

WORKSHOP ON AIRPORT AND ROUTE FACILITY MANAGEMENT

(Dakar, 5-7 February 2003)

AGENDA

1. ICAO policy on airport and air navigation services charges
2. Organizational structures of airports, including commercialization
3. Airport financial management and airport charges on air traffic
4. Development and management of non-aeronautical activities
5. Infrastructure financing
6. Organizational structures of air navigation services, including international cooperation
7. Financial management of air navigation services and air navigation services charges

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Agenda Item 1: ICAO policy on airport and air navigation services charges

The basic policy established by ICAO in the area of airport and air navigation services charges is expressed in Article 15 of the *Convention on International Civil Aviation* (the Chicago Convention). Additional and more detailed policy guidance is provided in the *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082/6), in paragraphs 7 to 35 and Appendix 1, with respect to airports and in paragraphs 7 to 20, 36 to 51 and Appendix 2, with respect to air navigation services. *ICAO's Policies* replace the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082/5), that were reviewed by the Council in December 2000 on the basis of recommendations of the Conference on the Economics of Airports and Air Navigation Services (ANSConf 2000), held in Montreal 19 to 28 June 2000. Chapter 1 – ICAO Policy on Airport Charges, of the *Airport Economics Manual* (Doc 9562) also focusses on this subject, as does Chapter 1 – ICAO Policy on Air Navigation Services Charges, of the *Manual on Air Navigation Services Economics* (Doc 9161).

This agenda item is intended to provide the workshop participants with an opportunity to examine the policy and principles advocated by ICAO, obtain clarifications, and raise any other related subject matters. A special reference will be made to security charges.

It should be noted that practical aspects of implementing the principles and practices advocated will be addressed under other agenda items below, in particular items 3 and 7.

Closely related to this subject is the *Statement of ICAO Policy on CNS/ATM Systems Implementation and Operation* which was approved by the Council in March 1994. This Statement which provides the basic policy guidance with regard to the ICAO communications, navigation and surveillance/air traffic management (CNS/ATM) systems concept is reproduced in WARFM (Dakar) - WP/4.

Agenda Item 2: Organizational structures of airports, including commercialization

The objective of this agenda item is to discuss various aspects of the organizational structures of airports. This refers both to overall organization and to internal organization. The former focuses on such subjects as airports within a civil aviation administration and different forms of autonomous authorities under which airports may operate. Particular attention will be given to the increasing commercialization of airports as well as private involvement in airport ownership and operation. Internal organization addresses specific aspects of the organization of an international airport.

In approaching the subject reference should be made to the guidance in the *ICAO's Policies* in Doc 9082/6, paragraphs 10-17 addressing, *inter alia*, independent economic regulation mechanism, performance parameters and best commercial practices. Participants may also find it useful to base their discussions on Chapter 2 ! Organizational Structures of Airports of the *Airport Economics Manual* (Doc 9562). Moreover, reference should be made to the ICAO Circular 284-AT/120 *Study on Privatization in the Provision of Airports and Air Navigation Services*. Participants should be prepared to answer questions on the organizational arrangements that international airports in their States operate under.

Agenda Item 3: Airport financial management and airport charges on air traffic

Airport accounts serve many important purposes and it has long been recognized that a suitable accounting system which permits the identification of an airport's revenues and expenses, its debts and the value of its assets is an essential tool for airport management in exercising proper financial control, including obtaining external financing under the most favourable terms.

Attention is invited to paragraph 21 of the *ICAO's Policies* in Doc 9082/6, which states: "The Council considers that as a general principle it is desirable, where an airport is provided for international use, that the users shall ultimately bear their full and fair share of the cost of providing the airport. It is therefore important that airports maintain accounts which provide information adequate for the needs of both airports and users and that the facilities and services related to airport charges be identified as precisely as possible".

