



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 1: Global overview of trends and developments

Agenda Item: 1.2: Other areas of ICAO's work that may have economic implications

ECONOMIC ASPECTS OF AVIATION SECURITY

(Presented by the Secretariat)

EXECUTIVE SUMMARY

This working paper describes the work of ICAO in the area of policies and guidance material on the economic aspects of aviation security and discusses future challenges related to the provision of appropriate and cost-effective security measures and functions. As well, it provides a brief description of new developments in the area of economics of security measures. The paper concludes that aviation security is critical to the development of civil aviation and calls on States to observe ICAO policies on security costs and related charges.

Action: The Conference is invited to:

- a) review the information and assessments presented in this paper;
- b) endorse the conclusions presented in paragraph 3; and
- c) adopt the recommendations presented in paragraph 4.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 The Annex 17 — *Security: Safeguarding International Civil Aviation Against Acts of Unlawful Interference* to the *Convention on International Civil Aviation* confers responsibility on Contracting States for compliance with Standards and Recommended Practices (SARPs) related to aviation security, even when the operation of security at airports and air navigation services are allocated by States to a third party (private or public). Regardless of how and by whom security services are provided, security remains of paramount importance in the operation and development of air transport.

1.2 This working paper describes ICAO policies and guidance on airport and air navigation services security costs and related charges, which are contained in *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082), in the *Airport Economics Manual* (Doc 9562), and in the *Manual on Air Navigation Services Economics* (Doc 9161). These policies and guidance address security charges for airport operators and providers of air navigation services, but they do not touch on

policies, practices or charges of other stakeholders such as aircraft operators. The paper also reports on new developments, relevant to security cost and charges and considers the economic impact and challenges related to the implementation of enhanced and new security measures and functions.

2. DISCUSSION

2.1 The current ICAO policies on security charges for airports were updated based on the outcome of the *High-Level Ministerial Conference on Aviation Security*, held in Montréal in 2002. The policies list eight aviation security functions, including required equipment, facilities and personnel, as well as security control of passengers to training of security personnel (Doc 9082, Appendix 1 refers), all of which should be taken into account in determining the costs basis for charging purposes of an airport operator. States are responsible for ensuring the implementation of adequate security measures at airports pursuant to the provisions of Annex 17 — *Security to the Convention on International Civil Aviation*. States may delegate the task of providing individual security functions to such agencies as airport entities, aircraft operators and local police.

2.2 In accordance with ICAO policies on charges contained in Doc 9082 (paragraph 1 of the Foreword refers), the four key charging principles of non-discrimination, cost-relatedness, transparency and consultation with users should be observed when security charges are designed and implemented. In accordance with a recommendation adopted by the Conference on the Economics of Airports and Air Navigation Services (CEANS 2008) and endorsed by the ICAO Council, States are encouraged to incorporate such key charging principles in national legislation, regulation or policies, as well as in air services agreements, in order to ensure compliance by airport operators and air navigation services providers.

2.3 It is a State responsibility to determine the circumstances and the extent to which the costs incurred in providing security facilities and services should be borne by the State, the airport entities or other responsible agencies. With reference to the recovery of security costs from the users, the following general principles should be applied (paragraph 7 of Section II of Doc 9082 refers):

- a) consultations should take place before any security costs are assumed by airports, aircraft operators or other entities;
- b) the entities concerned may recover the costs of security measures at airports from the users in a fair and equitable manner, subject to consultation;
- c) any charges for, or transfers of, security costs to providers, aircraft operators and/or end-users should be directly related to the costs of providing the security services concerned and should be designed to recover no more than the relevant costs involved;
- d) civil aviation should not be charged for any costs that would be incurred for more general security functions performed by States such as general policing, intelligence gathering and national security;
- e) no discrimination should be exercised between the various categories of users when charging for the level of security provided. Additional costs incurred for extra levels of security provided regularly on request to certain users may also be charged to these users;

- f) when the costs of security at airports are recovered through charges, the method used should be discretionary, but such charges should be based on either the number of passengers or aircraft weight, or a combination of both factors. Security costs allocable to airport tenants may be recovered through rentals or other charges; and
- g) security charges may be levied either as additions to other existing charges or in the form of separate charges but should be subject to separate identification of costs and appropriate explanation.

