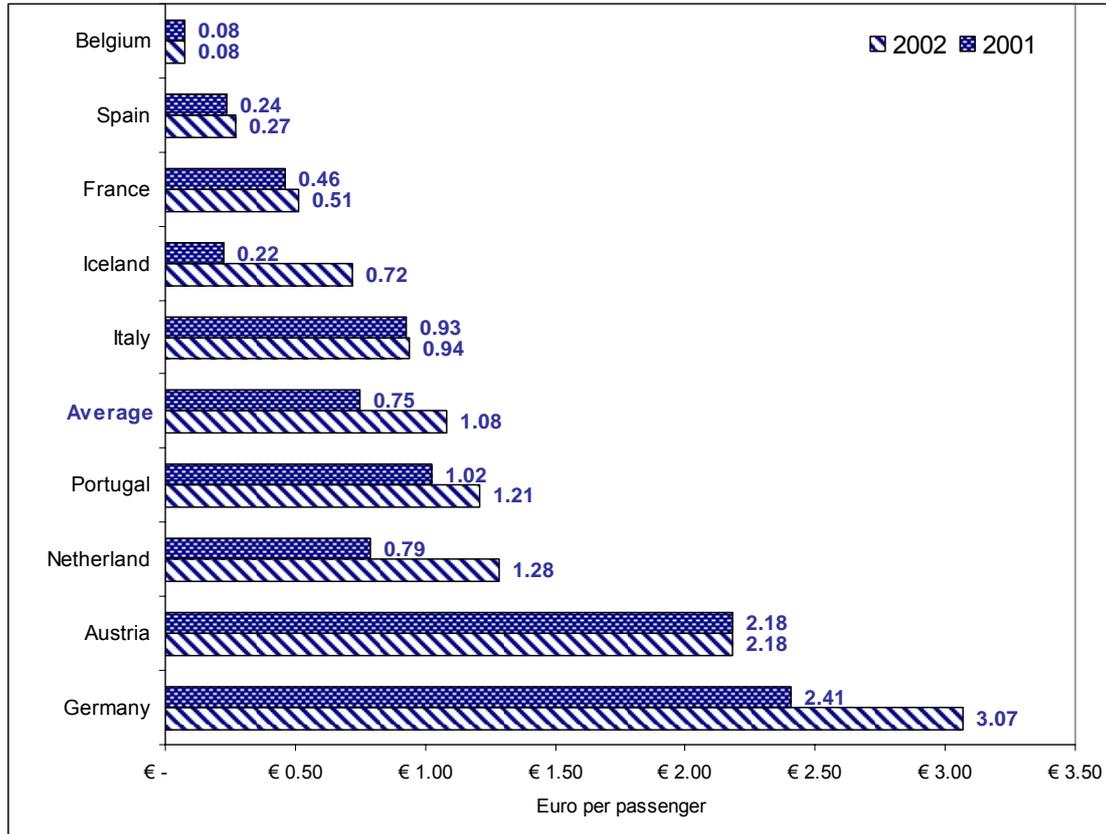
**Figure 5-16: Estimated security tax income comparison (2002 vs. 2001)**



Estimation: IAA/Aviasolutions

Overall, national and regional authorities generated a weighted average security tax of €1.08 per passenger during 2002, an increase of 44% over the weighted average of €0.75 in 2001.

**Figure 5-17: Estimated average security tax per passenger (2002 vs. 2001)**



Note: the average security related taxes per passenger are half of the taxes levied on a per departing passenger basis.

Estimation: IAA/Aviasolutions.

Germany had the largest weighted average security tax in 2002, an estimated €3.07 per passenger. It was followed by Austria and the Netherlands at €2.18 and €1.28 per passenger respectively. From April 2003, the Netherlands did not impose a State security tax.

For the remaining States, the average security levy varied between Portugal at €1.21 and Belgium at €0.08.

#### 5.4.1.8 Airfreight security taxation related income

Although France does not levy a security related tax as such, it levies a Civil Aviation Tax (CAT) which helps fund some security related activities at French airports. The CAT is also levied on airfreight and mail. The same proportion (i.e. 22%) as allocated to passenger tax was assumed for airfreight and mail.

**Figure 5-18: France estimated freight security tax income (2002)**

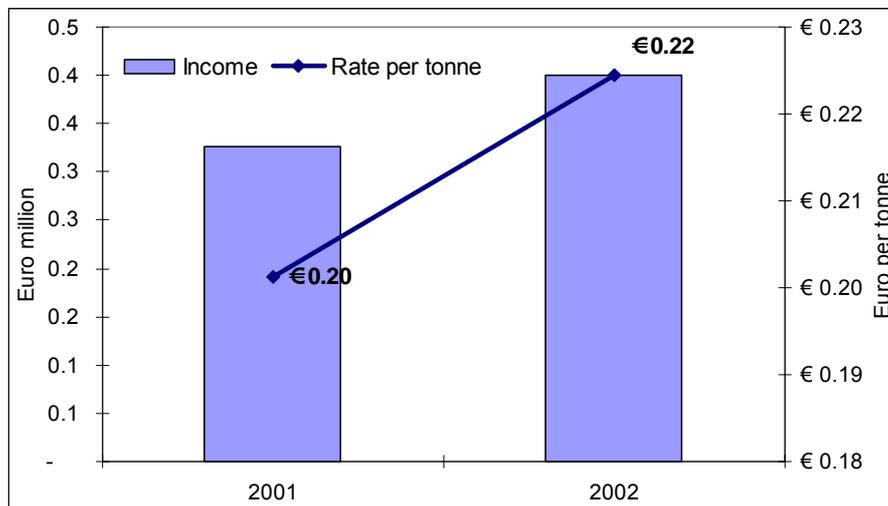
AIR FREIGHT INCOME		2002	
France	Air Freight <i>tonnes (000s)</i>	Income <i>Euro million</i>	Weighted Average tax <i>Euro per tonne</i>
Civil Aviation Tax	1,781	€ 1.8	€ 1.02
<b>Proportion for security</b>	<b>1,781</b>	<b>€0.4</b>	<b>€0.22</b>

Estimation: IAA/Aviasolutions

In 2002, it is estimated that France generated €1.8m on CAT tax income from freight and mail. It is assumed that €0.4m (22%) was allocated to fund security related measures.

During the period 2001 to 2002, France's CAT freight income increased from €1.5m to €1.8m, a rise of almost 20%. This was a result of increases in freight volumes (growth of 10%) as well as increases in the CAT rate (12%). The average security related proportion of the CAT was €0.20 per tonne in 2001 increasing to €0.22 a year later.

**Figure 5-19: France estimated freight security tax income and average rate per tonne (2002 vs. 2001)**



Estimation: IAA/Aviasolutions

#### 5.4.1.9 Other income

The background check tax levied by the German Federal Border Guard generates an estimated €12.5m in State income each year (i.e. 250,000 aviation staff affected x €50 per person).

#### 5.4.1.10 Aviation security taxes - Summary

Nine European States (including Spain) generated an estimated total of €598m in security related revenue during 2002.

Passenger security taxes are the most important income source for States generating almost 98% of total taxation income as illustrated in the figure below. The other sources (taxes on airfreight and on staff for background checks) account for around 2% of the total.

**Figure 5-20: Total security related taxation income 2002**

States	Taxation Income Sources			Total 2002		
	Passenger € m	Air Freight € m	Others € m	Income € m	State traffic (all airports) m pax	Average tax € per pax
Austria	€ 34.1			€ 34.1	16	€ 2.18
Belgium	€ 1.2			€ 1.2	16	€ 0.08
France	€ 62.0	€ 0.4		€ 62.4	121	€ 0.52
Germany	€ 287.1		€ 12.5	€ 299.6	94	€ 3.20
Iceland	€ 1.4			€ 1.4	2	€ 0.72
Italy	€ 82.3			€ 82.3	88	€ 0.94
Netherlands	€ 53.9			€ 53.9	42	€ 1.28
Portugal	€ 24.7			€ 24.7	20	€ 1.21
Spain	€ 38.5			€ 38.5	143	€ 0.27
<b>Total</b>	<b>€585.2</b>	<b>€0.4</b>	<b>€12.5</b>	<b>€598.1</b>	<b>541</b>	<b>€1.11</b>

Estimation: IAA/Aviasolutions

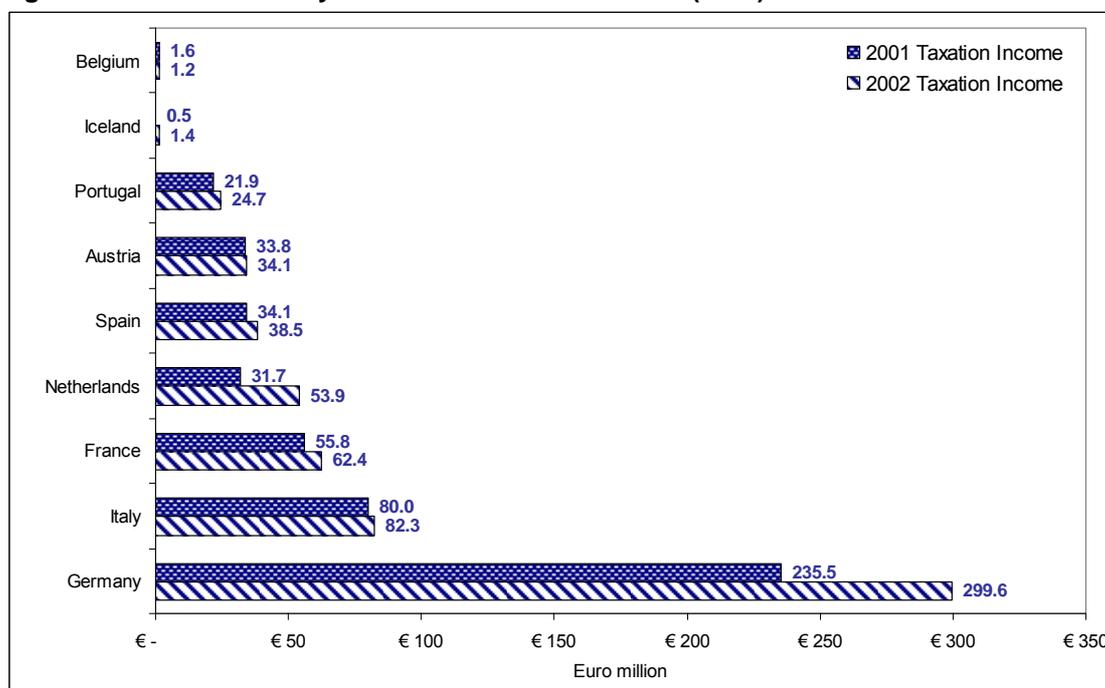
In terms of income breakdown, 4 States (Germany, Netherlands, Italy and France) account for 83% of total taxation income. Germany alone represents 50% of total security taxation income.

