



CEANS-WP/86
18/9/08

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

Montréal, 15 to 20 September 2008

DRAFT REPORT ON INTRODUCTION

INTRODUCTION

Site and duration of the Conference

1. The Conference on the Economics of Airports and Air Navigation Services (CEANS) was convened in the Assembly Hall of the Headquarters of the International Civil Aviation Organization in Montreal on 15 September 2008. Mr. R. Kobeh González, President of the Council, opened the Conference, which was also addressed by Mr. S. A. R. Hashem, Chairman of the Air Transport Committee. Dr. Taïeb Chérif, the Secretary General, welcomed the participants and introduced the Conference Secretariat. Addresses made at the opening meeting appear at Appendix A. The Conference completed its work on 20 September 2008.

Agenda

2. The Conference adopted the following agenda which had been approved by the Council and presented in CEANS-WP/1:

1. **ISSUES INVOLVING INTERACTION BETWEEN STATES, PROVIDERS AND USERS**

Review of three key issues common to airports and air navigation services:

1.1 **Economic oversight**

The protection of users against potential abuse of dominant position by airports and air navigation services providers (ANSPs) is a State's responsibility. This could be achieved through economic oversight, i.e. monitoring by a State of the commercial and operational practices of service providers. The Conference will discuss the scope and forms of economic oversight, as well as the associated costs and benefits, and consider what forms of economic oversight might be applied, according to the specific circumstances in a State.

1.2 **Economic performance and minimum reporting requirements**

The assessment of airport and ANSP performance, including the use of benchmarking, can serve to improve safety, quality of services, productivity and cost-efficiency of airports and ANSPs, as well as to support investment decisions. The Conference will discuss and try to achieve a mutual understanding by all stakeholders regarding the kind of data that would be fundamental to performance reporting, as well as the minimum reporting requirements for performance measurement.

1.3 **Consultation with users**

Good relations between regulators, providers and users are important for the effective development of air transport. However, many airports and ANSPs around the world either do not consult users, or maintain a proper and regular consultation process. The Conference will review

existing consultation mechanisms between airports/ANSPs and users, and consider innovative solutions to establish the foundation for a sound cooperation between providers and users.

2. SPECIFIC ISSUES RELATED TO AIRPORT ECONOMICS AND MANAGEMENT

Examination of issues specific to airports:

2.1 Governance, ownership and control

Changes in governance, ownership and control of airports, including cross-border investments in privatized airports, can have implications for a State's obligations in the provision and operation of airport services. Based on the experiences of commercialization and privatization, the Conference will consider the influence of different governance structures on the performance of airports and what measures States can take in order to ensure that all relevant obligations of States are observed.

2.2 Cost basis for charges

The cost basis of an airport for charging purposes has usually been established by taking into account the costs of operation and maintenance, cost of capital and depreciation of assets (based on historical value in most cases), and a "reasonable" return on assets. The Conference will try to build a consensus on possible ways to assess what would constitute a "reasonable" rate of return, and explore the possibility of consolidating several airport cost bases into one cost base for charging purposes.

2.3 Cost allocation and charging systems

ICAO's current policies and guidance material on airport charges have provisions dealing with how the costs of the various airport facilities and services should be allocated to different categories of users. However, some new trends have emerged such as the allocation of costs on a per passenger basis, which includes all or most cost bases of the aeronautical activities. The Conference will discuss whether such new approaches are consistent with ICAO's policies, and consider appropriate amendments to the policies and guidance material on cost allocation.

2.4 Non-discrimination aspects

In recent years, airport operators have developed certain differential charges to attract and retain new airline services, for example, discounts on passenger service charges and incentive schemes for particular airlines, including low-cost carriers. Some of these differential charges might be non-transparent, discriminatory and anti-competitive, especially when they constitute a form of State aid. The Conference will address the issue of how to deal with the measures taken by airport operators that have the potential to create unfair treatment, as well as the issue of access to airport facilities.

2.5 Financing and cost recovery of security measures

According to ICAO's policies on security charges, the costs of security functions performed by States such as general policing, intelligence gathering and national security should not be passed on to the airport users. However, practices differ between regions and States, which have

financial implications on users. The Conference will review the current policies and discuss how to achieve a more harmonized implementation of ICAO's policies regarding airport security charges.

3. SPECIFIC ISSUES RELATED TO AIR NAVIGATION SERVICES ECONOMICS AND MANAGEMENT

Examination of issues specific to air navigation services:

3.1 Governance, ownership and control

While autonomous and commercialized ANSPs have been established in many States around the world, financing is still an issue in other States. The Conference will consider the importance of further promotion of ICAO's policies on the establishment of autonomous ANSPs, including separation between regulatory and operational functions. The Conference will also review commercialization experiences and discuss their influence on the performance of ANSPs, with particular attention to governance and management structures.