2.4 Furthermore, with regard to security charges at an air navigation services provider (ANSP) level, the costs for certain security measures of a preventive nature for the provision of air navigation services, which are specifically related to civil aviation and performed on a routine basis, may be included in the cost basis for air navigation services charges to the extent that they have not already been considered in the context of safety-related measures. Civil aviation should not be charged for any costs that would be incurred for more general security functions performed by States such as general policing, intelligence gathering and national security. Further, costs associated with airport security should not be combined with security costs incurred with regard to air navigation facilities or services (Doc 9082, Section III, paragraph 3 v) refers).

2.5 Costs directly related to the security oversight function for airport and air navigation services may be included in the airport and the ANSP cost bases, at the discretion of the State (Doc 9082, Section II, paragraph 2 x) and Section III, paragraph 3 vii), respectively, refer).

2.6 Detailed guidance material on security costs and charges is included in the *Airport Economics Manual* (Doc 9562) and in the *Manual on Air Navigation Services Economics* (Doc 9161).

2.7 Since the events of 11 September 2001 in the United States, there has been a significant increase in airport security facilities and services, the cost of which has been passed on to users and end-users through security charges. While it is recognized that States should determine which security costs should be borne by the State, by airports/ANSPs, or by other responsible agencies, the increases in security charges suggest that States' implementation of existing ICAO policies could be enhanced.

2.8 The *High-Level Conference on Aviation Security* (HLCAS), held in Montréal from 12 to 14 September 2012 highlighted the importance of defining security measures that are effective, efficient, operationally viable, economically sustainable, and which take into account the impact on passengers. The HLCAS specifically discussed the sustainability of aviation security measures, and recommended that ICAO and its Member States take into account an outcome-based approach, and the need for improved passenger satisfaction, in the long-term development of Annex 17.

2.9 In recent years, the issue of funding for State conducted aviation safety and security oversight functions has been brought to the attention of ICAO. Since these two oversight functions are a State responsibility, Government funding is the assumed method by which to finance these State functions. However, this is not always possible or practical, particularly for States with limited financial resources. In such circumstances, i.e. where individual States lack the adequate capacity to perform oversight responsibilities, States should consider adopting a regional approach to safety and security oversight. For instance, a Regional Safety and Security Oversight Organization could provide access to the necessary expertise for both Safety and Security matters, through the sharing and pooling of resources. It should be noted that the issue of funding for the aviation security oversight function is discussed separately in ATConf/6-WP/7.

2.10 Similarly, issues related to the economics of air transport connectivity and facilitation are discussed separately in ATConf/6-WP/20.

3. CONCLUSIONS

3.1 In light of the discussions above, the following may be concluded:

- a) aviation security is critical to the safe, secure and orderly development of international civil aviation throughout the world, and the various security challenges which the international air transport sector faces today will continue to drive costs;
- b) the implementation of enhanced and new security measures and functions for airports and ANSPs, including security oversight, will result in additional costs. States are encouraged to observe the ICAO policies on security charges in Doc 9082 when determining the costs to be recovered from users and end-users through charges; and
- c) ICAO policies and guidance on economic aspects of aviation security remain relevant: CEANS 2008 recognized that the current ICAO policies for the cost recovery of security measures at airports and ANSPs were still adequate and recommended that States ensure effective implementation; the recent HLCAS did not request ICAO to further expand its policies and guidance on aviation security costs and charges.

4. RECOMMENDATIONS

4.1 The following recommendations are proposed for consideration of the Conference:

- a) States should ensure that the current ICAO policies for the cost recovery of security measures and functions at airports and ANSPs are implemented so that security user charges are reasonable, cost-effective, and foster harmonization worldwide;
- b) States are encouraged to incorporate the four key charging principles of non-discrimination, cost-relatedness, transparency and consultation with users in national legislation, regulation or policies, as well as in air services agreements, in order to ensure compliance by airport operators and air navigation services providers; and
- c) ICAO should take all relevant measures to ensure widespread awareness and knowledge of its policies and encourage use of its guidance material on aviation security costs and related charges.

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