



CEANS-WP/83  
18/9/08  
**Revision 1**  
19/9/08

## **CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES**

**Montréal, 15 to 20 September 2008**

### **DRAFT REPORT ON AGENDA ITEM 3.3**

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

*Note – Consideration of this item was divided into three parts: 1) Categorization of services for cost allocation and charging purposes; 2) Role of aircraft weight in charging formulae; and 3) Incentives that could apply to both providers and users.*

**PART I – CATEGORIZATION OF SERVICES FOR COST  
ALLOCATION AND CHARGING PURPOSES**

**3.3.1 Documentation**

**Secretariat** (WP/13) examined the categorization of air navigation services for cost allocation purposes and its implications on the charging system. ANSPs have the option to allocate costs according to the traditional service categories (i.e. aerodrome control, approach control and area control services) or to an alternative categorization of services based on the portions of airspace and on the phase of a flight. Adopting the alternative categorization could enhance transparency and cost-relationship in allocating the costs, and would enable ANSPs to diversify their charges according to each service category (for example, zone charges). The paper concluded that the use of the alternative categorization and the corresponding zone charges may lead to a more efficient use of resources, especially in congested or complex airspace. It was also suggested that ICAO should develop additional guidance on this subject.

**Members of LACAC** (WP/40) described the methodologies developed for estimating the cost of airport and air navigation services in the region, and stated that the categorization of services based on the portions of airspace and on the phase of a flight will depend on the characteristics of a given airspace with the need to have an appropriate definition of each service category and take into account costs estimated in a transparent and fair way.

**European Commission** (WP/56 – information paper) provided information covering this item (see paragraph 3.4.1).

**3.3.2 Discussion**

3.3.2.1 Concern was expressed about possible competitive distortions which could result from the application of new categories of services for charging purposes. Such a system could also place an additional administrative burden on both providers and users, lead to a proliferation of charges, increased charges, and have unintended consequences due to inefficient routings, notably with respect to environmental efficiency.

3.3.2.2 Several States considered that the existing guidance in paragraphs 6.47 to 6.52 of ICAO's *Manual on Air Navigation Services Economics* (Doc 9161) was sufficient and did not need to be expanded at this stage. Others argued that the use of the alternative categories of services was not mandatory but that it would open new opportunities. The intent was to expand the guidance material to cope with a new charging environment, while recognizing the advantages and disadvantages related to its future implementation.

3.3.2.3 The Secretariat clarified that the alternative categorization of services had primarily been developed for cost allocation and charging purposes, but also as a means to improve the efficiency of the air navigation system.

3.3.2.4 The Conference endorsed the conclusions as proposed in WP/13, with the understanding that further guidance was needed for examining all aspects of the alternative categorization of services, including the possible negative and positive impacts on providers and users. Sufficient information on this subject would allow States to make appropriate choices.

### 3.3.3 Recommendation

3.3.3.1 From the documentation and ensuing discussion on the categorization of services for cost allocation and charging purposes under Agenda item 3.3, the Conference adopted the following recommendation:

#### **RECOMMENDATION 11 – CATEGORIZATION OF SERVICES FOR COST ALLOCATION AND CHARGING PURPOSES**

##### **THE CONFERENCE RECOMMENDS THAT:**

- a) States may consider using the alternative categorization of services and the corresponding zone charges, depending on their particular circumstances, for example in congested or complex airspace, in order to achieve a more cost-related charging system and an efficient use of resources; and
- b) ICAO should expand the guidance material on cost allocation between portions of airspace and/or phases of flight, as well as develop new guidance material on zone charges.

## **PART II – ROLE OF AIRCRAFT WEIGHT IN CHARGING FORMULAE**

### 3.3.4 Documentation

**Secretariat** (WP/14) addressed the rationale behind the practice of including aircraft weight in air navigation services charging formulae, and reviewed the relevance of the current text in Doc 9082. Since the views regarding the role of aircraft weight in charging formulae vary amongst States, the paper called on the Conference to consider reaching a common position on this contentious issue.

**53 African States** (WP/62) asked ICAO to undertake a study on the relevance of the application of aircraft weight by ANSPs worldwide with a view to identifying and defining best practice that will ensure sustainability of the provision of adequate air navigation services regardless of the differences in the air traffic mix.

**Members of LACAC** (WP/40) stated that when distances flown or aircraft types are homogeneous, air navigation services charging formulae can exclude the elements of either distance flown or aircraft weight or both according to the circumstances.

**IBAC** (WP/25) believed that any amendments to the guidelines for an en-route charging formula contained in Doc 9082 to remove an aircraft weight factor should not be made without comprehensive supporting data and financial analyses or models that will determine the impact of options for charging formulae.