The other 5 States (i.e. Austria, Belgium, Iceland, Portugal and Spain) account for the remaining 17%, however they represent approximately one third (36%) of passengers.

Security taxation income from passengers was estimated to have risen by €103m (from €482m to €585m) between 2001 and 2002, a growth of almost 21% despite passenger throughput declining. The increase in income is a direct result of increases in security related taxes in the majority of States. The average security related tax per passenger increased from €0.91 to €1.11, a growth rate of 22%.

The largest overall increase in security tax income was recorded by Germany with €64m; while Belgium experienced decreases as a result of traffic reductions.

Figure 5-21: Total security taxation income breakdown (2002)



Estimation: IAA/Aviasolutions

### 5.4.2 Airport security charges

This section outlines the security charges and other related fees being levied by airports across Europe. It also provides an estimation of total security related income raised by European airports through levying such security charges.

The section compares the level of charges and respective revenues across airports of different sizes. For comparison purposes, airports were classified according to their annual passenger throughputs into 3 categories: large, medium and small.

The following figure summarises the throughput thresholds for each category.

Figure 5-22: Airport size classification

Airport size	Annual passenger throughputs
Large (L)	over 5,000,000
Medium (M)	1,000,000 to 5,000,000
Small (S)	less than 1,000,000

Source: Aviasolutions

The breakdown of airports by size for each State is summarised in the figure below.

Figure 5-23: Total security charge income breakdown (2002)

State	Large	Medium	Small	Total
Traffic threshold	>5m pax	>1m pax	<1m pax	
Austria	1	1	4	6
Belgium	1	1	3	5
Denmark	1	1	13	15
Finland	1		26	27
France	6	7	49	62
Germany	7	9	16	32
Greece	1			1
Iceland		1	8	9
Ireland	1	2	6	9
Italy	3	14	14	31
Luxembourg		1		1
Netherlands	1		4	5
Norway	1	6	43	50
Portugal	1	3	10	14
Spain	8	8	23	39
Sweden	1	3	36	40
Switzerland	2	1	2	5
United Kingdom	8	12	31	51
<b>Total</b>	<b>44</b>	<b>70</b>	<b>288</b>	<b>402</b>

Source: ACI/AviaSolutions

Inputs and data were derived from different sources, including:

- Security questionnaires submitted by industry stakeholders surveyed (State, airport and carrier security representatives)
- IATA Airport Charges Manual (Issue April 2002)
- Annual financial reports for a number of European airports

#### 5.4.2.1 Application and levels

A comprehensive security questionnaire was sent to 41 different airport groups / companies across Europe. This questionnaire requested information as to whether these airports are currently levying security related charges and the level of any charges. The results are summarised in the following figure.

Figure 5-24: Airport security charges applicability at surveyed airports

State	Airports	Size	Security charges applicability						
			No charge	Avsec charge	Unknown	Airlines	Passengers	Freight	Others
Austria	Vienna	L	✓						
	Salzburg	M	✓						
	Graz	S	✓						
Belgium	Brussels	L		✓				✓	
	Charleroi	S	✓						
Denmark	Copenhagen	L	✓						
	Billund	S			✓				
Finland	State owned airports			✓				✓	
France	ADP (CDG+ORY)	L		✓				✓	✓
	Bordeaux	M		✓	✓				
	Toulon	S		✓			✓	✓	
Germany	Frankfurt	L		✓				✓	
	Hannover	M			✓				
	Lubeck	S			✓				
Greece	Athens	L		✓				✓	
Iceland	Keflavik	L	✓						
Ireland	Dublin	L		✓				✓	
	Shannon	M		✓					
	Cork	M		✓				✓	
	County Kerry	S	✓						
Italy	ADR (FCO+CIA)	L	✓						
	Turin	M	✓						
	Florence	S	✓						
Luxembourg	Luxembourg	L		✓				✓	
Netherlands	Schiphol	L		✓				✓	
	Rotterdam	M		✓				✓	
	Eindhoven	S		✓				✓	
Norway	Airport under Avinor			✓			✓		
Portugal	Airports under ANA		✓						
Spain	Airports under Aena			✓				✓*	
Sweden	Airports under LFV			✓			✓		
Switzerland	Zurich	L		✓				✓	
	Basel	M			✓				
	Bern	S			✓				
United Kingdom	BAA airports		✓						
	Newcastle	M	✓						
	Blackpool	S	✓						

Key: (L) Large (M) Medium (S) Small

Note: Security related charges for the 6 airports that did not make a submission are treated as unknown.

(\*) In Spain, airports receive 50% of State tax income to reimburse security costs

Source: Security questionnaires

From the 30 responses providing details, 17 airports confirmed that they are currently imposing security related charges.

In addition, from other sources (State security representatives, carriers, etc.) the airports below were also identified as currently levying security related charges.

**Figure 5-25: Other airports levying security related charges**

State	Airports	Size	No charge	Avsec charge	Airlines	Passengers	Freight	Others
France	Marseille	L		✓		✓	✓	
	Lyon	L		✓		✓	✓	
	Nice	L		✓		✓	✓	
	Toulouse	L		✓		✓	✓	
Germany	Munich	L		✓		✓		
	Dresden	M		✓		✓		
	Leipzig	M		✓		✓		
United Kingdom	Manchester	L		✓		✓		
	Bristol			✓		✓		
	Luton	L		✓		✓		
	East Midlands	M		✓		✓		
	Cardiff	M		✓		✓		
	London City	M		✓		✓		
	Prestwick	S		✓		✓		

Key: (L) Large (M) Medium (S) Small  
Source: Security questionnaires

Security charges are levied on passengers and generally collected by carriers on behalf of airports through the passenger ticket price which normally also include other airport charges such as the passenger service charge (PSC) or passenger facility charge (PFC). Any charges in addition to the airfare, are increasingly being shown separately by the carriers.

Avinor, the Norwegian airport authority, increased its passenger service charge (PSC) by €1.21 (NOK 10.00) per departing passenger in early 2003 as a result of incremental security costs. However; the Norwegian authorities recently advised that a new security charge of €5.26 (NOK 42.00) per departing passenger was introduced by Avinor in June 2004.

Avinor and Luftfartsverket (Swedish CAA) are the only authorities that impose their security related charges on carriers rather than passengers directly. It is understood that carriers pass these taxes on to passengers by adding them to the ticket price.

In France, as well as security related charges levied on passengers, airports also apply airfreight security charges.

In Germany, airport security charges were introduced after 11 September 2001 in order to recover the cost of these additional security activities that were not provided by the Federal Border Guard and remunerated by the respective State security tax.

When comparing State security taxes versus airports security related charges, a number of broad conclusions can be drawn:

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- In general, it would appear that where the State imposes a security related tax, airports in that State do not levy any further security related charges. This is the situation in 5 States (Austria, Greece, Iceland, Italy and Portugal).
- Where the authorities do not impose any security taxes, the security activities provided by the airports are funded either through general airport traffic charges (i.e. Denmark and some UK airports) or through specific security charges. This is the situation in 10 States (Finland, Ireland, Luxembourg, Netherlands, Norway, Spain, Sweden and Switzerland, Denmark and the UK).
- Belgium, Germany and France are the only 3 States where both the State and airports levy some form of security taxes and charges.
- Some States (Austria, Portugal and Spain) share part of the security tax with the airport companies to compensate the latter for the provision of some security activities.

#### **5.4.2.2 Airport passenger security charge levels**

Passenger security charges vary widely amongst European airports. These range from €0.17 per departing passenger in Frankfurt to €10.85 at Amsterdam's Schiphol (applicable to originating departing passengers).

Figure 5-26: Level of airport security charges (2003)

State	Airports	Airport Security Charge Euros		Unit basis	Varies	Driver	Exemptions	Remarks		
Belgium	Brussels (BIAC)	€ 6.17	<i>O&amp;D transfer</i>	departing pax	Yes	O&D	Yes	Infants, transit & crew		
		€ 5.91		transfer pax	No					
Finland	All airports under Finish CAA ownership	€ 2.71		departing pax	No		Yes	Dom-int transfer Intl-intl transfer		
France	CDG & Orly (ADP)	€ 8.05	<i>lowest highest</i>	departing pax	No					
	Nice	€ 6.48		departing pax	No					
	Lyon	€ 8.00		departing pax	No					
	Marseille	€ 6.79		departing pax	No					
	Toulouse	€ 7.25		departing pax	No					
	Other airports	€ 2.60		departing pax	No					
Germany	Frankfurt	€ 0.17		departing pax	No		No	Surcharge post 9/11		
	Munich	€ 0.40		departing pax	No					
	Leipzig	€ 0.42		departing pax	No					
	Dresden	€ 0.20		departing pax	No					
Greece	Athens (AIA)	€ 2.44		departing pax	No		Yes	Infants, transit & crew		
Ireland	Dublin	€ 3.80		departing pax	No		Yes	Infants, transit & crew		
	Shannon	€ 5.10		departing pax	No					
	Cork	€ 5.10		departing pax	No					
Luxembourg	Luxembourg	€ 0.50		departing pax	No		Yes	Infants, transit & crew		
Netherlands	Schiphol	€ 10.85	<i>O&amp;D transfer</i>	departing pax	Yes	O&D	Yes	Infants, transit & crew		
		€ 1.60		transfer pax	No					
	Rotterdam	€ 8.30		departing pax	No				Yes	Infants, transit & crew
	Eindhoven	€ 8.79		departing pax	No					
Norway (1)	All airports under Avinor ownership	€ 1.21		departing pax	No		Yes	Infants, transit & crew		
Spain	All airports under Aena ownership	€ 0.96	<i>intra-islands all others</i>	departing pax	Yes	O&D				
		€ 1.13								
Sweden	Stockholm-Arlanda	€ 3.28		departing pax	Yes	O&D (dom vs intl)	Yes	Infants, transit & crew		
	Gothenburg-	€ 3.82								
	Malmo-Sturup	€ 4.09								
	Others under LFV	€ 4.91								
Switzerland	Zurich	€ 6.62	<i>O&amp;D transfer</i>	departing pax	Yes	O&D	Yes	Infants, transit & crew		
		€ 4.63		transfer pax	No					
United Kingdom	Bristol	€ 5.23		arriving pax	No					
	Bournemouth	€ 8.04		departing pax	No					
	Cardiff	€ 1.85		departing pax	No					
	East Midlands	€ 4.20		departing pax	No					
	Glasgow Prestwick	€ 0.80		departing pax	No					
	Leeds/Bradford	€ 4.55		departing pax	No					
	London Luton	€ 0.93		departing pax	No					
	Manchester	€ 4.42		departing pax	No					