Guidance on the development of airport accounting systems is contained in Chapter 3 ! Airport Financial Control, of the *Airport Economics Manual*, which deals with the purposes, scope and inter-relationship of financial control and accounting in airport planning and management, and other basic aspects thereof; gives broad descriptions of accounting systems designed to meet requirements for certain specific functions; and also describes means of measuring performance and productivity.

Further to Chapter 3, Chapter 4 ! Determining the Cost Basis for Charging Purposes, of the *Airport Economics Manual*, then describes the practical application of financial data for the particular purpose of determining the cost basis for airport fees and charges. The chapter provides advice on how this should be done with respect to individual charges on air traffic, as well as advice on determining the costs attributable to concessions and other non-aeronautical activities.

Following discussions of Chapters 3 and 4, participants may find it useful to describe in broad terms the system(s) of accounts applied at their own international airports and refer to problems that may have been encountered in developing these accounting systems and other means of exercising financial control, as well as to any innovations or significant modifications intended. Thereafter they may wish to exchange views on the approaches applied at their international airports in determining the cost basis for individual charges on air traffic (for example, landing, parking, passenger-service and security charges) as well as costs attributable to non-aeronautical activities.

To meet the growing demand for airport financial data, ICAO began collecting such data on an annual basis commencing with the year 1976. The form (Form J) used for this purpose is reproduced in WARFM (Dakar) - WP/2. Participants, having described and discussed the accounting systems of their international airports, might relate these to Form J and indicate the extent to which data called for therein could be provided to ICAO.

Agenda item 3 will also focus attention on the establishment of charges and charging systems aimed at recovering from air traffic the airport costs attributable to that traffic. Policy guidance on this subject is contained in the *ICAO's Policies*, paragraphs 23 to 31 and 33. Additional guidance is provided in Chapter 5 - Charges on Air Traffic and Their Collection, of the *Airport Economics Manual*, which addresses various aspects of airport charges on air traffic, including systems to be applied with regard to individual types of charges, collection of charges, and consultations with users on charges.

Participants may wish to use the opportunity to seek clarification on policy and other guidance provided by ICAO, discuss problems encountered in their States in the area of airport charges and their collection, compare their charging systems, and raise any other related matters. In this connection the listing of landing charges, passenger related charges and air navigation services charges by selected aircraft type and State in Africa presented in WARFM (Dakar) - WP/3, may also be of interest to participants.

Agenda Item 4: Development and management of non-aeronautical activities

The ICAO's *Policies* draw attention to the continuing importance to airports of income derived from concessions and rentals and recommend that airports study and encourage the development of such revenues to the extent feasible. Also, that ICAO be kept informed of practices and conclusions in this regard so that the benefit of experience may be made available to all concerned, (paragraphs 34 and 35 refer).

Chapter 6 - Development and Management of Non-Aeronautical Activities, of the *Airport Economics Manual*, in addressing this subject focuses on such matters as types of non-aeronautical activities, managerial aspects, setting fees and charges for non-aeronautical activities, and contractual aspects. Also relevant in this context is an earlier ICAO study entitled *Development of Non-Aeronautical Revenues at Airports* (Circular 142-AT/47), where, for example, texts of illustrative tender documentation, concession contracts and leases are reproduced in Appendices 11 to 16.

In approaching this subject, participants would probably find it useful to exchange views on the possibilities for developing non-aeronautical revenues at their airports and other related aspects. Information that participants might provide concerning the experience of their airports in this field, that is likely to be of particular interest would include the following:

- a) the types of concessions and rental arrangements presently in operation;
- b) their relative significance in the contribution they make to overall airport revenues;
- c) what additional concession and rental arrangements are being contemplated; and
- d) whether any problems exist or have arisen in this area of airport operation.

Since the drafting of various types of contracts will vary with the law of the particular State concerned, it would be useful for the Workshop to discuss the more important common features of the different kinds of contractual arrangements which airports conclude. Such features would include, but not necessarily be limited to:

- a) basis of calculation of contractual payments [fixed fee (or rental) versus a charge related to turnover, or a combination of these two methods];
- b) rights and obligations of the contracting parties;
- c) duration of contract (short versus long-term considerations);
- d) control of concession prices and practices; and
- e) provisions regulating termination of contract.

