



CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

Montréal, 15 to 20 September 2008

Agenda Item 3: Specific issues related to air navigation services economics and management
Agenda Item 3.3: Cost allocation and charging systems

THE ROLE OF AIRCRAFT WEIGHT IN CHARGING FORMULAE

(Presented by the International Business Aviation Council (IBAC))

SUMMARY

Based on a review of previous deliberations this working paper proposes that the Conference refrain from recommending changes to *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) until an informed and objective basis becomes available for doing so.

Action by the Conference is in paragraph 4.

1. INTRODUCTION

1.1 The matter of Route Air Navigation Services Charges is addressed in paragraphs 45 and 46 of *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082). The former paragraph states that:

“the charge should be based essentially on:

- i) the distance flown within a defined area; and*
- ii) the aircraft weight.”*

The latter paragraph pertains to the recognition by the Council of circumstances under which the charging system for general application (in paragraph 45) may be varied.

1.2 Also pertinent to the consideration of taking account of aircraft weight is the recommendation of the Council in paragraph 41 which states in part that:

- ii) “The charges should not be imposed in such a way as to discourage the use of facilities and services necessary for safety or the introduction of*

new aids and techniques. The facilities or services provided for in the ICAO Regional Air Navigation Plan(s) or in any recommendations of the relevant ICAO Regional Air Navigation Meeting as are approved by the Council, are, however, considered to be necessary for general safety and efficiency.

- viii) *The charges levied on international general aviation should be assessed in a reasonable manner, having regard to the cost of the facilities needed and used and the goal of promoting the sound development of international civil aviation as a whole.”*

1.3 Paragraph 40 of Doc 9082 states in part that: “*The Council also recommends that States acquire basic utilization data in respect of air navigation services, including the number of flights by category of user (i.e. air transport, general aviation, and other) in both domestic and international operations, and other data such as the distance flown and aircraft type or weight, where such information is relevant to the allocation of costs and the cost recovery system.*”

1.4 The extent to which aircraft weight should be taken into account has been raised on a number of occasions by some States and organizations. The most recent request for a review arose during the Air Navigation Services Economics Panel (ANSEP) preparation for the Conference.

2. DISCUSSION

2.1 During the two ANSEP meetings convened in preparation for the Conference, a good deal of time was devoted to the consideration of the application of weight as a factor in the charging formula. In the first instance, ANSEP reviewed several related working papers. The outcome of these deliberations was referral to a drafting group to prepare a draft working paper. At the ensuing meeting no consensus could be reached on the draft other than for the diametrically opposed views to be reported in a Secretariat working paper to the Conference. The documentation provided for ANSEP consideration did not include a financial analysis of the impact of the proposed changes to paragraphs 45 and 46. Thus, while axiomatically any change to the extent to which aircraft weight is to be taken into account will result in a re-profiling of the charges levied on operators, an objective analysis or assessment of the extent of this re-profiling is lacking.

2.2 The International Business Aviation Council (IBAC) considers that change to the charging formula in paragraph 45 must not be made without comprehensive supporting data. To date there has not been an informed study undertaken on the basis of financial analyses or modelling. Thus, the impact on various categories of airspace users has not been determined. IBAC has further concluded that it would be imprudent for the Conference or the ICAO Council to countenance a revision to Doc 9082 with respect to the weight factor on an entirely subjective foundation which could well give rise to significant unintended consequences.

2.3 IBAC is aware that development is underway in one State of financial models and tools capable of supporting a rigorous analysis and comparison of various charging formulae and their impacts. Results of such modelling by this State and others should provide the information needed before further consideration of possible changes to the route charging formula.

3. **CONCLUSIONS**

3.1 IBAC concludes that a change to the guidelines for a route air navigation services charging formula to remove aircraft weight is premature in that the principle of basing such a change on sound data and an assessment of impact has not been completed.

3.2 IBAC recommends that the Conference adopt an enlightened, vice arbitrary, approach and refrain from proposing any amendments to paragraphs 45 and 46 of Doc 9082. IBAC is fully prepared to contribute to the development of financial models that will determine the impact of options for charging formulae.

4. **ACTION BY THE CONFERENCE**

4.1 The Conference is invited to recommend retention of current Doc 9082 paragraphs 45 and 46 until such time as financial modelling has been undertaken and considered by the appropriate ICAO body to inform the basis for such amendment proposals.

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