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Ref.: SD 38/1-07/69

7 December 2007

**Subject:** Invitation to attend the Conference on the  
Economics of Airports and Air Navigation Services  
(Montreal, 15-20 September 2008)

**Action required:** a) Complete and return the enclosed  
questionnaire by 31 January 2008;  
b) Reply concerning attendance by 30 April 2008; and  
c) Submit any working papers by 4 August 2008

Sir/Madam,

I have the honour to extend to your Government/Organization an invitation to the Conference on the Economics of Airports and Air Navigation Services (CEANS) to be held at ICAO Headquarters in Montreal from Monday, 15 September to Saturday, 20 September 2008.

The Conference will address the major economic and managerial challenges faced by States in the process of commercialization and privatization of airports and air navigation services, and review the associated ICAO policies and guidance material.

### Conference Agenda

The Agenda for the Conference, which has been endorsed by the Council, appears in **Attachment A** to this letter. It has been developed on the basis of a list of topics circulated to States and international organizations (State letter SD 38/1-07/9 dated 23 February 2007) and the comments received. Advice by the Airport Economics Panel (AEP) and the Air Navigation Services Economics Panel (ANSEP) has also been taken into consideration.

The Agenda has been structured around four components: 1) issues involving interaction between States, providers and users; 2) specific issues related to airport economics and management; 3) specific issues related to air navigation services economics and management; and 4) implementation of ICAO's policies on charges. The examination of these Agenda items will lead to conclusions and recommendations, in most cases concerning amendments to existing ICAO's policies and guidance material.

## Survey

In order to prepare background information for the Conference, a survey for States on some organizational and regulatory aspects of airports and air navigation services is included in **Attachment B** to this letter. I would be grateful if you could complete and return the survey by mail, facsimile (+1 514 954-6744) or e-mail ([ceans@icao.int](mailto:ceans@icao.int)), as early as possible, and **not later than 31 January 2008**. Alternatively, you may wish to complete the survey online (English version only) at the following web address [http://www.icao.int/icao/en/atb/epm/ecp/2007\\_069q.htm](http://www.icao.int/icao/en/atb/epm/ecp/2007_069q.htm). While the survey is addressed to States, international organizations are welcome to provide their views or comments on any of the aspects covered by the survey.

## Documentation

The Secretariat will prepare basic working papers, addressing key issues and, where applicable, include draft conclusions and recommendations for each Agenda topic. These papers will be posted on the dedicated CEANS web page accessible from the ICAO public website ([www.icao.int](http://www.icao.int)) by the end of April 2008. Considering the limited time for the meeting, the discussions at the Conference will focus on the key issues. If you intend to submit working papers, you may wish to review the Secretariat's basic documentation before doing so.

The reference material for the Conference will include: *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082, seventh edition), *Airport Economics Manual* (Doc 9562, second edition, currently available in English only) and *Manual on Air Navigation Services Economics* (Doc 9161, fourth edition, currently available in English only). These documents are available in electronic format on the ICAO public website as well as on the ICAO-NET.

Any working papers that you plan to submit for the Conference should be received **not later than 4 August 2008** in order to permit translation, reproduction and distribution in due time prior to the meeting. Papers received after that date, but not later than 1 September 2008, will be processed as promptly as possible in the language or languages in which they are submitted. Working papers will be posted on the CEANS web page as soon as they are processed.

Working papers should be limited to four pages of text including any appendices. As a matter of policy, working papers of more than four pages are no longer translated by the Organization. Working papers presented by observers and all information papers will be produced in their original language only, unless translated versions are provided by the originators of such papers.

Electronic submission of working papers is strongly encouraged. As Microsoft Word is the ICAO standard for word processing, it would be appreciated if an electronic copy of your working paper in Microsoft Word format could be sent directly by e-mail to [ceans@icao.int](mailto:ceans@icao.int).

### **Pre-Conference symposium**

A one-day preparatory Symposium will take place at ICAO Headquarters, immediately prior to the Conference, on 14 September 2008. The purpose of the Symposium is two-fold: a) to set the scene for the Conference by looking at future challenges facing international civil aviation; and b) to provide a forum for stakeholders to exchange information and experiences on key topics to be addressed by the Conference. A separate invitation to the Symposium will be sent to you in March 2008.