(1) This represents an increase in passenger service charge (PSC) due to rising security costs

Note: Charges in Norway, Sweden, Switzerland and the UK are set in local currency. Airport charges in the Netherlands are applicable from 1<sup>st</sup> April 2003 (prior to this, the State provided security and levied a tax).

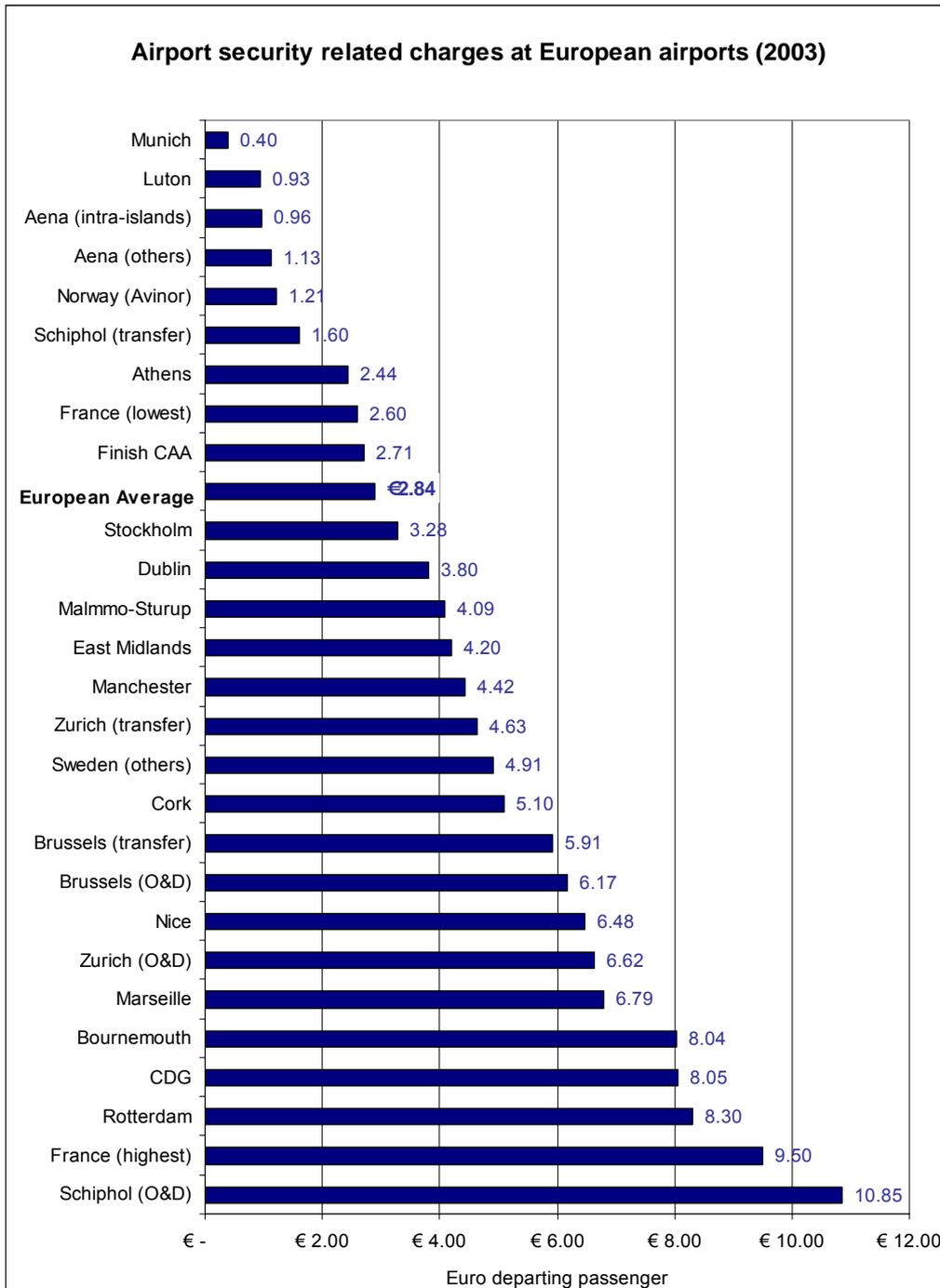
Source: Security questionnaires and airport tariff schedules

A few airports, including Brussels, Schiphol and Zurich, have introduced a dual pricing structure that differentiates between originating and transferring passengers. The rationale behind this approach may be that transferring passengers can be screened at a lower unit cost than originating departing passengers.

A more commercial reason may be to incentivise carriers to provide transferring passengers in order to promote growth at a particular 'hub' airport. The variation in charges for transfer and originating traffic is particularly evident in the case of Schiphol airport where security charges applicable to transfer traffic are significantly lower than originating passengers (€1.60 versus €10.85).

The following figure shows the wide range in airport security related charges levied by European airports in 2003.

Figure 5-27: Comparison of airport security related charges at European airports (2003)



Source: Security questionnaires and several airport tariff schedules (2003)

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A brief description of the main features of security related taxes levied in each of the States is outlined below.

- **Belgium**

From the responses received, it appears that Brussels airport (BIAC) is the only airport in Belgium that levies a separate security charge in addition to the security tax being imposed by the CAA.

Under its pricing policy, BIAC levies security charges on passengers, with the charge dependent on whether the passenger is originating (O&D) or transferring through Brussels. The two charges are €6.17 and €5.91 per departing or transferring passenger respectively.

- **Denmark**

Copenhagen airport, which is subject to economic regulation, does not levy any specific security related charges. The cost of security activities is recovered through other traffic charges (landing fees, passenger service charge, etc.).

The Ministry of Transport advised that it approved an increase of 10.1% to Copenhagen's passenger charge in April 2004 to offset increases in security related operational expenditure as a direct result of Regulation No. 2320/2002 implementation. This equates to a rise of €1.27 (DKK 9.49) per originating departing passenger over the 2003 published charges.<sup>10</sup>

No response was received from Billund airport. The Danish CAA confirmed in its submission that no Danish airport currently levies a security charge.

- **Finland**

The Finnish CAA is responsible for security activities and also runs most of the Finnish commercial airports. A security charge was introduced on 01 January 2003 and is fixed at €2.71 per departing passenger, and is applicable at all airports operated by the authority. The regional authorities are responsible for funding security at those airports outside of the CAA's control.

- **France**

The French CAA (DGAC) confirmed that airports with throughputs over 5,000 passengers per annum levy a passenger charge that helps to fund security activities at each airport. These charges vary between €2.60 and €9.50 per departing passenger. The charge for Aéroports de Paris which includes Charles de Gaulle and Orly airports is €8.05, while for other main airports such as Lyon and Nice it is €6.48 and €8.00 per departing passenger respectively.

These airport charges are in addition to the Civil Aviation Tax (CAT) imposed by the State that contributes towards funding of aviation security nationwide, including airport security.

- **Germany**

Several German airports levy a separate security charge, though the level of the charge is considerably lower than the security tax imposed by the State (BMVBW). By levying security charges, airports aim to recover incremental security costs incurred as a result of increased measures since 11 September 2001.

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<sup>10</sup> As outlined on Copenhagen Airport' Tariff Regulations for 2003-2005.

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From the responses received, charges range from €0.17 to €0.40 per departing passenger at Frankfurt and Munich airports respectively.

- **Ireland**

Aer Rianta, which is subject to economic regulation, levies security charges on passengers at its 3 airports (Dublin, Cork and Shannon). Small regional airports such as Kerry advised that they do not levy a separate charge for security. The small airports normally recover the cost of security activities through their traffic charges (i.e. landing and passenger fees). Aer Rianta's security charges are €3.80 per departing passenger at Dublin and €5.10 at both Shannon and Cork airports. These charges are set within an overall economic regulatory charges price cap for the 3 airports.

- **Netherlands**

From 1 April 2003, Dutch airports assumed responsibility for the provision of passenger and baggage screening activities from the State (Royal Port Police). As a result, Dutch airports now levy security charges aimed at recovering the cost of these additional responsibilities.

Schiphol Airport introduced a security charge in April 2002 to fund significant terminal redevelopment works associated with security. This included moving the screening of passengers from each departure gate to centralised screening points. The original security charge was €4.40 per originating departing passenger; this was subsequently raised to €10.85 in April 2003 when the airport assumed responsibility for passenger and baggage screening.

The security charge applicable to transfer passengers has remained unchanged since its inception in April 2002 at €1.60. This means that transferring passengers are charged around 15% of the originating passenger rate.

From 1 April 2003, Rotterdam and Eindhoven airports began levying security charges of €8.30 and €8.79 per departing passenger respectively.

