



**WORKING PAPER**

**ASSEMBLY — 38TH SESSION**

**ECONOMIC COMMISSION**

**Agenda Item 42: Economics of airports and air navigation services**

**ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES**

(Presented by the Council of ICAO)

**EXECUTIVE SUMMARY**

This paper reports on major work accomplished by ICAO since the last Assembly in assisting States to operate airports and air navigation services in an efficient and cost-effective manner. It also provides a brief overview of developments in the economic and managerial aspects of airports and air navigation services and presents the Organization's plan of action for the upcoming triennium. The work plan reflects the recommendations adopted at the Sixth Worldwide Air Transport Conference (ATConf/6, Montréal, 18 to 22 March 2013) and subsequently endorsed by the ICAO Council.

**Action:** The Assembly is invited to:

- a) review major developments and ICAO-related work presented in this report;
- b) endorse the Organization's plan for future work in the field of economic and managerial aspects of airport and air navigation facilities and services infrastructure, as presented in paragraph 4; and
- c) consider the information contained in this paper for the update of Assembly Resolution A37-20.

<i>Strategic Objectives:</i>	The action proposed in this paper will further support the Organization's Strategic Objective C — <i>Environmental Protection and Sustainable Development of Air Transport</i> .
<i>Financial implications:</i>	The activities referred to in this paper will be undertaken subject to the resources available in the 2014–2016 Regular Programme Budget and/or from extra budgetary contributions.
<i>References:</i>	A38-WP/56, Outcome of the Sixth Worldwide Air Transport Conference (ATConf/6) A38-WP/55, Consolidated statement of continuing ICAO policies in the air transport field Doc 10009, <i>Report of the Sixth Worldwide Air Transport Conference (ATConf/6)</i> Doc 10008, <i>Report of the Economic Commission of the 37th Session of the Assembly</i> Doc 9980, <i>Manual on Privatization in the Provision of Airports and Air Navigation Services</i> Doc 9958, <i>Assembly Resolutions in Force</i> (as of 8 October 2010) Doc 9908, <i>Report of the Conference on the Economics of Airports and Air Navigation Services (CEANS)</i> Doc 9562, <i>Airport Economics Manual</i> Doc 9161, <i>Manual on Air Navigation Services Economics</i> Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i> Doc 7100, <i>Tariffs for Airports and Air Navigation Services</i>

## 1. BACKGROUND

1.1 ICAO's activities in the economics of airports and air navigation services field are based on the following objectives:

- a) monitor compliance with Article 15 of the *Convention on International Civil Aviation* (Chicago Convention) and application of ICAO's recommended policies and practices in the area of cost recovery for airports and air navigation services;
- b) monitor and report on the financial situation of airports and air navigation services and the impact of associated charges on users;
- c) develop and update ICAO policies on charges and prepare related manuals and other guidance material on airport and air navigation services economics and management;
- d) provide advice and develop guidance on cost recovery, financing and organizational arrangements for multinational air navigation facilities/services and on means of addressing safety oversight and reducing shortcomings in the air navigation field; and
- e) provide technical support within and outside ICAO on issues related to airports and air navigation services management and other economic and financial aspects of regional air navigation plans.

1.2 This paper reports on issues considered by the Council during the past triennium in this field. It also envisages key issues that will need to be addressed in activities planned for the 2014-2016 period. It is noteworthy that areas related to funding and financing matters are covered in A38-WP/XX, funding of aviation infrastructure and aviation systems.

## 2. INDUSTRY AND REGULATORY TRENDS

2.1 Based on the latest reliable available figures, airport and air navigation services charges represented in 2010 7.6 per cent of total operating expenses of the sampled airlines. More specifically, landing and associated airport charges and air navigation services charges represented 4.2 per cent and 3.4 per cent, respectively. Furthermore, the percentage of user charges on airline total costs varies considerably between world regions, between airlines operating only, or mainly, domestic services (4 to 5 per cent on average) and international network airlines (between 8 and 12 per cent), as well as between international network airlines and low cost carriers (up to 28 per cent in some cases for the latter). When examining the 2006-2010 period, it is evident that the share of charges in 2008 was lower than in 2006 and 2010. An explanatory factor may be the dramatic increase of fuel prices in 2008. That year, the share of fuel expenses in airlines' total operating expenditures increased substantially and, consequently, the share of other airline costs, including airport and air navigation services charges, decreased in 2008.