### **Organizational arrangements**

The Conference will work as a single body. The working languages will be Arabic, Chinese, English, French, Russian and Spanish. The Conference will be conducted in accordance with the *Standing Rules of Procedure for Meetings in the Air Transport Field* (Doc 8683), except that the Council has suspended Rule 26 which calls for the preparation of summary minutes. There will be no provision for opening statements by States or Organizations. In accordance with Rule 2 of Doc 8683, credentials will be required.

Information concerning registration, visa requirements, hotels, and other administrative arrangements will be sent to you in March 2008, together with the invitation to the Symposium. Such information, as well as other Conference-related material, will also be posted on the CEANS web page.

### **Response to invitation**

I would appreciate it if you could indicate and/or confirm to me by mail, facsimile (+1 514 954-6744) or e-mail ([ceans@icao.int](mailto:ceans@icao.int)), as early as possible, and in any event **not later than 30 April 2008**, whether your Government/Organization plans to participate in the Conference and, if so, the names of your representatives.

Accept, Sir/Madam, the assurances of my highest consideration.

Taïeb Chérif  
Secretary General

### **Enclosures:**

- A — Agenda for the Conference on the Economics of  
Airports and Air navigation Services (CEANS)
- B — Survey

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND  
AIR NAVIGATION SERVICES**

**AGENDA**

**1. ISSUES INVOLVING INTERACTION BETWEEN STATES, PROVIDERS AND USERS**

Review of three key issues common to airports and air navigation services:

**1.1 Economic oversight**

The protection of users against potential abuse of dominant position by airports and air navigation services providers (ANSPs) is a State's responsibility. This could be achieved through economic oversight, i.e. monitoring by a State of the commercial and operational practices of service providers. The Conference will discuss the scope and forms of economic oversight, as well as the associated costs and benefits, and consider what forms of economic oversight might be applied, according to the specific circumstances in a State.

**1.2 Economic performance and minimum reporting requirements**

The assessment of airport and ANSP performance, including the use of benchmarking, can serve to improve safety, quality of services, productivity and cost-efficiency of airports and ANSPs, as well as to support investment decisions. The Conference will discuss and try to achieve a mutual understanding by all stakeholders regarding the kind of data that would be fundamental for performance reporting, as well as the minimum reporting requirements for performance measurement.

**1.3 Consultation with users**

Good relations between regulators, providers and users are important for the effective development of air transport. However, many airports and ANSPs around the world do not consult users, or do not maintain a proper and regular consultation process. The Conference will review existing consultation mechanisms between airports/ANSPs and users, and consider innovative solutions to establish the foundation for a sound cooperation between providers and users.

**2. SPECIFIC ISSUES RELATED TO AIRPORT ECONOMICS AND MANAGEMENT**

Examination of issues specific to airports:

**2.1 Governance, ownership and control**

Changes in governance, ownership and control of airports, including cross-border investments in privatized airports, can have implications for a State's obligations in the provision and operation of airport services. Based on the experiences of commercialization and privatization, the Conference will consider the influence of different governance structures on the performance of

airports and what measures States can take in order to ensure that all relevant obligations of States are observed.

## **2.2 Cost basis for charges**

The cost basis of an airport for charging purposes has usually been established by taking into account the costs of operation and maintenance, cost of capital and depreciation of assets (based on historical value in most cases), and a “reasonable” return on assets. The Conference will try to build a consensus on possible ways to assess what would constitute a “reasonable” rate of return, and explore the possibility of consolidating several airport cost bases into one cost base for charging purposes.

## **2.3 Cost allocation and charging systems**

Current ICAO’s policies and guidance material on airport charges have provisions dealing with how the costs of the various airport facilities and services should be allocated to different categories of users. However, some new trends have emerged such as the allocation of costs on a per passenger basis, which includes all or most cost bases of the aeronautical activities. The Conference will discuss whether such new approaches are consistent with ICAO’s policies, and consider appropriate amendments to the policies and guidance material on cost allocation.

## **2.4 Non-discrimination aspects**

In recent years, airport operators have developed certain differential charges to attract and retain new airline services, for example, discounts on passenger service charges and incentive schemes for particular airlines, including low-cost carriers. Some of these differential charges might be non-transparent, discriminatory and anti-competitive, especially when they constitute a form of State aid. The Conference will address the issue of how to deal with the measures taken by airport operators that have the potential to create unfair treatment, as well as the issue of access to airport facilities.

