



**OPENING ADDRESS BY THE
PRESIDENT OF THE COUNCIL OF THE
INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO),
MR. ROBERTO KOBEH GONZÁLEZ,
TO THE CONFERENCE ON THE ECONOMICS OF AIRPORTS
AND AIR NAVIGATION SERVICES**

(Montréal, 15 September 2008)

It is a great pleasure for me to welcome you, on behalf of the Council and the Secretary General of the International Civil Aviation Organization (ICAO), to this Conference on the Economics of Airports and Air Navigation Services.

The first ICAO Conference on charges was held in 1956 and since then, five more have been held. Today, we undertake the seventh and our common objective is to review and validate the current policy guidance on charges. This Conference is obviously timely given the rapidly changing operating environment in which international civil aviation now finds itself. We face challenges of unknown depth and scope, such as the supply and price of oil, environmental issues and capacity constraints. In times such as these, it is essential that all parties come together and cooperate in adapting the air transport system to harsh new realities. Efficiency and cost-effectiveness must become our guiding principles as we move towards a financially healthy and sustainable industry.

This Conference is also timely because of the significant developments of the past decade in the organization and financing of service providers. The previous Conference in 2000 updated ICAO's policy guidance with respect to commercialization and privatization of airports and air navigation service providers. This Conference can build on recent experiences in this area and further develop policy guidance, so that States can deal effectively with essential regulatory matters related to charges and economic aspects of airports and air navigation services.

Commercialization and privatization of airports and air navigation services are part of the on-going globalization process and the liberalization of the world's economies.

Whether privatized or not, however, a significant number of service providers worldwide still do not fully recover their costs, according to studies undertaken by ICAO. This has serious implications, compounded by the consistent growth of air transport, which has and will continue to place increasing pressure on States to finance the expansion or renewal of airports and air navigation facilities and services in order to overcome or prevent airport and airspace congestion. The picture becomes more complicated when we consider the challenges I mentioned earlier and how they may adversely affect the global demand for air transport.

According to the *Convention on International Civil Aviation*, States are ultimately responsible for aviation safety and security in their airspace. They are also responsible for ensuring that services are provided in accordance with ICAO Standards, recognized as crucial to the safety and security of international air navigation.

In addition, when considering commercialization or privatization of airports or air navigation service providers, States should bear in mind that economic oversight is the responsibility of the States as well. The objective is to prevent abuse from what has been referred to as the “natural monopoly” of a service provider. A State’s economic oversight responsibility can be exercised in several different ways, from a “light-handed” approach to more direct regulatory interventions in the economic decisions of service providers, for example through the establishment of a regulatory mechanism. States will have to select the most appropriate form of economic oversight according to their specific circumstances. When deciding how to exercise their economic oversight function, States should take into consideration the degree of competition between service providers, the costs and benefits related to alternative oversight forms, as well as the legal, institutional and governance frameworks.

The need for more direct regulatory interventions may be reduced where appropriate mechanisms for consultation with users have been implemented and where cooperative arrangements between providers and users are in place. With the enormous challenges before us, I am convinced that taking cooperation in the industry to another level is absolutely necessary.

The current ICAO policies on charges prescribe consultations only on an *ad-hoc* basis in the context of increases in charges and major infrastructure development plans. However, consultation should be an on-going process and it may even take up to a couple of years to get it established, since a number of meetings are needed to achieve mutual trust and develop a constructive dialogue. We will therefore need to strengthen ICAO policies on consultation with users and require the establishment of permanent mechanisms for consultations where no voluntary arrangements between providers and users exist. Such consultations should include representatives of all user categories operating at the airports or in the airspace concerned.

Closely related to economic oversight and consultations with users is the issue of the performance of service providers. Since performance management is an important tool for service providers, regulators and users, States should ensure that, within their economic oversight function and through the consultation process, appropriate performance management systems are developed and implemented by their service providers.

These three key topics of the Conference – economic oversight, performance management and consultations – are interrelated and together represent a holistic approach to increased cooperation in the industry, in particular between regulators, providers and users. If we can reach a common understanding on these three issues, and I believe we can, it will serve as a basis for adopting constructive conclusions and recommendations that will help us meet the goals of this Conference concerning cooperation and efficiency.

Having said that, I realize that ICAO’s policies on charges differ in status from the provisions of the Chicago Convention, in that a Contracting State is not legally bound to adhere to the policies. With the commercialization and privatization of airports and air navigation services, there is a risk of less awareness of ICAO’s policies in the economic field, which could lead to diverging approaches to user charges and taxation. For example, the economic characteristics and capacity limitations of airports and air navigation service providers, combined with the liberalization of air transport services have, in certain circumstances, given rise to questions regarding the application of the non-discrimination principle in Article 15 of the Chicago Convention and the application of equitable cost-recovery practices. It is therefore important to emphasize that since the policies are based on recommendations of major international conferences, like this one, States are morally committed to follow them. States should recognize that non-adherence to ICAO’s policies on charges undermines the efficient and cost-effective provision and operation of airports and air navigation services, as well as the relationship with users, in particular with respect to transparency and the fair treatment of different categories of users. States should, therefore, ensure that their service providers adhere to ICAO’s policies and report to ICAO any deviations from the adherence to these policies.

It is an honour for me to declare open this Conference on the Economics of Airports and Air Navigation Services. In his address, Mr. Saud A.R. Hashem, Chairman of the Air Transport Committee and Representative of Saudi Arabia on the Council, will provide us with additional details on the Agenda of the Conference.

The Council of ICAO is looking forward to your recommendations with great anticipation and will take very seriously your suggestions on how best to enhance its policy guidance on airport and air navigation service charges, as well as on other aspects of airport and air navigation services, economics and management.

If the views expressed at yesterday's pre-Conference Symposium are any indication, I am very confident that this conference will be a very productive one indeed.

I now invite Mr. Hashem to say a few words.