Agenda Item 5: Infrastructure financing

This agenda item focuses on various aspects of financing airport and air navigation services infrastructure. In approaching this subject participants may find it useful to examine Chapter 7 - Financing Airport Infrastructure, of the *Airport Economics Manual*, and Chapter 6 - Financing Air Navigation Services Infrastructure of the *Manual on Air Navigation Services Economics* (Doc 9161/3). Both chapters deal with such subjects as the relevance of traffic forecasts in the context of financing, economic impact surveys, financing plans, and sources of financing. Also of relevance is the segment entitled Funding in part 3 - Financial Aspects, in the Air Navigation

Services Economics Panel's *Report on Financial and Related Organizational and Managerial Aspects of Global Navigation Satellite Systems (GNSS) Provision and Operation* (Doc 9660). Moreover, reference should be made to the recommendations addressing financing adopted by the World-wide CNS/ATM Systems Implementation Conference held in Rio de Janeiro in May 1998, the report of which is contained in Doc 9719.

The *ICAO's Policies* in paragraphs 24 and 42 address a new ICAO policy on pre-funding of projects; and in paragraphs 32 and 50, recommend that airport and air navigation services users, particularly the airlines and their representative bodies, provide airport and air navigation services providers with advance planning data relating to future types, characteristics and numbers of aircraft, forecast traffic, special facilities that the users desire, and other data relevant to planning future financial requirements.

It is suggested participants then exchange views and information on sources of financing used or planned to be approached for airport and air navigation services infrastructure financing and development in their States, and difficulties that have been experienced in this connection. Discussions would include consideration of the scope for self-financing and the availability of grants and loans from external sources to the airport or air navigation services administrations such as:

National sources: government; banks; industry and commerce; and bond issues (public and private).

Foreign sources: foreign governments, including special government created export promoting agencies (e.g. export-import banks); international financial institutions (e.g. African Development Bank, Arab Development Fund, European Development Fund, International Bank for Reconstruction and Development, International Development Association); foreign contractors and suppliers.

Agenda Item 6: Organizational structures of air navigation services, including international cooperation

The objective of this agenda item is to provide for discussion on organizational structures under which air navigation services are operated, with special emphasize on commercialization and the growing need for multinational cooperation in the financing and operation of air navigation services. In approaching this subject, participants may find it useful to base their discussions on the guidance in *ICAO's Policies*, paragraphs 10-18 addressing, *inter alia*, an independent economic regulation mechanism, performance parameters, best commercial practices and joint charges collection and on Chapter 2 - Organizational Structures of Air Navigation Services, of the *Manual on Air Navigation Services Economics*, which provides guidance on the basic organizational characteristics of air navigation services provision; describes the basic forms under which air navigation services operate; and also in the context of international cooperation in the provision of air navigation services, addresses relevant aspects of international operating agencies, joint charges collection agencies and describes arrangements on joint financing of air navigation services administered by ICAO.

The chapter also reviews background developments relevant to multinational facilities and services, including the ICAO communications, navigation, and surveillance/air traffic management (CNS/ATM) systems concept, and their potential to enable States to carry out certain functions more efficiently and at a lower cost when they do so jointly rather than individually. In this context reference should moreover be made to part 2 - Organizational Aspects, of the *Air Navigation Services Economics Panel's Report on Financial and Related Organizational and Managerial Aspects of Global Navigation Satellite Systems (GNSS) Provision and Operation* (Doc 9660); and to the

recommendations addressing organizational institutional aspects adopted by the World-wide CNS/ATM Systems Implementation Conference (see report in Doc 9719).

On this agenda item participants may be asked questions about the organizational form(s) under which air navigation services are provided in their States, and existing or planned cooperation with other States in the provision and operation of air navigation services. Related questions participants may wish to consider are whether circumstances in their respective States would be such as to offer significant benefits from the establishment and operation of autonomous air navigation services authorities; whether it would be feasible and more advantageous to provide any of the aviation services presently provided by their administrations, by means of one or more multinational facilities/services or other joint ventures in the future; and financial, managerial, organizational and co-operative aspects of CNS/ATM systems implementation.