## **2.5 Financing and cost recovery of security measures**

According to ICAO’s policies on security charges, the costs of security functions performed by States such as general policing, intelligence gathering and national security should not be passed on to the airport users. However, practices differ between regions and States, which have financial implications on users. The Conference will review the current policies and discuss how to achieve a more harmonized implementation of ICAO’s policies regarding airport security charges.

# **3. SPECIFIC ISSUES RELATED TO AIR NAVIGATION SERVICES ECONOMICS AND MANAGEMENT**

Examination of issues specific to air navigation services:

### 3.1 **Governance, ownership and control**

While autonomous and commercialized ANSPs have been established in many States around the world, financing is still an issue in other States. The Conference will consider the importance of further promotion of ICAO's policies on the establishment of autonomous ANSPs, including separation between regulatory and operational functions. The Conference will also review the commercialization experiences and discuss its influence on the performance of ANSPs, with particular attention to governance and management structures.

### 3.2 **Cost basis for charges**

The cost basis of an ANSP for charging purposes has usually been established by taking into account the costs of operation and maintenance, plus cost of capital and depreciation of assets, as well as a "reasonable" return on assets. The Conference will try to build a consensus on possible ways to assess what would constitute a "reasonable" rate of return for ANSPs. Another issue that the Conference will address is the practice of contingency funds in order to cater for unforeseen severe drops in traffic/revenues.

### 3.3 **Cost allocation and charging systems**

The allocation of costs to air traffic control services has traditionally followed the categorization of services between aerodrome control, approach control and area control. The Conference will review recent developments, and consider the need for and implications of an alternative categorization of services based on the portions of airspace and on the phase of flight, which could lead to the introduction of zone (differential) charges. The Conference will also discuss the relevance of the element of aircraft weight in the charging formulae and incentives that could apply both to providers and users.

### 3.4 **Economic and organizational aspects related to implementation of the global air traffic management (ATM) concept**

The global air traffic management (ATM) concept seeks to derive operational, economic as well as environmental benefits for all members of the ATM community. The efficient and cost-effective implementation of a seamless ATM system will be facilitated through multilateral cooperation and institutional arrangements for financing and charging. The Conference will review the work of ICAO concerning the economic, organizational and managerial aspects of the implementation of the global ATM concept, and consider what practical guidance and support ICAO may provide to States, as well as to regional and sub-regional entities, including guidance on charging systems.

## 4. **IMPLEMENTATION OF ICAO'S POLICIES ON CHARGES**

While ICAO has developed comprehensive policies and guidance material on charges for airports and air navigation services, States do not always fully observe them. This is often due to a lack of awareness of and firm commitment by States to follow them. Such situation may not improve with the trend of commercialization and privatization, which lead to changes in governance, ownership and control of airports and ANSPs. The Conference will discuss possible means to increase the awareness of ICAO's policies and their implementation by States and their airports and ANSPs.

**ATTACHMENT B** to State letter SD 38/1-07/69

## SURVEY

## PURPOSE

This survey for States will assist the ICAO Secretariat in the preparation of background information for CEANS on some organizational and regulatory aspects of airports and air navigation services.

## Reply to reach ICAO by 31 January 2008

State: \_\_\_\_\_

## COVERAGE

This survey is divided into three parts. Parts 1 and 2 address organizational issues for airports and air navigation services, respectively. Part 3 addresses regulatory practices applicable to airports and air navigation services in your State. Any additional input or comments you wish to provide may be written on the survey or supplied on a separate sheet.

## PART 1 - AIRPORTS

To complete points 1.1 to 1.5 please use, if possible (and practicable), ONE copy of this part of the survey for each major international airport and/or for those international airports managed as a group, especially where there are differences in organization and ownership.