- **Norway**

Avinor, the Norwegian airport authority, is responsible for security at 47 airports across Norway.

Whilst there was no specific security charge until June 2004, Avinor raised the passenger service charge (PSC) by €1.21 (NOK 10.00) per departing passenger across all of its airports to account for the incremental cost related to airport security, effective from 1<sup>st</sup> January 2003.

More recently, the Norwegian authorities have advised that a new security charge of €5.26 (NOK 42.00) per departing passenger was introduced by Avinor in June 2004.

- **Spain**

Security charges were introduced by the Spanish airport authority (Aena) in December 1996. The charge is driven by two different variables:

- *Type of flight*: whether schedule or charter.
- *Origin and Destination (O&D)*: those passengers originating in Spain or with a destination in any of the Spanish overseas territories (i.e. Balearics, Canary Islands and Melilla in Northern Africa) are subject to a reduced tax level.

Although there are 6 possible charge combinations as shown on the figure below, charges range from a minimum of €0.17 to a maximum of €1.13 per departing passenger.

**Figure 5-28: Spanish airport security charges**

Origin Destination	Mainland		Balearics		Canary Islands		Melilla	
	Schedule	Charter	Schedule	Charter	Schedule	Charter	Schedule	Charter
Mainland	1.13	1.13	0.96	1.13	0.96	1.13	0.96	1.13
Balearics	1.13	1.13	0.17	0.57	0.96	1.13	0.96	1.13
Canary Islands	1.13	1.13	0.96	1.13	0.17	0.57	0.96	1.13
Melilla	1.13	1.13	0.96	1.13	0.96	1.13		
International	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13

Source: DGAC

The airport security charge income is shared in equal proportion (50:50) between the Ministry of Interior (responsible for the Civil Guard and National Police forces) and the Spanish airports authority (Aena).

- **Sweden**

The Luftfartsverket or LfV (Swedish CAA), which is responsible for national civil aviation security matters, also provides security at 19 Swedish airports including the State's main airports at Stockholm-Arlanda, Göteborg-Landvetter and Malmö-Sturup.

LfV first introduced a security charge for passengers in 1994. The charge, which is paid by carriers on a departing passenger basis, varies according to the departure point, particularly for the main airports. The security charge may also vary depending on the passenger's destination (domestic or international). Transit passengers, infants, crew on duty and international transferring passengers are exempt from the charge as well as those travelling on domestic flights on small aircraft (under 20 seats).

Current charges became effective on 1 January 2003 and are shown in the following figure:

**Figure 5-29: Swedish airport security charges**

Departure from	Security Charge in SEK		Security Charge in Euros	
	Domestic	International	Domestic	International
Stockholm-Arlanda	25.00	35.00	€ 2.73	€ 3.82
Stockholm-Bromma	25.00	25.00	€ 2.73	€ 2.73
Göteborg-Landvetter	35.00	38.00	€ 3.82	€ 4.15
Malmö-Sturup	37.00	37.00	€ 4.04	€ 4.04
Halmstad, Jönköping, Kalmar, Karlstad, Kiruna, Luleå, Norrköping, Ronneby, Skellefteå, Sundsvall, Umeå, Visby, Ängelholm, Örnköldsvik, Östersund	45.00	45.00	€ 4.91	€ 4.91

Source: LfV

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Previously, the security charge was the same at all airports at SEK 19.00 and SEK 11.00 for international and domestic departing passengers respectively. These equate to €2.09 and €1.19 per departing passenger respectively. The only exception was Stockholm-Arlanda where charges were SEK 16.00 and SEK 5.00 (€1.73 and €0.54) on international and domestic flights respectively.

- **Switzerland**

Zurich airport levies different security charges for originating and transferring passengers. Charges are €6.62 (SFr 10.00) and €4.63 (SFr 7.00) respectively.

Information concerning security charges at other Swiss airports was not available.

- **United Kingdom**

The situation in the UK varies according to the airport operator. BAA Plc, the largest operator with 7 airports (including London's Heathrow and Gatwick) does not levy separate security charges; security activities are funded through normal traffic charges (i.e. landing fees and passenger service charges). As with Aer Rianta in Ireland, BAA's 3 London airports (Heathrow, Gatwick and Stansted) are subject to economic regulation with security related costs included within an overall economic regulatory price cap for the airports.

Operators such as Manchester Airport Group (owner of Manchester, East Midlands, Humberside and Bournemouth airports) and TBI Plc (Luton, Belfast International and Cardiff airports) levy a separate security charge.

Note that Manchester airport is also subject to economic regulation and as such security related costs are included within an overall economic regulatory price cap for the airport.

#### **5.4.2.3 Airport passenger security charges development**

The figure below shows the evolution of airport security charge levels across a sample of airports between 2001 and 2003. The charging basis applied by the majority of airports is per departing passenger.

Figure 5-30: Security charge comparison (2003 vs. 2001)

State	Airport	Applicable to	Current level	Previous level	Annual Variation
			2003	2001	AAGR 2001-2003
			€ dep pax	€ dep pax	
Belgium	Brussels	<i>O&amp;D</i>	€ 6.17	€ 3.72	28.8%
		<i>Transfer</i>	€ 5.91	€ 3.72	26.0%
Finland	All state owned airports		€ 2.71		
France	Aeroports de Paris	<i>CDG &amp; Orly</i>	€ 8.05	€ 2.73	71.7%
		Nice	€ 6.48	€ 3.75	31.5%
		Lyon	€ 8.00	€ 2.59	75.7%
		Marseille	€ 6.79	€ 2.59	61.9%
		Toulouse	€ 7.25	€ 1.83	99.0%
Germany	Frankfurt		€ 0.17		
		Munich	€ 0.40		
Greece	Athens		€ 2.44	€ 1.29	37.5%
Ireland	Dublin		€ 3.80		
		Shannon	€ 5.10		
		Cork	€ 5.10		
Luxembourg	Luxembourg		€ 0.50	€ 0.50	0.0%
Netherlands	Schiphol	<i>O&amp;D</i>	€ 10.85		
		<i>Transfer</i>	€ 1.60		
		Rotterdam	€ 8.30		
		Eindhoven	€ 8.79		
Norway	Avinor		€ 1.21		
Spain	All airports	<i>Intra-islands</i>	€ 0.96	€ 0.84	6.7%
		<i>Other destinations</i>	€ 1.13	€ 0.99	6.7%
Sweden	Stockholm-Arlanda		€ 3.28	€ 1.13	70.4%
		Gothemburg	€ 3.82	€ 1.19	79.2%
		Malmö	€ 4.04	€ 1.19	84.3%
		Other airports	€ 4.91	€ 1.19	103.1%
Switzerland	Zurich	<i>O&amp;D</i>	€ 6.81	€ 4.63	21.3%
		<i>Transfer</i>	€ 4.77	€ 3.97	9.6%
United Kingdom	Bristol		€ 5.23		
		Bournemouth	€ 8.04		
		Cardiff	€ 1.85		
		East Midlands	€ 4.20	€ 3.88	4.0%
		Glasgow Prestwick	€ 0.80		
		Leeds/Bradford	€ 4.55		
		London Luton	€ 0.93		
		Manchester	€ 4.42		

Key: AAGR = Average Annual Growth Rate

Source: Security questionnaire and IATA Charges Manual (April 2002)

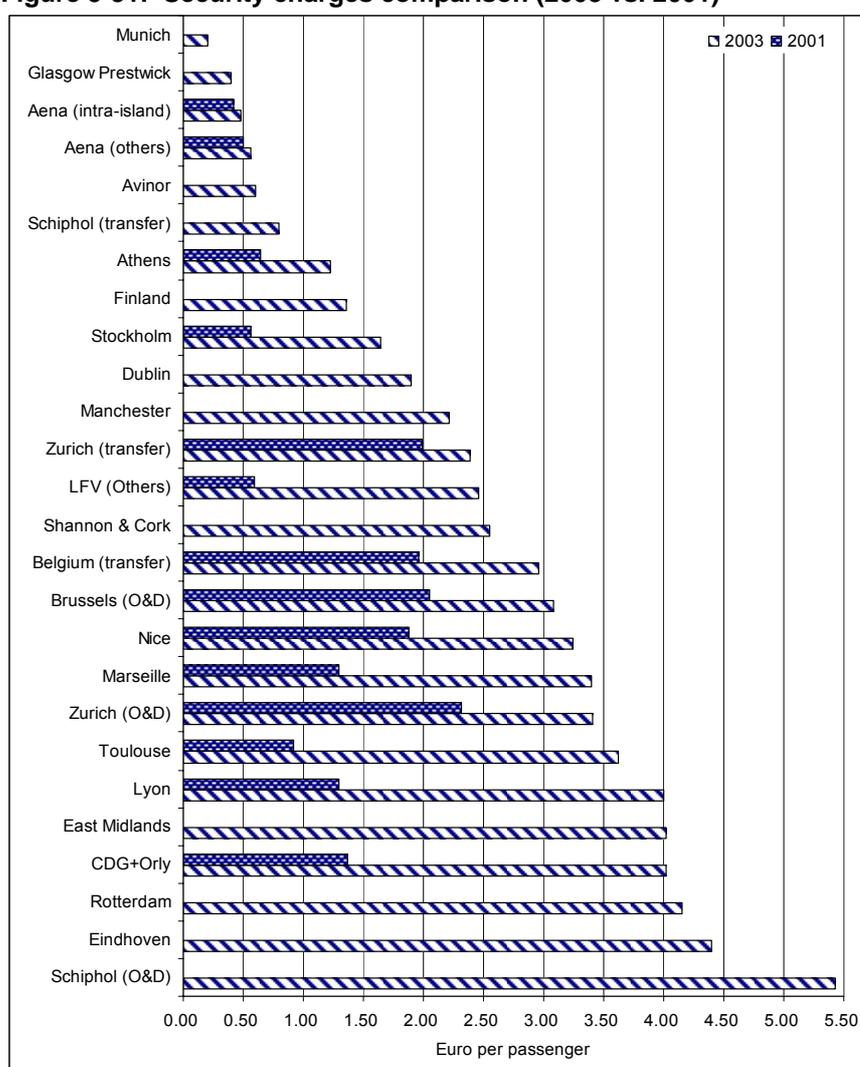
Three key findings can be drawn from the analysis:

- Many airports (16 out of 33 in the survey) have introduced security related charges in late 2001 and during 2002 in the aftermath of the terrorist attacks in the US.

