



ASSEMBLY — 38TH SESSION

ECONOMIC COMMISSION

Item 42: Economics of Airports and Air Navigation Services

**NEW ELEMENTS CONCERNING INVESTMENTS IN AIRPORT INFRASTRUCTURE, AIR
NAVIGATION, AND AIR TRANSPORT TAXES**

(Presented by the 22 (*) member States of the
Latin American Civil Aviation Commission (LACAC))

EXECUTIVE SUMMARY

This paper describes the conditions under which charges for airports and air navigation services are levied. It is essential to identify new approaches and measures for strengthening and potentiating the air transport system based on new perspectives in face of the implementation of, and investment in, airport and air navigation infrastructure by administrators and States, and of taxes levied on air transport. In this regard, consideration must be given to the “social responsibility” and “friendly aeronautical service” concepts. It should be noted that business and tourist markets appreciate low-cost flights, connectivity, continuity, and access to un-served points of connection and to tourist locations.

Action: The Assembly is invited to:

- a) take note of the information contained herein;
- b) support the efforts made by the States to establish new management approaches to airport infrastructure and air navigation services, bearing in mind cost transparency in the development of the international air transport system; and
- c) direct ICAO to consider, through the Panel, elements related to social responsibility, friendly aeronautical services, and suitable connectivity in the modifications made to documents and guides generated by the Organization.

<i>Financial implications</i>	No financial implications.
<i>References</i>	Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i> Doc 9161, <i>Manual on Air Navigation Services Economics</i> Doc 9562, <i>Airport Economics Manual</i>

¹ English and Spanish language versions provided by LACAC.

(*) Argentina, Aruba, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay, and Venezuela.

1. INTRODUCTION

1.1. Economic oversight tends to balance the interests of airport service providers and of air navigation service provider (ANSPs), where airport and air navigation service providers respond to public policy objectives that seek to: minimise anti-competitive practices or abuse of a dominant position; avoid discrimination and achieve transparent enforcement of rights; make investments and airport and air navigation capacity efficiently responsive to current and future demand, protecting user interests.

2. DISCUSSION

2.1. Some airports and air navigation service providers apply taxation procedures that enable them to increase airport and air navigation charges, sometimes indiscriminately. This is more noticeable in the case of airports given in concession, where higher charges and taxes are calculated in order to increase income from both aeronautical and non-aeronautical sources. Consequently, traffic behaviour reflects reduced demand and aeronautical market limitations. Air transport is important for connectivity and economic development of countries.

2.2. It is essential to analyse approaches, perspectives and regulations that will allow operators and users to address their limitations, and not be limited in the number of airports or routes.

2.3. Policies and procedures must be based on elements such as air transport business management or the social responsibility concept. Business and tourist markets appreciate low-cost flights, continuity of frequencies, and accessibility to points of connection and tourist locations. States must act cautiously when trying to compensate for income deficits, without neglecting the impact of an increase in charges on aircraft operators and end users.

2.4. The interests of airport managers and ANSPs, aircraft operators and end users must be balanced, given the transcendental and vital importance of the air transport system for the States, as well as its impact on development and on economic, cultural, and social reciprocity between States. This is especially valid during periods of economic distress. The States must seek more cooperation between airports, air navigation providers, and air operators to make sure that the financial conflicts they all face are reasonably shared.

2.5. Air operators will be able to access more markets, providing good service to passengers in order to gain their loyalty through safe, timely operations, and frequency continuity. They must encourage an effective incorporation of potential customers through adequate and affordable rates. Improved aircraft occupancy rates and reduced costs will make routes more attractive and reasonably profitable, thus improving the connectivity of the country.

2.6. It is important to note that airports respond to connectivity between countries and regions, thus the importance of considering new airport and aeronautical infrastructure management concepts, based on an environmentally-friendly approach, reflecting reduced costs, and applying social responsibility to charges and rates to gain market loyalty in the medium term.

2.7. Improved internal and external connectivity is fundamental for orderly and sustained development of air transport. The operation of routes based on social awareness and the development of new markets would help improve connectivity between various locations. The purpose is not precisely to get rich. The operation of profitable routes or main traffic flows should foster air transport continuity and accessibility, operating smaller aircraft, promoting locations with exploratory demand or un-served markets, or locations with little profitability. All these aspects are a challenge for some States.

2.8. Aircraft fleet and equipment should be sized to demand, especially in low-profitability, low-demand routes. These routes should be served with small aircraft, without wasting space or fuel.

2.9. It is important to establish economic priorities for the State, the private sector, and airport investments, taking into account that sometimes the number of airports and the amount of air navigation services are not enough because of their high cost and the difficulty of hiring and maintaining an adequate number of specialised personnel. Thus, the importance of imposing charges only on services and functions provided for civil aviation, based on services provided and benefitting States and users.

3. **ACTION**

3.1 The Assembly is invited to:

- a) take note of the information contained herein;
- b) support the efforts made by States for the establishment of new approaches to the management of airport infrastructure and air navigation services, taking into account cost transparency in the development of the international air transport system; and
- c) direct ICAO, through the Panel, to consider aspects related to social responsibility, user-friendly air services and proper connectivity when modifying the documents and guidance material generated by the Organization.