### List of airports:

[illegible]

**ORGANIZATION**

- 1.1 Indicate below the current structure of ownership and operation of the airport(s), and any changes planned:

		<b>Structure</b>	
		<b>Current</b>	<b>Planned</b>
a)	Ministry or other national government department	<input type="checkbox"/>	<input type="checkbox"/>
b)	Directorate of civil aviation	<input type="checkbox"/>	<input type="checkbox"/>
c)	Regional or municipal government	<input type="checkbox"/>	<input type="checkbox"/>
d)	Government-owned autonomous airport entity	<input type="checkbox"/>	<input type="checkbox"/>
e)	Private interests operating the airport(s) under a concession or leasing arrangement	<input type="checkbox"/>	<input type="checkbox"/>
f)	Privately-owned airport entity	<input type="checkbox"/>	<input type="checkbox"/>
g)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

- 1.2 If the ownership of the airport(s) currently includes, or is planned to include, private interests, indicate the percentage of capital owned by:

		<b>Per cent of capital</b>	
		<b>Current</b>	<b>Planned</b>
a)	Domestic private interests	%	%
b)	Foreign private interests	%	%
c)	Government – national	%	%
d)	Government – regional or municipal	%	%
e)	Other, please specify: _____	%	%

- 1.3 Indicate where private domestic and/or foreign interests own or operate any of the following:

		<b>Ownership/operation</b>	
		<b>Domestic</b>	<b>Foreign</b>
a)	All airport infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
b)	Passenger terminal facilities	<input type="checkbox"/>	<input type="checkbox"/>
c)	Cargo terminal facilities	<input type="checkbox"/>	<input type="checkbox"/>
d)	Ground handling	<input type="checkbox"/>	<input type="checkbox"/>
e)	Air traffic control (including communications)	<input type="checkbox"/>	<input type="checkbox"/>
f)	Aviation security services	<input type="checkbox"/>	<input type="checkbox"/>
g)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

**PERFORMANCE MANAGEMENT AND BENCHMARKING**

1.4 Indicate whether the airport(s) uses, or plans to use, performance measurement and/or benchmarking in the following areas:

		<b>Measures</b>	
		<b>In effect</b>	<b>Planned</b>
a)	Safety	<input type="checkbox"/>	<input type="checkbox"/>
b)	Quality of service	<input type="checkbox"/>	<input type="checkbox"/>
c)	Productivity	<input type="checkbox"/>	<input type="checkbox"/>
d)	Cost-effectiveness	<input type="checkbox"/>	<input type="checkbox"/>
e)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

**ADDITIONAL COMMENTS**

1.5 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
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**PART 2 - AIR NAVIGATION SERVICES****FIR(s)/UIR(s) (Flight information region(s)/upper flight information region(s)) covered:**


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**ORGANIZATION**

2.1 Indicate below the current structure of ownership and operation under which air traffic services (ATS) en route (area control) are provided and any changes planned:

		<b>Structure</b>	
		<b>Current</b>	<b>Planned</b>
a)	Ministry or other national government department	<input type="checkbox"/>	<input type="checkbox"/>
b)	Directorate of civil aviation	<input type="checkbox"/>	<input type="checkbox"/>
c)	Government owned autonomous entity	<input type="checkbox"/>	<input type="checkbox"/>
d)	International operating agency	<input type="checkbox"/>	<input type="checkbox"/>
e)	Privately-owned entity (fully or partially)	<input type="checkbox"/>	<input type="checkbox"/>
f)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

2.2 Indicate whether approach and aerodrome control services, including communications, are currently provided by:

- |    |   |                          |
|----|---|--------------------------|
| a) | The airport administration itself       | <input type="checkbox"/> |
| b) | The organization providing ATS en route | <input type="checkbox"/> |
| c) | Other, please specify: _____            |                          |

2.3 Indicate whether the provider of ATS referred to in question 2.1 is also the principal provider of the following services:

- |    |   |                          |
|----|---|--------------------------|
| a) | COM (Aeronautical telecommunication services) | <input type="checkbox"/> |
| b) | MET (Meteorological services)                 | <input type="checkbox"/> |
| c) | SAR (Search and rescue services)              | <input type="checkbox"/> |
| d) | AIS (Aeronautical information services)       | <input type="checkbox"/> |

**PERFORMANCE MANAGEMENT AND BENCHMARKING**

2.4 Indicate whether the provider of ATS uses, or plans to use, performance measurement and/or benchmarking in the following areas:

		<b>Measures</b>	
		<b>In effect</b>	<b>Planned</b>
a)	Safety	<input type="checkbox"/>	<input type="checkbox"/>
b)	Quality of service	<input type="checkbox"/>	<input type="checkbox"/>
c)	Productivity	<input type="checkbox"/>	<input type="checkbox"/>
d)	Cost-effectiveness	<input type="checkbox"/>	<input type="checkbox"/>
e)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

**ADDITIONAL COMMENTS**

2.5

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**PART 3 - REGULATORY ASPECTS**

- 3.1 Indicate whether the provision of airport and/or air navigation services is separated, or is planned to be separated, from regulatory functions:

<b>Airports</b>		<b>Air Navigation Services</b>	
<b>In effect</b>	<b>Planned</b>	<b>In effect</b>	<b>Planned</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 3.2 Indicate if your government has, or plans to have, specific regulatory provisions with regard to economic oversight (i.e. monitoring of the commercial and operational practices of a service provider):

<b>Airports</b>		<b>Air Navigation Services</b>	
<b>In effect</b>	<b>Planned</b>	<b>In effect</b>	<b>Planned</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you have checked any boxes under this question, please provide below or attach a brief summary of the provisions.

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- 3.3 Indicate whether charges on air traffic (e.g. landing charges, parking charges, passenger service charges, security charges, route charges, and approach and aerodrome control charges) are determined by:

		<b>Airport Charges</b>	<b>Air Navigation Services Charges</b>
a)	Airport/air navigation services provider on its own	<input type="checkbox"/>	<input type="checkbox"/>
b)	Airport/air navigation services provider subject to agreements with users	<input type="checkbox"/>	<input type="checkbox"/>
c)	Airport/air navigation services provider with government approval	<input type="checkbox"/>	<input type="checkbox"/>
d)	Government	<input type="checkbox"/>	<input type="checkbox"/>
e)	Economic regulatory and/or competition body	<input type="checkbox"/>	<input type="checkbox"/>
f)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

3.4 Indicate the main determinants and factors applied in setting airport/air navigation services charges:

		<b>Airport Charges</b>	<b>Air Navigation Services Charges</b>
a)	Charges are cost-based	<input type="checkbox"/>	<input type="checkbox"/>
b)	Charges are revenue-targeted	<input type="checkbox"/>	<input type="checkbox"/>
c)	Transparent accounting system clearly identifying sources of income and categories of expenses	<input type="checkbox"/>	<input type="checkbox"/>
d)	Regulatory factors (e.g. price cap)	<input type="checkbox"/>	<input type="checkbox"/>
e)	Non-aeronautical revenues are used to defray the cost base for charges ("single-till")	<input type="checkbox"/>	<input type="checkbox"/> *
f)	Contributions from non-aeronautical revenues are used to partly defray the cost base for charges ("hybrid")	<input type="checkbox"/>	<input type="checkbox"/> *
g)	Non-aeronautical revenues are not used to defray the cost base for charges ("dual-till")	<input type="checkbox"/>	<input type="checkbox"/> *
h)	Intergovernmental factors (e.g. obligations emanating from bilateral air services agreements; regional regulatory policy agreements)	<input type="checkbox"/>	<input type="checkbox"/>
i)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

(\* if applicable)

3.5 Indicate whether there is a consultation process regarding charges between the airport(s)/ANSP and users and/or user representative organizations:

		<b>Airport Charges</b>	<b>Air Navigation Services Charges</b>
a)	Consultation is mandatory	<input type="checkbox"/>	<input type="checkbox"/>
b)	Not mandatory but regular consultations	<input type="checkbox"/>	<input type="checkbox"/>
c)	No consultation process in place	<input type="checkbox"/>	<input type="checkbox"/>
d)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

3.6 Indicate whether there is a consultation process regarding infrastructure development between the airport(s)/ANSP and users and/or user representative organizations:

		<b>Airport Development</b>	<b>Air Navigation Services Development</b>
a)	Consultation is mandatory	<input type="checkbox"/>	<input type="checkbox"/>
b)	Not mandatory but regular consultations	<input type="checkbox"/>	<input type="checkbox"/>
c)	No consultation process in place	<input type="checkbox"/>	<input type="checkbox"/>
d)	Other, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>

**ADDITIONAL COMMENTS**

3.7 \_\_\_\_\_

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— END —