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# **Airport Economics Manual**

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### Setting rental charges

6.37 The approach to setting rental charges is broadly similar to that outlined for concession fees. An assessment of the market value of the building space and land involved could be arrived at by taking into account the level of rentals charged for similar building space or land in the vicinity of the airport or in other comparable areas.

6.38 Since the market value of a rental property is strongly influenced by its location, an airport would normally divide building space and land into different zones, setting a range of charges per unit of floor space (particularly within terminal buildings) and lot of land, with much lower charges applying to space in more remote areas of the airport. In this context, airports may wish to consider making a distinction between space required by airlines that is essential for their operations at the airport, as opposed to space required by them for other purposes. Apart from airlines, airports may also choose to charge certain categories of tenants less than others, for example, other aviation enterprises, flying clubs, certain government departments and non-profit organizations. Moreover, some airports charge below what could be termed an adequate return for airport locations where they wish to encourage the establishment of certain activities.

### Tenders

6.39 The practice of inviting public tenders is extensively used in making arrangements for the offering of concessions, and also sometimes for the renting of airport premises or land, because it is often the most practical way of determining the market value of business trading rights at the airport or of airport premises. It also provides airport management with a widely acceptable means of selecting clients and tenants on favourable terms. It is worth noting that it may not necessarily be advisable to accept the highest tender since other factors, such as standards of service and competitive prices, could play a major role in arriving at the selection most profitable to the airport. Many airports follow specific procedures in the invitation and processing of bids by tender to ensure that all requirements are met. In some cases, particularly where major concessions are involved, the process is undertaken in two stages — the first to select candidates that meet the basic qualifications to provide the standard of service desired; and the second to invite these candidates to submit tenders for evaluation.

6.40 When airports invite public tenders, it is usual for such invitations to include information on which the bid may be based, together with specific indications as to the information required in support of the bid and the way the bids are to be submitted. In the case of simple rentals, the points covered might be expected to include:

- a) details of the size, location and condition of the premises;
- b) the nature of the activities that could be conducted on the premises;
- c) the proposed date of commencement and duration of the lease;
- d) maintenance and services provided;
- e) improvements expected to be carried out by the lessee;
- f) security or guarantee deposit requirements; and
- g) closing date for tender submissions.