Agenda Item 7: Financial management of air navigation services and air navigation services charges

The most appropriate context in which the Workshop could discuss financial management of air navigation services is that indicated by the opening sentence of paragraph 36 of *ICAO's Policies*, which i.a. states that "... international civil aviation should not be asked to meet costs which are not properly allocable to it". The means for ensuring this is a system of accounting which enables costs to be accurately recorded and thereafter equitably apportioned among the various beneficiaries of the facilities and services concerned. Paragraphs 36-40 and Appendix 2 of ICAO's Policies set forth certain basic principles and other advice relevant to this aim. Additionally, there are the more detailed costing guidelines in Chapter 4 - Determining the Cost Basis for Air Navigation Services Charges - of the *Manual on Air Navigation Services Economics*.

Also of relevance in the context of CNS/ATM systems are the segments entitled Determining GNSS costs, and Allocation of GNSS costs in part 3 - Financial Aspects, of the Report in Doc 9660 referred to above. Moreover, reference should be made to the recommendations addressing financial management adopted by the World-wide CNS/ATM Systems Implementation Conference (see report in Doc 9719).

The regular collection by ICAO of financial and traffic data relating to air navigation services began with the year 1976 and now takes place on an annual basis. The forms used for this purpose are reproduced in WARFM (Dakar) - WP/5. Here, as in the case of the form developed for reporting airport financial data, participants might find it useful to study the forms concerned, raising any points requiring clarification and exchanging views on the practical application which the data requested can have for those responsible for the provision and management of air navigation services.

Paragraphs 41-49 and 51 of *ICAO's Policies* set forth the principles and conclusions formulated for the purpose of providing guidance to States in establishing air navigation services charges (approach and aerodrome control and route charges) and charging systems with supplementary material appearing in Doc 9161/3, Chapter 5 - Air Navigation Services Charges and Their Collection. Additionally, examples of such charges are provided in WARFM (Dakar) - WP/3, referred to under agenda item 3 above.

Also of relevance in the context of the CNS/ATM systems are the segments addressing numerous aspects of cost recovery of GNSS under part 3 - Financial Aspects, of the Report in Doc 9660.

The participants might wish to view agenda item 10 as an opportunity to discuss any difficulties encountered in applying the principles in *ICAO's Policies* and obtain clarification of any points

therein, as well as in the guidance material in Chapter 5 of Doc 9161/3 and in Part 3 of Doc 9660, on which uncertainty exists; and also to compare their States' charging methods and experience.

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**THE FOLLOWING ICAO PUBLICATIONS WILL BE USEFUL
IN THE WORKSHOP DISCUSSIONS,
IN ADDITION TO WORKING PAPERS ISSUED FOR THE MEETING**

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| 1. Doc 7300/8 | Convention on International Civil Aviation |
| 2. Doc 9082/6 | ICAO's Policies on Charges for Airports and Air Navigation Services |
| 3. Doc 9764, ANSConf 2000 | Report of the Conference on the Economics of Airports and Air Navigation Services |
| 4. Doc 9562 | Airport Economics Manual |
| 5. Doc 9161/3 | Manual on Air Navigation Services Economics |
| 6. Doc 7100 ! 2001 Edition | Tariffs for Airport and Air Navigation Services |
| 7. Circular 284-AT/120 | Study on Privatization in the Provision of Airports and Air Navigation Services |
| 8. Circular 142-AT/47 | Development of Non-Aeronautical Revenues at Airports |
| 9. Doc 9719 | Report of the World-wide CNS/ATM Systems Implementation Conference |
| 10. Doc 9660 | Report on Financial and Related Organizational and Managerial Aspects of Global Navigation Satellite Systems (GNSS) Provision and Operation |
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