



International Civil Aviation
Organization

INFORMATION PAPER

Symposium (Kampala)
Annotated Agenda

JOINT ICAO/AFCAC REGIONAL SYMPOSIUM FOR AFRICAN STATES ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Kampala, Uganda, 17 to 19 August 2009)

ANNOTATED AGENDA

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Agenda Item 1: ICAO's Policies on Charges for Airports and Air Navigation Services

1.1 The outcome of the 2008 ICAO Conference on the Economics of Airports and Air Navigation Services (CEANS)

The *Conference on the Economics of Airports and Air Navigation Services* (CEANS) was held at ICAO Headquarters in Montreal, from 15 to 20 September 2008. It was attended by 535 participants from 103 Contracting States and 17 international organizations. The Conference adopted a total of 15 recommendations, of which ten concern amendments to *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082).

In reviewing the ICAO policies on charges, the Conference focused its discussion on improving such policies to take account of the changes in recent years and the experiences gained. The recommended amendments have been incorporated into ICAO's policies on charges (the eighth edition of Doc 9082, which has replaced the seventh edition).

The four main topics of the Conference were: a) economic oversight; b) economic performance; c) consultation with users; and d) implementation of ICAO's policies on charges.

- a) The first topic included recognition by the Conference of the States' responsibility for economic oversight to protect users against potential abuse of dominant position by airports and air navigation services providers (ANSPs). In this respect, the Conference recommended that Doc 9082 be amended in order to clarify the purpose and scope of economic oversight for service providers, with reference to its different forms and the selection of the most appropriate form of oversight.
- b) The second topic assessed economic performance and the importance of establishing performance management systems by service providers. The Conference recommended additional text for Doc 9082 to include the major elements of a performance management system with emphasis on four key performance areas (KPA's) and related indicators, namely safety, quality of service, productivity and cost-effectiveness.
- c) The third topic stressed that a proper working relationship between regulators, providers and users is required for the effective and cost-efficient development of air transport. The Conference recommended the amendment of Doc 9082 to include a clearly defined, regular consultation process, under new paragraphs on consultation with users covering both airports and air navigation services.
- d) The fourth topic stressed the importance of States' adherence to ICAO's policies on charges. The Conference reaffirmed that States should ensure that their airports and ANSPs adhere to ICAO's policies on charges and that ICAO should take all relevant measures to ensure the awareness of the policies. Further, the Conference recommended that ICAO encourage States to include the main ICAO principles on non-discrimination, cost-relatedness, transparency and consultation with users into national legislation, regulations or policies, and into their future air service agreements to ensure compliance by airports and ANSPs.

1.2 ICAO's Policies on Airport and Air Navigation Services Charges (Doc 9082)

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 eighth edition of Doc 9082, in paragraphs 8 to 41 and Appendix 1 with respect to airports, and in paragraphs 8 to 28 and 42 to 54 and Appendix 2 with respect to air navigation services.

Chapter 1 – ICAO Policy on Airport Charges, of the *Airport Economics Manual* (Doc 9562, second edition) also focuses on this subject, as does Chapter 1 – ICAO Policy on Air Navigation Services Charges, of the *Manual on Air Navigation Services Economics* (Doc 9161, fourth edition).

A Supplement to Doc 9082 containing information on States' implementation of ICAO's policies on charges has been developed and published under "Free publications" on the ICAO website together with Doc 9082.

This Agenda item is intended to provide the workshop participants with an opportunity to examine the policies and principles advocated by ICAO, obtain clarifications, and raise any other related subject matters.

1.3 Implementation of CEANS recommendations

A number of CEANS recommendations calling for specific actions by States were approved by the Council at its 185th Session, in November 2008. Early implementation of these recommendations, as relevant and depending on national circumstances, was requested in ICAO's State letter SD 38/1-09/2, dispatched on 30 January 2009.

Participants should be prepared to discuss the appropriateness and practicality to implement the CEANS recommendations in their States.

Agenda Item 2: Airport and Air Navigation Services Economics

2.1 Introduction to the ICAO Statistics Programme

In 1944 the Chicago Conference foresaw the need for States to have reliable and complete statistics on international air transport and thus this requirement was included in a number of statutory provisions of the Chicago Convention. Since then the statistical programme of ICAO has continued to evolve. Today, ICAO collects statistics on commercial air carriers, airports, air navigation services and civil aircraft on register. The description of each data series collected by ICAO can be found on the ICAO website: <http://www.icao.int>. Air Transport Reporting (ATR) Forms are used to collect data for the ICAO Statistics Programme. These forms, together with their related reporting instructions and the definition of terms, are also shown on the ICAO website.

Since February 2004, ICAO no longer publishes Digests of Statistics. Instead, civil aviation statistics collected by ICAO are available on-line, free of charge, to staff of the national civil aviation administrations of Contracting States. Other users can access these data by purchasing an annual subscription to one or more of the data series distributed by ICAO through its commercial website. For

more information, interested users should go to: <http://www.icaoata.com>, a website developed in cooperation and managed by Reed Business Information Ltd. (RBI) trading as Air Transport Intelligence (ATI).