2.2 On the regulatory side, in 2012, the Secretariat conducted a follow-up survey on the status of implementation of the Conference on the Economics of Airports and Air Navigation Services (CEANS, Montréal, September 2008) recommendations. With regards to this survey, data were gathered for 79 ICAO Member States, which represent 86 per cent of the air transport coverage expressed in terms of aircraft departures of worldwide scheduled commercial traffic. The main results of this survey are as follows: a) approximately 60 per cent of sampled States have implemented economic oversight for airports and air navigation services providers (ANSPs); b) adherence to ICAO's policies on charges has

almost the same implementation rate; c) while 58 per cent of sampled States have implemented consultation with users at the ANSP level, only 48 per cent have done so at the airport level; d) approximately 50 per cent of sampled States have adopted the four key charging principles on non-discrimination, cost-relatedness, transparency and consultation with users in national legislation, regulation or policies, and a fewer number have incorporated the key charging principles in air services agreements; and e) the recommendation on economic performance is the least implemented of CEANS key recommendations: less than 50 per cent of sampled States have ensured that performance management systems are developed and implemented by their airports and ANSPs.

### **3. WORK ACCOMPLISHED BY ICAO**

#### **3.1 Updated policies on charges and economics manuals**

3.1.1 The ninth edition of *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) was published in February 2012. The *Airport Economics Manual* (Doc 9562, third edition) was published in March 2013 while the *Manual on Air Navigation Services Economics* (Doc 9161, fifth edition) will become available during the second half of 2013 in all languages. The revision and update of the policies and two economics manuals were assisted by the fourth joint meeting of the Airport Economics Panel and the Air Navigation Services Economics Panel (AEP-ANSEP/4), which was held in Montréal in February 2011.

#### **3.2 New guidance material on commercialization and privatization**

3.2.1 ICAO published the *Manual on Privatization in the Provision of Airports and Air Navigation Services* (Doc 9980) in August 2012. This manual responds to the needs expressed by States for guidance on airport and ANSP ownership and control in view of the developments that have occurred in the past decade. Doc 9980 provides information on the developments in ownership and management of airports and ANSPs taking place in various parts of the world. It also provides definitions and analyses of the various options available and possible implications of privatization. Guidance contained in the manual takes into account the wide range of circumstances faced by providers of airports and air navigation services and brings to the attention of States other ICAO policy documents related to regulatory measures to ensure that appropriate safeguards are in place.

3.2.2 The Secretariat has also continued to update specific information on airport and ANSP privatization, namely the *Case Studies on Commercialization, Privatization and Economic Oversight of Airports and ANSPs*. These case studies are an informative tool for States, policy-makers, policy analysts, and air transport industry practitioners. The case studies are available online at [http://www.icao.int/sustainability/pages/Eap\\_ER\\_Databases\\_CaseStudies\\_ANSPs.aspx](http://www.icao.int/sustainability/pages/Eap_ER_Databases_CaseStudies_ANSPs.aspx). They describe notably experiences from States in all regions of the world and include different models of commercialization and economic oversight of airports and ANSPs.

3.2.3 At the request of 53 African States, in response to the recommendation made by CEANS 2008, the case studies include examples of management and operations of airports that are not economically viable. A more comprehensive study will be carried out with the participation of all stakeholders to develop guidance material on the management and operation of airports that are not economically viable but are necessary as part of an integrated air transport network, mainly for safety, security or socio-economic reasons.

### 3.3 **Training courses on airport charges**

3.3.1 To ensure widespread awareness and knowledge of its policies on charges, ICAO in collaboration with the Airports Council International (ACI), has developed a training course on international policies and practices for the establishment of airport charges. This course is an AMPAP-elective course (ICAO/ACI Airport Management Professional Accreditation Programme). Six courses have been delivered during the 2011-2013 period (three in 2011, two in 2012 and one in 2013), and two more courses are planned for late 2013. So far 303 participants from 95 States have attended these ICAO/ACI airport user charges courses.

## 4. **FUTURE WORK**

4.1 With a view to advancing its Strategic Objectives, the Organization plans to work in the area of the economics of airports and air navigation services in the manner presented below, taking into account the proposed Strategic Objectives approved by the Council as well as implementation of the Council approved related ATConf/6 recommendations

4.2 ICAO will take relevant measures to ensure widespread awareness and knowledge of its guidance material related to governance, ownership and control, and management of airports and ANSPs, and ensure that they remain relevant, current, and responsive to the changing situation.

4.3 ICAO will monitor changes in airport and ANSP commercialization and privatization, collect information from States on the level of implementation of the policies on charges for airports and air navigation services, and publish and regularly update this information in the form of a Supplement to Doc 9082.

4.4 With the objective of increasing awareness and knowledge of ICAO's policies on charges and obtaining the broadest possible adherence to them, ICAO will hold regional seminars on a cost-recovery basis, to disseminate information on the status of implementation by States of such policies, and to offer training courses on airport charges on a commercial basis.

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