3.2 Cost basis for charges

The cost basis of an ANSP for charging purposes has usually been established by taking into account the costs of operation and maintenance, plus cost of capital and depreciation of assets, as well as a "reasonable" return on assets. The Conference will try to build a consensus on possible ways to assess what would constitute a "reasonable" rate of return for ANSPs. Another issue that the Conference will address is the practice of contingency funds in order to cater for unforeseen severe drops in traffic/revenues.

3.3 Cost allocation and charging systems

The allocation of costs to air traffic control services has traditionally followed the categorization of services between aerodrome control, approach control and area control. The Conference will review recent developments, and consider the need for and implications of an alternative categorization of services based on the portions of airspace and on the phase of flight, which could lead to the introduction of zone (differential) charges. The Conference will also discuss the relevance of the element of aircraft weight in the charging formulae and incentives that could apply both to providers and users.

3.4 Economic and organizational aspects related to implementation of the global air traffic management (ATM) concept

The global air traffic management (ATM) concept seeks to derive operational, economic as well as environmental benefits for all members of the ATM community. The efficient and cost-effective implementation of a seamless ATM system will be facilitated through multilateral cooperation and institutional arrangements for financing and charging. The Conference will review the work of ICAO concerning the economic, organizational and managerial aspects of the implementation of the global ATM concept, and consider what practical guidance and support ICAO may provide to States, as well as to regional and sub-regional entities, including guidance on charging systems.

4. IMPLEMENTATION OF ICAO'S POLICIES ON CHARGES

While ICAO has developed comprehensive policies and guidance material on charges for airports and air navigation services, States do not always fully observe them. This is often due to a lack of awareness of and firm commitment by States to adhere to these policies. The situation may not improve with the trend of commercialization and privatization, which lead to changes in governance, ownership and control of airports and ANSPs. The Conference will discuss possible means to increase the awareness of ICAO's policies and their implementation by States and their airports and ANSPs.

Structure and rules of procedure

3. The Conference met as a single body and held meetings. Formal consideration of the agenda was preceded on Sunday, 14 September by a pre-Conference Symposium: Challenges for Airports and Air Navigation Services, setting the scene and focussing on some key issues to be addressed by the Conference in an informal setting, with the Conference *per se* commencing on Monday, 15 September.

4. The rules of procedure were the *Standing Rules of Procedure for Meetings in the Air Transport Field* (Doc 8683). Rule 26, which calls for the preparation of summary minutes, had been suspended by the Council.

Attendance

5. The following Contracting States of ICAO were represented at the Conference:

[names to be inserted]

6. The following Observer Delegations attended the Conference:

[names to be inserted]

7. A list of participants in the Conference appears at Appendix B.

Officers of the Conference

8. The following officers were elected:

Chairman of the Conference:	Mr. Dan Cogliati (Canada)
First Vice-Chairman:	Ms. Siew Huay Tan (Singapore)
Second Vice-Chairman:	Mr. Ramesh Lutchmedial (Trinidad and Tobago)

Secretariat

9. Mrs. F. Odutola, Director of the Air Transport Bureau, served as Secretary of the Conference, and Mr. Ö. Magnusson, Chief, Economic Policy and Infrastructure Management Section,

served as Deputy Secretary. Assistant Secretaries were Mrs. M. Boulos, Mr. J. de la Cámara, Mrs. C. Fischer, Mr. T. Hasegawa, Mr. B. Peguillan, Mr. Y.-W. Wang, Mrs. H. Biernacki, Mr. L. Fonseca, and Mr. E. Gngang. Liaison for the Air Transport Bureau was carried out by Dr. R.I.R. Abeyratne, documentation and web-page coordination by Mrs. S. Joseph, credentials coordination by Mr. Z. Anwar and Mrs. A.-M. Steiman, and secretarial supervision by Mrs. S. Brain and Mrs. N Souto. Mr. J. Begin, Deputy Director of the Air Transport Bureau, acted as Adviser to the Conference.

10. Administrative and language services were provided under the supervision of Dr. F. Liu, Director, Bureau of Administration and Services, by Mr. M. Blanch, Chief, Conference and Office Services Section, Mrs. D. Rahmani, Documentation Control Officer and Ms. E. M. Mccarthy, Acting Chief, Interpretation.

Documentation

11. A list of the documentation associated with the work of the Conference is presented in Appendix C.

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