- For those airports already imposing security related charges prior to 11 September 2001, the level of the charges have increased over the last two years and in some cases they have doubled (e.g. French and Swedish airports).
- Airports that levy a different charge for originating and transferring passengers have recorded larger increases on the former compared to the latter. For example, security charges applicable to originating and transferring passengers at Zurich Airport have grown by an annual average of 21% and 10% respectively.
- In the case of Schiphol airport, security charges for originating passengers rose from €4.40 to €10.85 between 2002 and 2003, while the security charge applicable to transfer passengers has remained unchanged at €1.60 per departing passenger.

These increases in airport related security charges are illustrated in the following figure.

**Figure 5-31: Security charges comparison (2003 vs. 2001)**



Source: Security questionnaires

#### 5.4.2.4 Airport security income breakdown by State

The figure below shows the estimated total income generated by those airports levying security related charges that provided financial information as part of this study.

**Figure 5-32: Airport security income estimates for responding airports (2002)**

Airport Security Income 2002			
States	Airport traffic (respondees) <i>m pax</i>	Airport income (charges) € <i>m</i>	Average charge per passenger € <i>per pax</i>
Belgium	16	29.0	1.86
Finland	0	0.0	0.00
France	71	97.8	1.37
Germany	48	6.0	0.12
Greece**	12	8.7	0.74
Ireland	19	36.7	1.88
Italy*	4	5.1	1.24
Luxembourg	2	0.4	0.25
Netherlands	42	52.7	1.27
Portugal*	12	2.0	0.17
Spain*	36	9.0	0.25
Sweden	28	27.4	0.98
Switzerland	18	40.0	2.25
<b>Total</b>	<b>308</b>	<b>314.8</b>	<b>1.02</b>

Key: (\*) Airports receive a share of State tax income. (\*\*) Includes Athens airport only.

Note: No revenue included for Denmark and the UK.

Source: Security questionnaires.

Estimation: IAA/Aviasolutions.

Based on the information from the responding airports, and charging information derived from a number of sources including the IATA Charges Manual (April 2002) and various airport annual reports, estimations were made of total airport security charges income across the 18 States.

Figure 5-33: Airport security income total estimate for European States (2002)

Airport Security Income 2002			
States	Airport traffic (all airports) <i>m pax</i>	Airport income (charges) € m	Average charge per passenger € per pax
Belgium	16	29.0	1.80
Finland	0	0.0	0.00
France	121	166.8	1.38
Germany	94	6.2	0.07
Greece	12	7.7	0.65
Ireland	20	36.7	1.87
Italy	88	110.6	1.26
Luxembourg	2	0.4	0.25
Netherlands	42	53.0	1.26
Portugal	20	3.0	0.15
Spain	143	38.5	0.27
Sweden	28	27.4	0.98
Switzerland	29	44.0	1.53
United Kingdom	191	81.6	0.43
<b>Total</b>	<b>804</b>	<b>604.8</b>	<b>0.75</b>

Source: Security questionnaires, IATA Charges Manual (April 2002) and various airport financial reports  
Estimation: IAA/Aviasolutions

Airports across Europe are estimated to have generated around €605m in income from levying security related charges in 2002.

Estimates have been included for the Portuguese and Italian airports, which receive a share of the State security taxation income generated by the authorities to remunerate the security activities undertaken by the airports.

Similarly, the estimates only include the net security income for Spanish airports as Aena shares 50% of its security charge with the Ministry of Interior.

French airports are estimated to generate the largest share of security income accounting for 28% of total airport security income in 2002 from 15% of traffic for airports levying security charges. France was followed by the UK, the Netherlands, Switzerland, Sweden, Ireland, Italy and Spain with a combined share of 65% of security income.

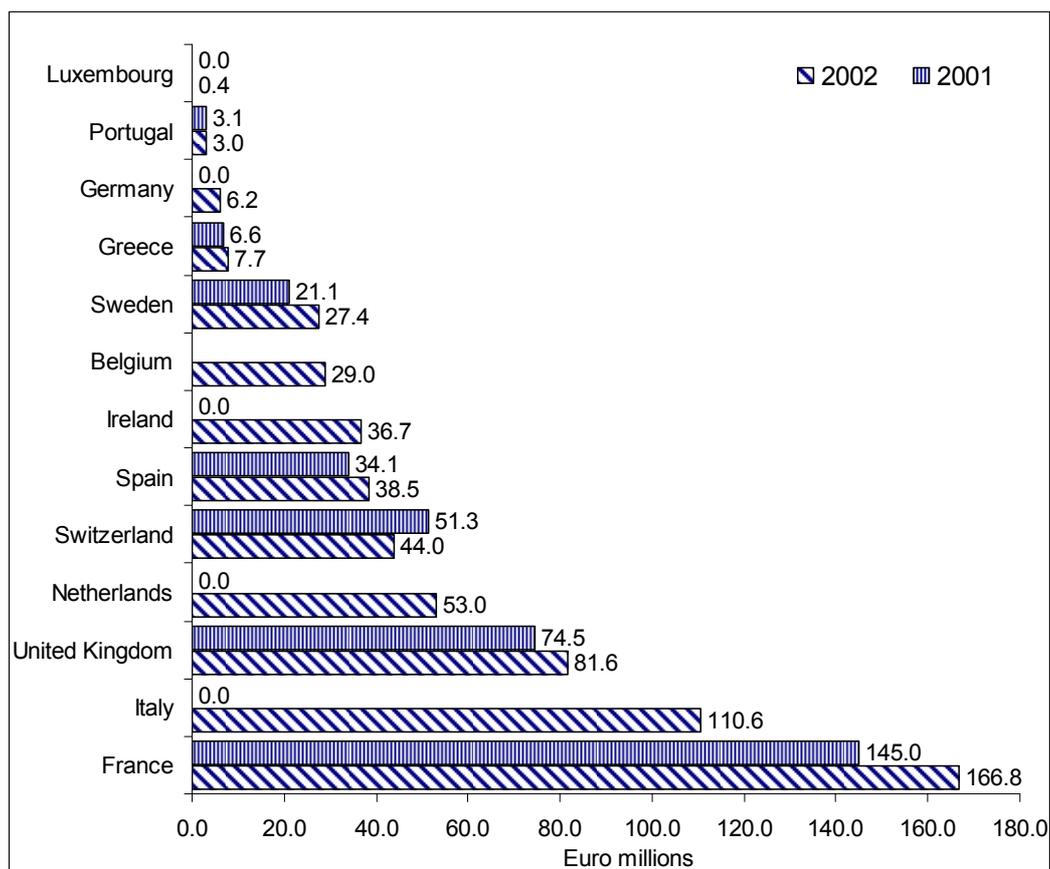
In terms of estimated growth in security related income, French airports recorded the largest increase from €145m to €167m between 2001 and 2002. This represents an increased income of almost €22m or 15% over the period.

Dutch airports also recorded significant increases in estimated security income. With no security related income in 2001, Dutch airports generated an estimated €53m in 2002. This will increase further in 2003 with the transfer of security responsibility from the State to the airports and a significant increase in security charges.

A similar picture emerges in Ireland. Aer Rianta reported no specific security revenues in 2001 but advised revenues of €37m in 2002 when specific charges were identified within the regulatory charging cap.

The following figure shows the estimated security related income generated by airports in 13 States during 2001 and 2002.

**Figure 5-34: Estimated security income comparison (2002 vs. 2001)**



Estimation: IAA/Aviasolutions

### 5.4.3 Carrier security surcharges or fees

More than 124 carriers worldwide have introduced a passenger surcharge on flights to help recoup some of the costs of additional security measures and increases in insurance premiums that have been incurred since the terrorist attacks in the US<sup>11</sup>.

The additional measures that are being funded partially or totally by passengers include extra baggage searches, increased security for aircraft while on the ground, and the reinforcement of cockpit doors.

<sup>11</sup> Source: British Airways (BA) website. BA security and insurance surcharge explanatory notice.

This section outlines security related charges, surcharges and/or fees currently being levied by European carriers either on passengers or airfreight.

#### 5.4.3.1 Application and levels

The following figure shows which of the 39 carriers surveyed impose a security related surcharge and whether these surcharges are applicable to passengers and/or airfreight.

**Figure 5-35: Carrier security surcharges applicability**

State	Airlines	Type	No charge	Avsec charge	Unknown	Passengers	Freight	Others
Austria	Austrian Airlines	F		v			v	
	Tyrolean Airways	R			v			
Belgium	SN Brussels Airlines	F			v			
Denmark	SAS	F		v		v		
	Cimber	R	v					
Finland	Finnair	F		v			v	
	Air Botnia	R		v		v	v	
France	Air France	F			v			
	Brit Air	R			v			
Germany	Lufthansa	F		v		v	v	
	Eurowings	R	v					
	Air Berlin	C	v					
	Hapag Lloyd	C			v			
Greece	Olympic Airways	F			v			
	Aegean Airlines	R	v					
Iceland	Icelandair	F			v			
Ireland	Aer Lingus	F	v					
	Ryanair	L			v			
Italy	Alitalia	F	v					
	Azzurra Air	R	v					
Luxembourg	Luxair	F	v					
Netherlands	KLM	F		v			v	
	KLM cityhopper	R			v			
Norway	Wideroe's	R			v			
Portugal	TAP Air Portugal	F		v		v	v	
	PGA Portugalia	R		v		v	v	
Spain	Iberia	F		v		v		
	Spanair	F		v		v		
	Air Nostrum	R	v					
Sweden	Skyways	R	v					
Switzerland	Swiss Air Lines	F	v					
United Kingdom	British Airways	F		v		v	v	
	bmi British Midland	F		v		v	v	
	flybe British European	R			v			
	Air 2000	C	v					
	Britannia Airways	C		v		v		
	easyJet	L	v					

Key: (F) Full network scheduled carrier, (R) Regional, (C) Charter (L) Low Cost  
Source: Carrier security questionnaires

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From a total of 27 responses, 13 carriers confirmed that they currently impose security related surcharges. For those carriers imposing security related surcharges, 6 apply surcharges to both passengers and airfreight; 4 apply them to passengers only, and 3 apply them to freight only.