**Mali** (WP/43 – information paper) provided information covering this item (see paragraph 3.1.1).

### 3.3.5 Discussion

3.3.5.1 The Conference considered how to reach a consensus on the role of aircraft weight for air navigation services charging purposes, in particular with respect to the current wording in paragraphs 44, 45 and 46 of Doc 9082 on aircraft weight.

3.3.5.2 There was considerable discussion on this issue. Some felt that the current guidance, based not only on cost-relatedness but also on the productive capacity of aircraft and value of service, reflects the ability of users to pay, while business aviation using jets, has financial capacity to pay as much as air carriers, who use larger aircraft. According to this view, ICAO's policies should be more flexible regarding the use of aircraft weight for air navigation services charges. Others felt that there is no need to amend the current policies, as they allow for equity in the charging system, and that removing the weight element would also remove the equity element. They were of the opinion that the current wording in paragraphs 44, 45 and 46 of Doc 9082 provide sufficient flexibility regarding the weight element for charging purposes and that therefore there is no need for any amendment.

3.3.5.3 There was support for the harmonization of the current text in paragraphs 44, 45 and 46 of Doc 9082, in particular, replacing the word "*should*" with "*could*" in paragraph 45. The Conference noted that this change would provide more flexibility regarding the role of aircraft weight for air navigation services charges. Consequently, there was no support by the Conference for ICAO to undertake a study on the role of aircraft weight in setting air navigation services charges.

### 3.3.6 Recommendation

3.3.6.1 From the documentation and ensuing discussion on the role of aircraft weight in charging formulae under Agenda item 3.3, the Conference adopted the following recommendation:

#### **RECOMMENDATION 12 – ROLE OF AIRCRAFT WEIGHT IN CHARGING FORMULAE**

##### **THE CONFERENCE RECOMMENDS THAT:**

- a) ICAO should amend paragraph 45 of Doc 9082 to provide additional flexibility with regard to the role of aircraft weight in air navigation services charges; and
- b) ICAO review its guidance material on aircraft weight and adjust it as necessary.

## **PART III – INCENTIVES THAT COULD APPLY TO BOTH PROVIDERS AND USERS**

### **3.3.7 Documentation**

**Secretariat** (WP/15) examined the appropriateness of incentives for both ANSPs and users. If properly designed, incentives may be a tool to optimize the use and delivery of air navigation services, reduce the overall cost of such services, and increase their efficiency. To achieve a desired outcome from the application of incentives, the paper concluded that States should ensure that incentives meet the principles set out in Doc 9082, as well as their stated objectives, and that the estimated benefits offset the cost of incentives within a reasonable timeframe. An amendment of the related text in Doc 9082 and the development of guidance on incentives were proposed to substantiate this conclusion.

**Mali** (WP/43 – information paper) provided information covering this item (see paragraph 3.1.1).

### **3.3.8 Discussion**

3.3.8.1 There was general agreement with the thrust of WP/15 regarding the benefit of incentives for ANSPs and airspace users, as well as the need to ensure that such incentives are properly introduced to prevent potential negative effects or abuse. Attention was drawn to the relevance of transparency, cost-relatedness in designing incentives, and the importance of periodic reviews of the incentive schemes. With respect to the amendment to paragraph 41 v) of Doc 9082 proposed in WP/15, several States confirmed that incentives involving ANSPs were still not widely used, and therefore existing ICAO's guidance was sufficient to address the issue. The Conference agreed that no amendment was needed at present.

3.3.8.2 There were extensive discussions on the wording of the draft conclusions in order to properly reflect the intent of WP/15 and the associated recommended action. The Conference agreed on a compromise text for the draft recommendation.

### **3.3.9 Recommendation**

3.3.9.1 From the documentation and ensuing discussion on incentives that could apply to both providers and users under Agenda item 3.3, the Conference adopted the following recommendation:

#### **RECOMMENDATION 13 – INCENTIVES THAT COULD APPLY TO BOTH PROVIDERS AND USERS**

##### **THE CONFERENCE RECOMMENDS THAT:**

- a) States are encouraged to introduce appropriate forms of incentives for ANSPs, within their economic oversight framework, with a view to optimizing the use and delivery of air navigation services, reducing the overall cost of such services, and increasing their efficiency; and

- b) States should ensure that where ANSPs have introduced incentives for users, the incentive schemes meet the principles set out in Doc 9082. The incentive schemes should be transparent and subject to periodic reviews, and the estimated benefits should offset the cost of incentives within a reasonable time-frame.

— END —