



## EUROPEAN CIVIL AVIATION CONFERENCE CONFERENCE EUROPEENNE DE L'AVIATION CIVILE

### KEY ELEMENTS FOR PRM CHARGES

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Despite the reduction of air traffic due to the COVID-19 pandemic, on average, the relative number of PRM requests continues to grow at European airports. In many cases the costs incurred by Airport Managing Bodies (AMBs) in ensuring an effective and timely assistance to PRMs are considered high, according to the ECAC survey on charges and levies performed in July 2018, and sometimes also increased because of the health and sanitary protocols in force due to the COVID-19 pandemic.

The following key elements serve as an initial basis for ECAC Member States in their considerations regarding PRM charges, in particular during and following the COVID-19 crisis. This document does not represent recommendations, an agreed policy or "lines to take". The document should be considered as a living-document, with the aim to achieve a more harmonised approach towards PRM charges in the ECAC region, in particular in the COVID-19 crisis.

These key elements could be considered in connection with the four key charging principles, as set out by ICAO<sup>1</sup>: non-discrimination, cost relatedness, efficiency, transparency and consultation with users.

#### **1) List of costs to calculate the PRM charge**

Given the different approaches in setting the PRM charge by Member States, in order to simplify and harmonise the PRM charge calculation, it could be advisable to take into account only direct costs, i.e. operating and capital costs. It is not advisable to include indirect and overhead costs (usually allocated to specific drivers such as square metres, full time equivalent, etc) in the calculation of PRM charges as those costs are often less transparent and not clearly allocated to a certain service (e.g. heating costs, cleaning, concession fee). These costs could be allocated, according to Regulatory Accounting, to the "passenger service charge" or alternatively to the other remaining charges.

This means that, even if the AMBs propose a different allocation of indirect and overhead costs, it is perfectly compliant with the provisions of the Regulation 1107/2006 provided that it is done in a transparent, objective and non discriminatory way in the Annual Regulatory Accounting (verified by an external audit company) and the approach is agreed with the airport users (e.g. in an annual consultation). The approach described provides transparency from an economic and financial point of view both for AMBs and for passengers and permits a full recovery of costs.

Where Member States think it is useful, a list of direct, eligible and relevant costs as a basis for the calculation of the PRM charge can be helpful to ensure the harmonisation and simplification of PRM charges. In the PRM charge model, the following items could be included:

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<sup>1</sup> *Convention on International Civil Aviation (Doc 7300), Article 15 and ICAO Policies on Charges (Doc 9082) and on Taxes (Doc 8632)*

- Direct costs:
- Operating costs
    - o Equipment
    - o Salaries
    - o Training
    - o Recruitment
    - o Offices
  - Capital costs
    - o depreciation of capital investments directly linked to the PRM service
    - o the rate of return on that capital (e.g. weighted average cost of capital (WACC)).

## **2) Link between amount of PRM charges and quality standard**

The link between the quality standard of the service provided to PRMs at an airport and the amount of PRM charges levied could be strengthened through (i) PRM Key Performance Indicators (KPIs) and (ii) Service Level Agreements (SLAs). The quality of PRM service could be agreed by the AMBs and the representatives or associations of airport users.

Commonly used KPIs by Member States include the following:

- Waiting time for pre-notified/non-pre-notified PRMs
- Report of flight departure delays caused by PRM passenger
- Customer satisfaction surveys for PRM passengers
- Other passenger feedback (e.g. PRM complaints)

According to Regulation (EC) No 1107/2006, SLAs should include at least the following items:

- Service hours
- Service quality
- Number of staff
- Skills of the staff
- Equipment
- Training of the staff

## **3) Pre-notification of PRM assistance needs**

Pre-notification leads to benefits in terms of both efficiency and quality;

- Efficiency comes from information in advance, effective resource allocation, operational efficiency and cost-efficiency, equipment fit for purpose based on PRM customers;
- quality comes from frequent flyer programmes, customer confidence and customer satisfaction, better experience on the day of travel, fewer complaints, specific staff hiring and training for customer needs.

The main issues hindering the effectiveness of pre-notification are:

- timing of pre-notification not being respected;
- wrong pre-notifications; and
- unclear definition of the scope of PRM assistance.

Some measures to improve the effectiveness of pre-notification are:

- greater flexibility in booking and pre-notification systems, as passengers do not always want the same type of assistance at every point in their journey;
- easy-to-follow websites and helplines;
- clear definition of the scope of PRM assistance;
- a free phone number (the provider of this service should be jointly determined between operators and service providers) allowing people to speak to someone about their needs, which may be helpful in ensuring correct notification;
- the use of Frequent Travellers Medical Card (FREMEC), informing and encouraging passenger to use it, and providing information about their needs at once; and
- well-trained staff in contact with PRMs.

Points mentioned on this aspect should be further addressed within ECAC facilitation groups, with the support of stakeholders, to provide solutions and remove obstacles to pre-notification. Airline operators need to be informed that pre-notification is in their best interests. It may also be useful to collect pre-notification data from AMBs and/or ACI EUROPE, and other stakeholders, to analyse reasons of air carriers having low number of pre-notification.

#### **4) COVID-19 related principle**

As mentioned, according to airport statistics, the relative number of PRM requests is growing at European airports, which might increase the costs incurred by Airport Managing Bodies (AMBs) for providing the service to PRMs. The consequence is that due to the overall lower number of departing passengers and the increased costs the amount of the PRM charge will inevitably rise up with an adverse effect on AMBs, air carriers and passengers, as well. In fact, the PRM charge is cost-related and its amount is negatively linked to the volume of departing passengers.

This is the rationale by some Member States for considering – for the time being and on transitional basis – a “solidarity principle” in setting the PRM charge:

Following this principle, Member States could consider, where deemed useful, the benefits of lowering the existing PRM charge, postponing an increase, or covering all costs incurred by AMBs in the coming years. This could include calculating the PRM charge on the basis of the real costs incurred by AMBs and the volume of pre-COVID departing passengers (e.g. baseline of 2019) rather than the current volume, and setting aside the difference. This gap (loss for the AMBs) could be gradually recovered in future years when the pandemic is over, and traffic returns to pre-COVID-19 volumes.

From an economic and financial point of view the AMBs should not suffer any loss because there will merely be a time-shifting of the full recovery of all costs incurred, including the inflation rate and a fair and reasonable rate of return on invested capital such as the so called WACC – Weighted Average Cost of Capital. This principle is an optional approach to be submitted to Member States for consideration and should be seen as a possible measure among the “*basket of measures*” already proposed by the European Commission in other sectors (handling, traffic rights, airport slots, etc.).

According to paragraph 4, article 8 of the Regulation (EC) 1107/06 “*The PRM charge shall be reasonable, cost-related, transparent and established by the managing body of the airport in cooperation with airport users, through the Airport Users Committee where one exists or any other appropriate entity.*” Similar provisions are included in ECAC Doc 30, Part I – Facilitation, Section 5, paragraph 5.8.3.

## **5) Awareness and communication**

ECAC Member States should commit to promoting effective and sound actions among air carriers, AMBs, travel agencies and tour operators, to increase awareness and raise the rates of pre-notification and the quality of assistance.

Efforts should be made to identify – with the support of stakeholders - possible solutions and actions to urge air carriers to use the pre-notification process in order to increase the overall percentage of pre-notification at European airports.

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