Although several carriers acknowledged imposing security related charges, in the main they advised that they are simply transferring State security taxes and/or airport security related charges on to passengers.

There is no evidence that security charges are imposed by either a particular type of carrier (i.e. full network, regional, charter, no frills carriers) or that these charges are levied by all carriers based within the same State. For example, Lufthansa levies security related surcharges on passengers and airfreight, while other German carriers such as Air Berlin and Eurowings do not appear to levy surcharges.

There are also some differences in the applicability of security surcharges amongst carriers within the same State. For example, the Finnish national carrier Finnair imposes a security charge on airfreight while its competitor Air Botnia (a subsidiary of SAS Scandinavian Airlines) surcharges both passengers and airfreight.

#### 5.4.3.2 Passenger surcharges

The following figure shows the level of security surcharges currently being levied by responding carriers.

**Figure 5-36: Level of carrier security passenger surcharges (2003)**

State	Airlines	Airline Security Surcharge Euros	Unit basis	Varies	Driver	Exemptions	Remarks
Denmark	SAS	€ 2.50	passenger	Yes	ex-Copenhagen only	No	
Finland	Air Botnia	€ 6.00	segment	No		No	
Germany	Lufthansa	€ 8.00 \$ 8.00	segment segment	Yes	Originating within EU Originating outside EU	No	
Italy	Azzurra Air	€ 6.00	passenger	No		No	
Portugal	TAP Air Portugal PGA Portugalia	€ 8.00 € 8.00	passenger passenger	No Yes	ex Portugal, Belgium, Germany and Italy ex UK only	No	
Spain	Iberia Spanair	€ 6.36 € 8.00 € 6.00	departing pax passenger passenger	No Yes	ex-Secandinavia only	No	
Switzerland	Edelweiss Air (1)	€ 17.04	departing pax	No		No	
United Kingdom	British Airways	€ 3.98 € 5.00 \$ 4.00 \$ 3.00 \$ 1.50	segment segment segment segment segment	Yes Yes Yes Yes Yes	ex-UK only ex-Portugal & Spain ex-US only ex-Italy only ex-Ireland only	No	
	bmi British Midland	€ 3.98	segment	No		Yes	infants
	Britannia Airways	€ 10.11	seat	No		No	

Key: (1) Information provided by Swiss CAA (FOCA)

Source: Carrier security questionnaires

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When comparing carrier security related surcharges versus State security taxes and airport security charges, the following differences emerge:

- Carrier surcharges are aimed at recouping not only incremental security related costs but also increases in insurance premium costs.
- Carrier security charges are in the main levied on all passengers (or per segment flown) rather than on a departing passenger basis, as is the case for State security taxes and airport security charges.
- All passengers, including children and infants (with a few exceptions) are liable to pay the carrier security related charge; while children normally pay 50% of the State security taxes and airports security charges (infants are often exempt).

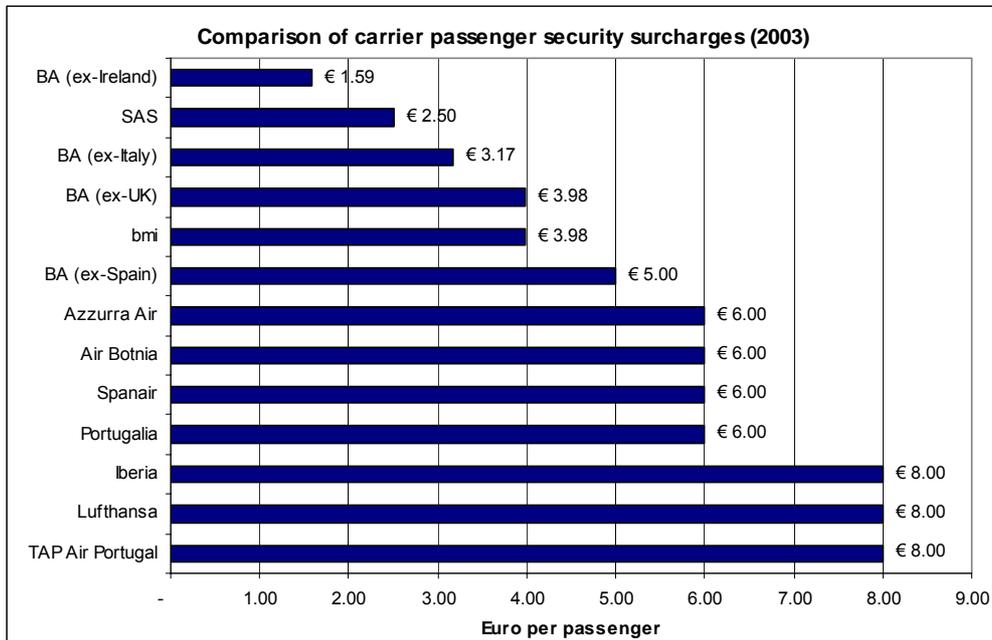
Some carriers such as Iberia and TAP Air Portugal consistently apply the same surcharge regardless of the originating and departure point (O&D) of the travellers, while other carriers such as British Airways, Lufthansa, SAS and PGA Portugália apply different security levies depending on the origin and destination of traffic. For example, the Spanish carrier Spanair levies a security surcharge on passengers travelling to and from Scandinavia only; while PGA Portugália levies different security surcharges depending on whether passengers are travelling from mainland Europe (i.e. Belgium, Germany, Italy and Portugal) or the UK.

Similarly, the British Airways security and insurance surcharges vary depending on whether the passenger is originating in one of the following points: UK, US, Australia, Brazil, Colombia, Italy, Ireland, Japan, New Zealand, Portugal and Spain.

The UK charter carrier, Britannia Airways, imposes a security charge of €10.11 (£6.36) per seat to the tour operator; while the Swiss charter carrier Edelweiss Air applies a security levy of €17.04 (CHF 25.00) per departing passenger. In the UK, tour operators normally add a security surcharge of €10.00 per person to the price of holiday packages.

The following figure illustrates the range of security surcharges levied by carriers across Europe.

Figure 5-37: Comparison of carrier passenger security charges (2003)



Source: Carrier security questionnaires

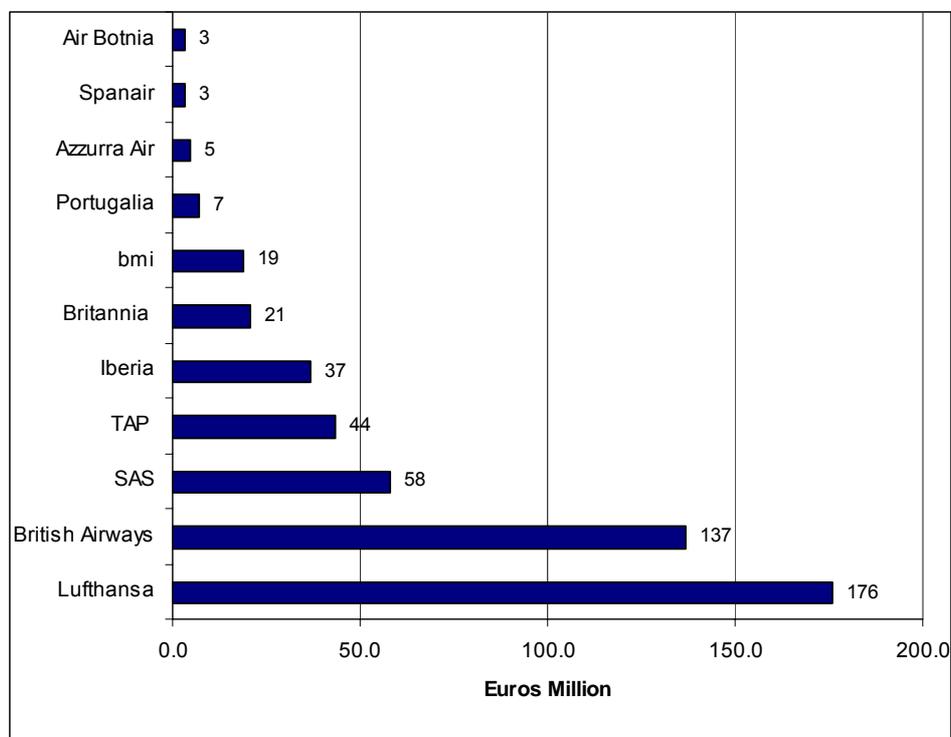
Even though carrier related security surcharges range between €1.59 (or \$1.50 for British Airways ex-Ireland) and €8.00 (Iberia, Lufthansa and TAP) per passenger, carrier security surcharges do not vary as widely as State security taxes and airport security charges.

#### 5.4.3.3 Passenger surcharge related income

This section outlines the security related income generated by carriers from both passenger and freight charges. Some carriers provided information on the total security related income generated during 2002. For the other carriers, estimated incomes were based on current security related surcharges and traffic throughputs (i.e. passenger numbers and freight weight).

The figure below illustrates the estimated level of income generated by carriers from levying security related surcharges on passengers.

Figure 5-38: Estimated carrier passenger security surcharge related income (2002)



Source: Carrier security questionnaires  
 Estimation: IAA/AviaSolutions

Lufthansa is estimated to have generated the largest income from responding carriers of €176m in 2002, followed by British Airways and SAS generating approximately €137m and €58m respectively.