2.2 ICAO's Surveys and Studies on the financial situation of airports and air navigation services

ICAO conducts surveys of the financial situation of airports and airport and air navigation services providers (ANSPs) on a regular basis – every second or third year, via a State letter requesting such information. In addition to the data that the States report to ICAO in response to the State letter, the Secretariat supplements the studies using two other types of sources:

- the air transport reporting forms J, K and L, i.e. airports financial data and air navigation services financial and traffic data, respectively (for those States that report), and
- airport and ANSPs annual reports and/or other data available on their websites.

The most recent report, issued in February 2009, covers the financial results of airports and ANSPs for 2007. It can be downloaded from: <http://www.icao.int/icao/en/atb/epm/index.html>.

The coverage for African States in this report is low and therefore their data are not sufficient to evaluate the financial situation of airports and ANSPs on a regional basis.

ICAO encourages all States to report traffic and financial data for the regular ICAO statistics programme and to respond to the surveys conducted via State letters. States are also encouraged to use the Internet to make available airport and air navigation services traffic and financial data, annual reports and other relevant information.

The Symposium will provide the opportunity to discuss the reasons for the difficulties encountered by African States in collecting and disseminating airport/air navigation traffic/financial data and how to overcome them.

2.3 Introduction to the ICAO airport and air navigation services economics manuals

ICAO's guidance material on the economics of airports and air navigation services are contained in the two economics manuals, Doc 9562 (for airports) and Doc 9161 (for air navigation services). The economics manuals describe the organizational forms of service providers, cost basis for charging purposes, charges on air traffic and their collection, and financial management.

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

- paragraph 29 of Doc 9082 (eighth edition), 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”; and,

- paragraph 42 of Doc 9082 (eighth edition), which states: “The Council considers that as a general principle, where air navigation services are provided for international use, the ANSPs may require the users to pay their share of the related costs; at the same time international civil aviation should not be asked to meet costs which are not properly allocable to it. The Council therefore encourages States to maintain accounts for the air navigation services they provide in a manner that ensures that air navigation services charges levied on international civil aviation are properly cost based”.

Guidance on the development of airport and ANSP accounting systems is contained in Chapter 3 – Airport Financial Management of Doc 9562 and in Chapter 4 – Air Navigation Services Financial Management, respectively, which deal with the purpose, scope and inter-relationship of financial control and accounting in airport planning and management, give broad descriptions of accounting systems designed to meet requirements for certain specific functions, and also describe means of measuring performance and productivity. Regarding the latter, the Council recognizes that performance management is an important management tool for providers, users and regulators. The Council, therefore, recommends that States, within their economic oversight responsibilities, ensure that providers develop and implement appropriate performance management systems that include:

- i) Defining performance objectives with the purpose, as a minimum, to continuously improve performance in four key performance areas (KPAs), i.e. safety, quality of service, productivity and cost-effectiveness, it being understood that States may choose additional KPAs according to their objectives and their particular circumstances;
- ii) Selecting and reporting at least one relevant performance indicator and its target for each of the KPAs selected;
- iii) Using the results to evaluate and improve performance; and
- iv) Undertaking consultations with users and other interested parties to achieve a mutual understanding and consensus, where appropriate, on performance objectives, level of performance targets and plans to achieve the targets.

The Symposium will provide the opportunity to discuss ways and possibilities to measure the economic performance of airports and the air navigation system. Participants should be prepared to describe the present situation in this area in their States and assess the appropriateness and practicality to implement economic performance systems.

Agenda Item 3: Airport and Air Navigation Services Charges in Africa

The Council is concerned over the proliferation of charges and taxes on air traffic and, in this regard, recommends that States:

- i) permit the imposition of charges only for services and functions which are provided for, directly related to, or ultimately beneficial for, civil aviation operations; and

- ii) refrain from imposing charges that discriminate against international civil aviation in relation to other modes of international transport.

As considered by the Council, a charge is a levy that is designed and applied specifically to recover the costs of providing facilities and services for civil aviation, and a tax is a levy that is designed to raise national or local government revenues, which are generally not applied to civil aviation in their entirety or on a cost-specific basis.

In developing the ICAO policies on charges, the Council has noted with concern that the problems involved in providing and maintaining the airport and air navigation facilities and services required by the Regional Air Navigation Plans are particularly serious for the less advanced economies, principal among these problems being the limited financial resources available for economic development in general, the higher priority assigned to other sectors of the economy whose needs are considered more urgent, the under utilization of airports and air navigation services, the high cost of obtaining equipment from other States and the difficulties in recruiting and retaining sufficient numbers of qualified personnel.

However, the proliferation of charges and taxes in the African Region is reaching a level whereby the price structure of an economy class ticket on a scheduled flight could show the amount of taxes to be sometimes higher than the strict cost of the ticket, with the risks of harming the development of air transport and airlines.

The Symposium will provide the opportunity to discuss and to compare the States' charging methods and experiences and the impact of charges on airline costs. Participants should be prepared to describe the present situation in these areas in their States.

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