



ASSEMBLY — 38TH SESSION

ECONOMIC COMMISSION

Agenda Item 42: Economics of Airports and Air Navigation Services

ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Presented by 54 Contracting States¹, Members of the African Civil Aviation Commission (AFCAC))

EXECUTIVE SUMMARY

This Working Paper examines developments in the area of economic regulation of airports and air navigation services and the recommendations of the Sixth Worldwide Air Transport Conference (ATConf/6, Montréal, 18 to 22 March 2013) regarding the use of ICAO manuals and guidance materials on Economics of Airports and Air Navigation Services. It further presents the African position on the future work of ICAO on the Economics of Airports and Air Navigation Services.

Action: The Assembly is invited to:

- a) take note of the information presented in this working paper;
- b) endorse the recommendations contained in paragraphs 4.1 to 4.3 of A38-WP/51, presented by the Council of ICAO;
- c) instruct the Council of ICAO to set aside recommendation 4.4 of A38-WP/51 and continue the awareness and sensitization on the use of ICAO manuals and guidance materials through regional seminars which should not be organized on cost-recovery basis in order to ensure widespread participation of Member States;
- d) urge Member States to participate in the ICAO regional seminars on the awareness and sensitization of the use of ICAO manuals and guidance materials on Economics of Airports and air navigations services; and
- e) ICAO should, as a matter of priority, develop guidance materials on the management and operations 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.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective <i>Environmental Protection and Sustainable Development of Air Transport</i> .
<i>Financial implications:</i>	The activities referred to herein will be undertaken through the resources available in 2014 – 2016 Regular Programme budget and/or from extra budgetary contributions.

¹ Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Ivory Coast, Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

<i>References:</i>	A38-WP/51, Economics of airports and air navigation services A38-WP/56, Outcome of the Sixth Worldwide Air Transport Conference (ATConf/6) Doc 9908, <i>Report of the Conference on the Economics of Airports and Air Navigation Services (CEANS)</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> Report of the Sixth Worldwide Air Transport Conference (ATConf/6)
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1. INTRODUCTION

1.1 Air transport is one of the engines of economic growth. It creates direct and indirect jobs, promotes tourism and trade in addition to attracting foreign investments. Available statistics show that passenger, cargo, mail and aircraft movements will continue to grow. The need to continue to increase the capacity of airports and modernize air navigation service infrastructure cannot be over emphasized. Additionally, considering the impact of aviation charges and levies including those of airports and air navigation service providers on users of these services, it has become highly imperative for Civil Aviation Authorities to regulate the economics of airports and air navigation services.

1.2 Emerging trends have shown tremendous benefits to the industry due to the increase in the application of ICAO Policies and regulations on the economics of airports and air navigation services and adherence to the use of ICAO manuals and guidance materials on aviation charges and levies as well as economics of airports and air navigation services.

2. REGULATORY ISSUES

2.1 As acknowledged during the Sixth World Air Transport Conference, ICAO has continued to develop manuals and guidance materials for the economics of airports and air navigation services. Some of these guidance documents include those of Doc 9908, *Report of the Conference on the Economics of Airports and Air Navigation Services (CEANS)*; Doc 9082, *ICAO's Policies on Charges for Airports and Air Navigation Services*; Doc 7100, *Tariffs for Airports and Air Navigation Services*; Doc 9562, *Airport Economics Manual*; Doc 9161, *Manual on Air Navigation Services Economics*, etc. However, the low level of the effective use of these manuals and guidance materials as well as the implementation of the recommendations contained in them by both the regulatory authorities and the service providers, underscores the need for ICAO to continue to sensitize and assist States on the implementation of these manuals and guidance materials.

2.2 The situation is even more challenging in States where the airports and air navigation services are provided by agencies which are wholly owned by Government or where these services are provided by the regulatory authorities themselves. The practice in these situations is for some airports and air navigation service providers to apply their charges arbitrarily rather than base them on ICAO principles on charges and levies, as contained in Doc 9082.

2.3 There is no doubt that economic regulatory oversight of airports and air navigation services are more successful in States where airports and air navigation services have been commercialized and/or privatized. Therefore, while commending ICAO for the recent publication of Doc 9980, *Manual on Privatization in the Provision of Airports and Air Navigation Services*, ICAO should continue to sensitize States on the numerous advantages inherent in commercializing and/or privatizing their airports and air navigation services.

3. IMPACT OF NON USAGE OF ICAO MANUALS

3.1 The lack of effective use of ICAO manuals and guidance materials on air transport including those of economics of airports and air navigation services by both the regulatory authorities and the service providers has the tendency to create negative impacts on the industry. The resultant effects may include unguided increases of charges and levies leading to high cost of operations, high fares, poor services due to lack of service level agreements, lack of transparency regarding charges and levies, strained relationships between service providers and users of the services and/or between the regulatory authorities and service providers/users, etc.

4. FOCUS OF FUTURE WORK

4.1 One of the major areas which require urgent attention in order to accomplish ICAO's objectives on the economics of airports and air navigation services is the need for ICAO to continue to sensitize and assist States on the implementations of these manuals and guidance materials and build the capacity of both the regulatory authorities and the service providers especially in developing countries. While the current partnership between ICAO and Airport Council International to provide training for Member States on charges and levies is quite commendable, special arrangements in terms of discount on the fees should be put in place for developing countries to attend these courses in order to build their capacity.

4.2 African States also wish to reiterate their call for ICAO to urgently 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, especially against the backdrop of prohibition of cross subsidization of airports.

4.3 Furthermore, African States wish to commend the ICAO Council for endorsing Recommendation 2.7/3 a) of the Sixth Worldwide Air Transport Conference for ICAO to increase awareness and knowledge of ICAO's policies on charges and obtain the broadest possible adherence to them. However, African States oppose paragraph 4.4 of A38-WP/51, which states that such awareness which will be done through regional seminars will be done on a cost-recovery basis. It is believed that there is need for ICAO to ensure wide spread participation in the regional seminars and optimal benefits to Member States as the issue of cost-recovery will debar some States from taking advantage of the opportunity.

5. CONCLUSION

5.1 In light of the above, the Assembly is requested to conclude as follows:

- a) the economic regulatory oversight of airports and air navigation services has continued to grow and has become a very important aspect of sustainable air transport development;
- b) there are challenges facing some regulatory authorities especially where the airports and air navigation service providers are wholly owned by Government and where the services are provided by the regulatory authorities;
- c) some regulatory authorities as well as airports and air navigation service providers do not make effective use of existing ICAO manuals and guidance materials on economics of airports and air navigation services; and
- d) as recommended by the Sixth Worldwide Air Transport Conference, ICAO should continue to increase awareness and knowledge of the policies on charges and the use of its guidance materials on economics of airports and air navigation services.

6. RECOMMENDATIONS

6.1 The following recommendations are proposed for adoption by the Assembly:

- a) endorse the recommendations contained in paragraphs 4.1 to 4.3 of A38-WP/51 presented by the Council of ICAO;
- b) instruct the Council of ICAO to set aside paragraph 4.4 of A38-WP/51 and continue awareness and sensitization on the use of ICAO manuals and guidance materials through regional seminars which should not be organized on a cost-recovery basis, in order to ensure widespread participation of Member States;
- c) urge Member States to participate in the ICAO regional seminars on the awareness and sensitization of the use of ICAO manuals and guidance materials on Economics of Airports and air navigations services; and
- d) the Council should, as a matter of priority, develop guidance materials on the management and operations 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.