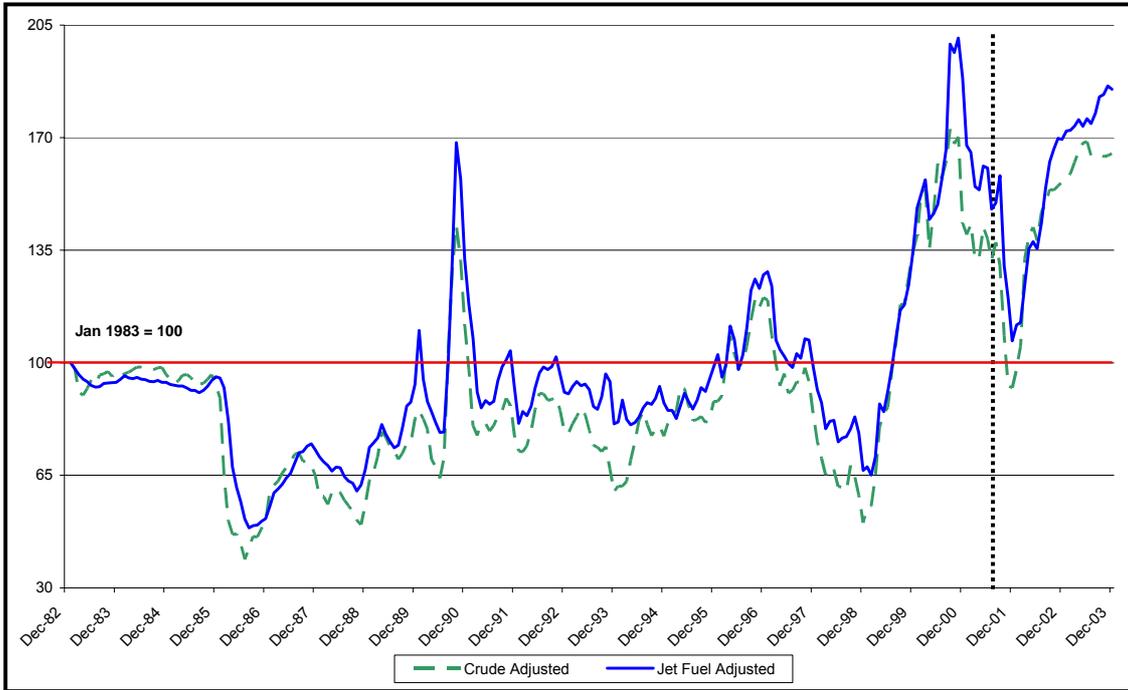
Regional carriers, with relatively low passenger throughputs, generate lower income levels from the sample. For example, Air Botnia, Azzurra Air and PGA Portugália Airlines are estimated to have generated €3m, €5m and €7m of security related surcharge income respectively in 2002.

#### 5.4.3.4 Freight surcharges

Many carriers introduced a fuel surcharge on airfreight as a consequence of high jet fuel prices and the volatility in the oil crude market during the late 1990s. The average surcharge was about €0.15 (USD15¢) per kilo.

When jet fuel prices started falling in mid 2001, carriers were expected to discontinue levying fuel related surcharges. However, as security costs and insurance premiums increased significantly as a result of the terrorist attacks of 11 September 2001, carriers replaced the jet fuel surcharges with security and insurance surcharges. In many cases the new security related surcharge was set at the same level as the jet fuel surcharge (i.e. €0.15 per kilo).

Figure 5-39: Crude versus jet-fuel prices (1983 to 2003)



Source: Deutsche Bank

From 27 responding carriers, 10 advised that they are currently levying a security related surcharge on airfreight.

The level of these security surcharges is outlined in the following figure.

Figure 5-40: Level of carrier freight security surcharges (2003)

State	Airlines	Airline security surcharge Euros	Unit basis	Varies	Driver	Max/Min charge	Remarks
Austria	Austrian Airlines	€ 0.15	kilo uplifted	Yes	unknown consignor	No	
		€ 0.12		Yes		known consignor	
Denmark	SAS	€ 0.12	kilo	Yes	unknown consignor	No	
		€ 0.06	kilo	Yes	known consignor	No	
Finland	Finnair	€ 0.12	kilo	Yes	unknown consignor	Yes	Max of €240 per airway bill (AWB)
		€ 0.06	kilo	Yes	known consignor	Yes	
Germany	Lufthansa	€ 0.10	kilo	No		No	
		€ 0.15	kilo	No		No	
Ireland	Aer Lingus	€ 0.08	kilo	No		No	
Portugal	TAP Air Portugal	u/n		u/n		u/n	
	PGA Portugalia	u/n		u/n		u/n	
United Kingdom	British Airways	€ 0.10	kilo	No		Yes	Min charge €14.31
	bmi British Midland	€ 0.11	kilo	Yes	International only	Yes	No charge applicable if known consignor

Note: UK carrier surcharges are levied in Sterling (GBP)

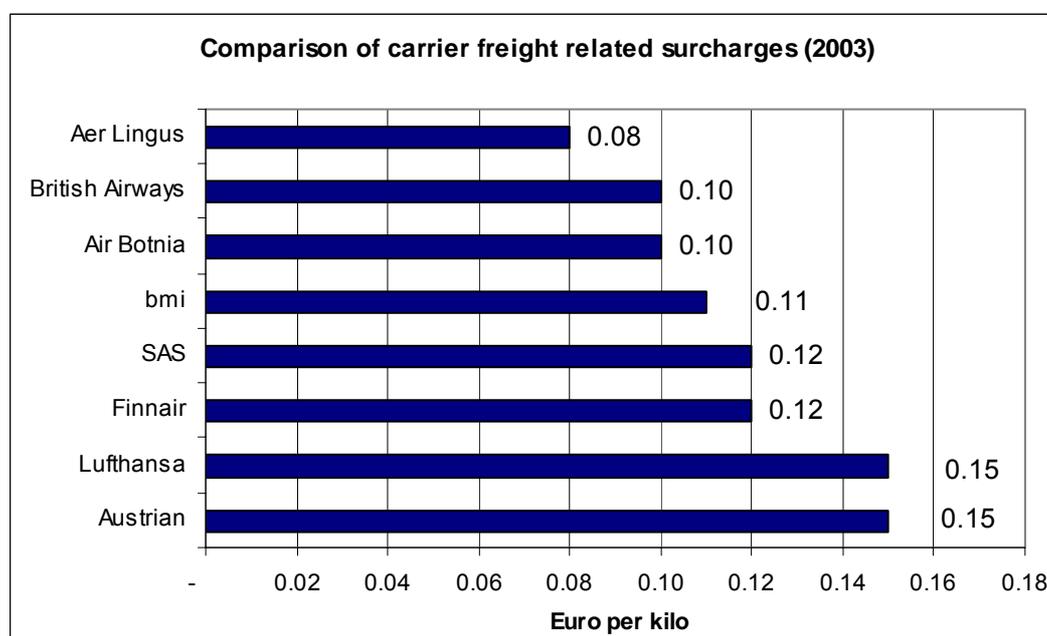
Source: Carrier security questionnaires

Freight security related surcharges are levied on a per kilo basis and range from €0.06 for SAS and Finnair (known consignors) to €0.15 per kilo for Lufthansa and Austrian Carriers.

Some carriers apply a surcharge differentiation depending on whether the freight shipper is known or not (application of new known shipper programme introduced in Regulation (EC) No 2320/ 2002). For example, Finnair and SAS apply much lower security surcharges (half of the normal level of surcharge) if the shipper is known, while bmi British Midland does not levy the freight security surcharge for known shippers.

It is common practice to set either a minimum and/or maximum charge. For example, British Airways applies a minimum charge equivalent to €14.31 while Finnair applies a maximum charge of €240.00 per airway bill (AWB).

**Figure 5-41: Comparison of carrier freight security related surcharges (2003)**



Source: Carrier security questionnaires

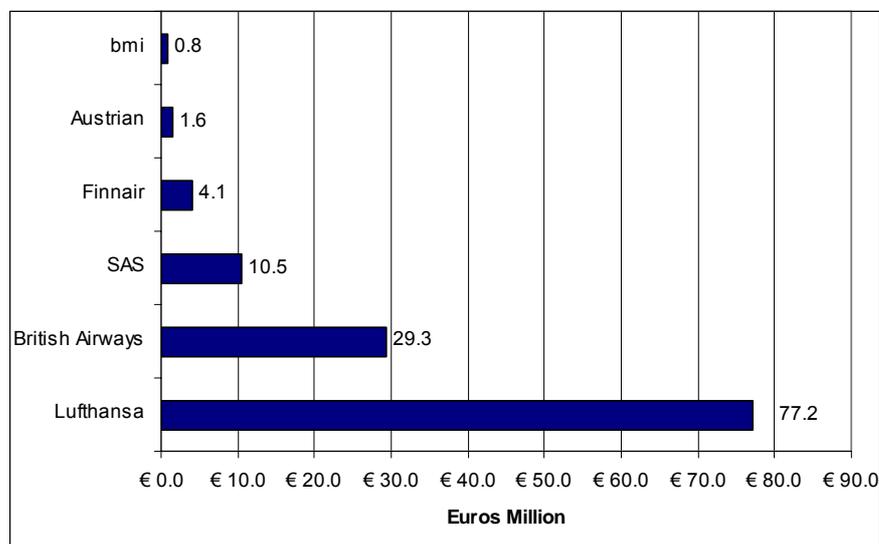
#### 5.4.3.5 Freight surcharge income

A similar trend to that seen with passenger surcharge income is also evident for airfreight security related income. Carriers with large freight throughputs such as Lufthansa and British Airways, generate the highest estimated levels of income.

Lufthansa is estimated to have generated around €77m from airfreight security related surcharges during 2002. This income is greater than the estimated income generated by the remaining carriers combined.

Lufthansa is followed by British Airways and SAS, but with significant lower income levels at €29m and €11m respectively during 2002.

Figure 5-42: Estimated carrier freight security surcharge related income (2002)



Note: Aer Lingus and Air Botnia freight security income is not included (no freight throughputs provided)

Source: Carrier security questionnaires

Estimation: IAA/AviaSolutions

#### 5.4.3.6 Combined passenger and freight surcharge income

The figure below outlines the estimated total security related income from passenger and airfreight surcharges generated by the responding carriers in 2002.

