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ASSEMBLY — 35TH SESSION

ECONOMIC COMMISSION

Agenda Item 28: Regulation and organization of airports and air navigation services

COOPERATION FOR GREATER COST EFFICIENCY OF AIRPORTS AND AIR NAVIGATION SERVICES

(Presented by the International Air Transport Association)

SUMMARY

ICAO policies and guidelines have helped to manage the evolving relationship between service providers and airlines. ANSConf 2000 led to significant changes that reflected the challenges at that time posed by the progressive privatisation/corporatisation of airports and air navigation services. Airlines and their airport and air navigation service business partners continue to dialogue on charges and planning matters, particularly in view of the economic pressures for greater cost efficiency. IATA asks the Assembly to note its views and support for ICAO's future work in the area of airport and air navigation service economics and the IATA initiatives to improve cost efficiency, control costs and drive continuous improvements.

Action by the Assembly is in paragraph 4.

1. INTRODUCTION

1.1 Since the early 1990s, major changes have taken place in the organisation and operation of airports and air navigation services providers (ANSP), resulting in the progressive privatisation and corporatisation of service providers and the creation of autonomous entities. These changes challenge governments, airlines and service providers to develop strategic relationships that ensure improved efficiency and cost effectiveness while safely providing the required capacity and service. Governments have an important role to play in providing appropriate regulatory oversight without unduly restricting business judgement.

¹ Arabic, Chinese, English, French, Russian and Spanish versions provided by IATA.

2. **POLICY VIEW**

2.1 Airlines generally favor the creation of autonomous entities to operate airports and ANS, in the expectation that commercial operators of facilities and services will be more efficient with consequent benefits to all stakeholders. Airlines do not support commercialization or privatization without effective economic regulation to minimize potential abuse of strong market powers, and to ensure transparency and consultation. Economic regulation should ensure non-discrimination, reasonable costs and charges, appropriate and agreed quality standards/service levels, and timely investments.

3. **ROLE OF ICAO**

3.1 ICAO has played an important role in developing the principles that have helped to manage the evolving relationship between service providers and airlines. The Conference on the Economics of Airports and Air Navigation Services (ANSCConf 2000) marked an important step towards adjusting long-established ICAO policies to new circumstances.

3.2 In particular, ANSCConf led to significant revisions to ICAO Policy Doc. 9082 on charges and to the ICAO Manuals on Airport Economics (Doc 9562) and on Air Navigation Services Economics (Doc 9161).

3.3 An important aspect of these changes has been the recognition that the traditional “cost-plus” approach to setting airport and air navigation charges must give way to the continuing search for improvement in cost-reduction and efficiency. Implicit in this change is an uneasy compromise between the business objectives of airports/ANSPs and their airline users who must lower their operating costs to survive in increasingly competitive markets.

3.4 In view of the pressing market requirements for greater cost efficiency in all components of the air transport value chain, IATA is moving forward on two fronts:

- a) towards the establishment of accountable and measurable cost efficiency targets with individual airports and air navigation service providers to drive continuous improvements;
- b) working with ACI (Airports Council International) and with CANSO (Civil Air Navigation Services Organisation) to promote and drive the necessary changes through the development of new co-operation models and clear, credible and accepted benchmarks of performance and cost efficiency.

3.5 This latter work is in its early stages but will be presented to ICAO at the appropriate time, together with any proposed changes to existing guidelines that may be necessary. IATA believes that there is a clear recognition of the need for dialogue between airlines and their business partners (airports and ANSP), for consultation on charges and planning matters and on innovative approaches. ICAO has an important role to play in conveying best practices to States.

4. **ACTION BY THE ASSEMBLY**

4.1 The Assembly is invited to:

- a) encourage States to support measures to improve efficiency, reduce costs and provide appropriate economic oversight; and
- b) encourage industry representatives to seek innovative and cooperative arrangements that would improve and support the working relationship between airlines and their monopoly service providers (airports and air navigation services).

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