Figure 5-43: Estimated total carrier security related surcharge income (2002)

	Passenger		Air Freight		Total Security Income €million
	Income €million	% of total %	Income €million	% of total %	
Lufthansa	175.8	69%	77.2	31%	253
British Airways	136.9	82%	29.3	18%	166
SAS	57.8	85%	10.5	15%	68
TAP	43.6	100%	0.1	0%	44
Britannia	20.7	100%		0%	21
bmi	19.1	96%	0.8	4%	20
Iberia	36.6	100%		0%	37
Portugalia	7.2	100%	0.0	0%	7
Azzurra Air	4.7	100%	0.0	0%	5
Finnair	0.0	0%	4.1	100%	4
Spanair	3.3	100%	0.0	0%	3
Air Botnia	3.2	100%	0.0	0%	3
Austrian	1.6	50%	1.6	50%	3
<b>Total</b>	<b>510.4</b>	<b>81%</b>	<b>123.5</b>	<b>19%</b>	<b>634</b>

Note: Aer Lingus and Air Botnia freight security income is not estimated (no freight throughputs were provided)

Estimation: IAA/Aviasolutions

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Lufthansa ranks top with estimated combined passenger and airfreight related security income of €253m. Around 69% of this income was generated from passenger related surcharges and 31% from airfreight related security surcharges.

British Airways had an estimated income of €166m in 2002. The majority of this income (82%) is generated from passenger security surcharges.

Regional carriers rank bottom of the sample of estimated surcharges earnings, ranging from an estimated €3m for Air Botnia to €7m for PGA Portugália Airlines.

The sample of 13 surveyed carriers generated an estimated total of €634m from security related surcharges in 2002 of which 76% came from passenger surcharges and 20% from airfreight surcharges.

#### **5.4.4 State grants and subsidies**

This section outlines the security related activities that are paid for by States through public funding (e.g. grants, subsidies, etc) and are not remunerated either through State security related taxes or airport security related charges (in the case of publicly owned airports).

The security questionnaire distributed to the State security representatives requested details of any additional on-going security measures imposed by the State since 11 September 2001. The questionnaire also requested details of any financial assistance provided by the State to fund additional measures. The 18 States were also asked whether they were considering providing any additional funding in the near future.

##### **5.4.4.1 Security expenditure to date**

All States advised that additional security measures have been introduced after 11 September 2001. Thirteen States confirmed that some of these measures had been partially or fully financed from public funds. The other 5 States confirmed that no public funds had been spent on additional security measures. The security measures being publicly funded vary across the 13 States.

Not all States provided details of costs relating to additional security activities being funded by the State since 11 September 2001. States where funding was acknowledged, but where no financial details were provided, included:

- Austria - hold baggage screening.
- Belgium - security costs in the Walloon region airports.
- Greece - security costs at all regional airports operated by Hellenic CAA.
- Finland - security costs at municipal airports.
- Netherlands - additional armed guards.
- Sweden - security costs at regional airports not operated by LfV.

For the States where funding details were provided, the public funding for security related measures between 2001 and 2002 totalled an estimated €132m. The following figure summarises the additional security measures introduced by each State after 11 September 2001 that had associated public funding.



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#### 5.4.4.2 Proposed additional security expenditure

From the responses submitted, 4 States (Greece, Iceland, Italy and Norway) were expecting to publicly fund further security measures during 2003. Additional funding is mainly related to the introduction of 100% hold baggage screening across European airports in 2003.

Security related funding for 3 of these States (Iceland, Italy and Norway) is estimated at €190m. The largest expenditure was reported by Italy for the acquisition of hold baggage screening equipment at a cost of €180m. The following figure summarises the proposed additional security activities and their cost.

**Figure 5-45: Proposed additional security measures and funding by States in 2003**

State	Security measures to be publicly funded	Funding for measure million €	Total funding from State million €
Austria	None		
Belgium	None		
Denmark	None		
Finland	None		
France	None		
Germany	None		
Greece	1 Security equipment at airports operated by HCAA 2 Outsourcing security to private security companies		<b>u/n</b>
Iceland	1 Pax and baggage screening equipment 2 Security inspections at all airports	€ 0.5 € 0.3	<b>€0.8</b>
Ireland	None		
Italy	1 Purchase of hold baggage screening equipment	€ 180.0	<b>€180.0</b>
Luxembourg	None		
Netherlands	None		
Norway	1 Investments (e.g. screening equipment)	€ 9.3	<b>€9.3</b>
Portugal	None		
Spain	None		
Sweden	None		
Switzerland	None		
UK	None		
<b>Total identified</b>			<b>€190.1</b>

Source: State security questionnaires

### 5.4.5 Security related income - summary

The figure below summarises the total security related funding derived from levying State taxes and airport charges plus any grants provided by State to help fund security related activities.

**Figure 5-46: Estimation of total State and airport security related income (2002)**

States	2002						
	State taxation related income				Airport Charges Income	State Grants for Security	Total Security Income
	Passenger	Air Freight	Others	Total	Passenger		
	<i>Euro million</i>	<i>Euro million</i>	<i>Euro million</i>	<i>Euro million</i>	<i>Euro million</i>	<i>Euro million</i>	<i>Euro million</i>
Austria	34.1			34.1		32.7	66.8
Belgium	1.2			1.2	29.0	1.9	32.1
Denmark				0.0	0.0		0.0
Finland				0.0	0.0	u/n	0.0
France	62.0	0.4		62.4	166.8	(*)	229.2
Germany	287.1		12.5	299.6	6.2	46.0	351.8
Greece				0.0	7.7	u/n	7.7
Iceland	1.4			1.4	0.0	1.0	2.4
Ireland				0.0	36.7		36.7
Italy	82.3			82.3	110.6		192.9
Luxembourg				0.0	0.4	13.5	13.9
Netherlands	53.9			53.9	53.0	u/n	106.9
Norway				0.0	0.0	4.4	4.4
Portugal	24.7			24.7	3.0	25.0	52.7
Spain	38.5			38.5	38.5		77.0
Sweden				0.0	27.4	u/n	27.4
Switzerland				0.0	44.0	7.5	51.5
United Kingdom				0.0	81.6		81.6
<b>Total</b>	<b>585.2</b>	<b>0.8</b>	<b>12.5</b>	<b>598.5</b>	<b>604.8</b>	<b>132.0</b>	<b>1,335.3</b>

Key: (\*) France provides grants to airports to help fund security investment through the Civil Aviation Tax, no details were provided. (u/n) No estimation of cost of measures funded by the State is available.

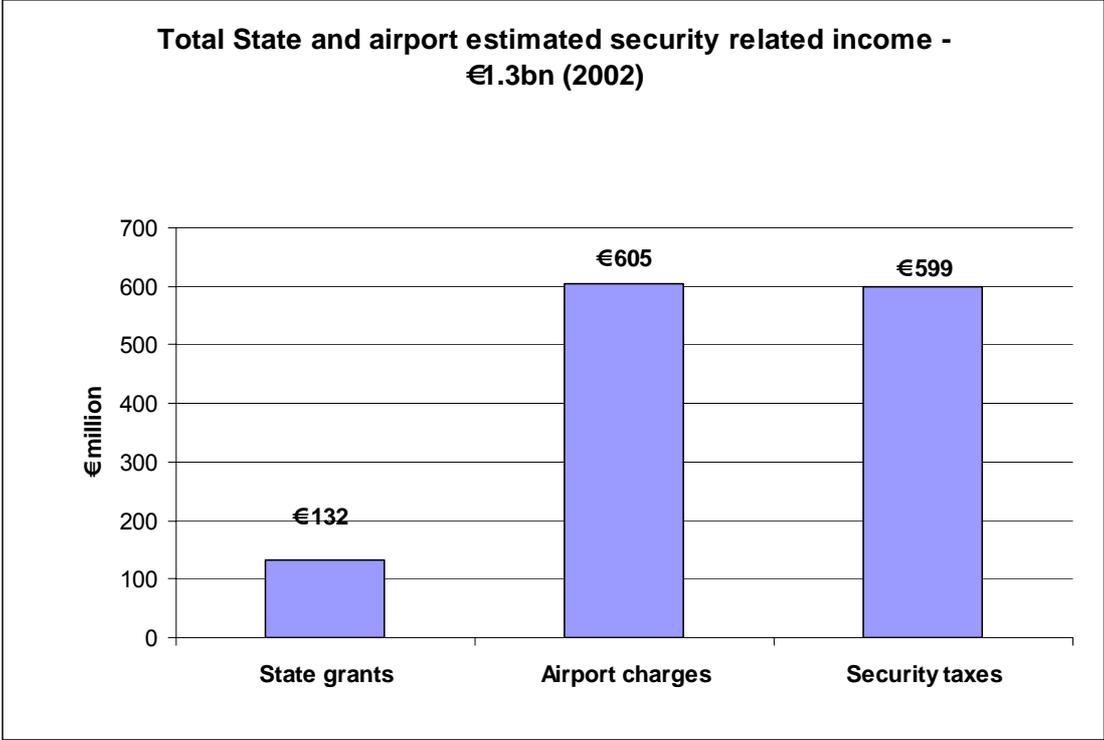
Source: State, airport and carrier security questionnaires

Estimations: IAA/AviaSolutions

The total European income estimates for the carriers are more difficult than for the State and airport elements in that many of the carriers do not levy surcharges and, as such, applying the weighted average surcharge to all of the European traffic is likely to overestimate the level of income raised.

This is further reinforced by the inclusion of the largest European airlines in the sample, as they are most likely to levy security surcharges. The airlines in the growing no frills sector are unlikely to charge security levies given the price sensitive nature of this market segment. The working assumption is that the majority of carrier surcharge income has been included in the responding carrier estimates of €633m for 2002.

**Figure 5-47: Total estimated State and airport security funding by source (2002)**



Note: Passenger related State taxes income for 2002 is estimated at €585m.  
 Estimation: IAA/AviaSolutions