



PKD Board Procedure for the PKD Fee Schedule

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Forwarded by: 2014 Chairperson

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B-Fin/69 dated 15.02.2012

Introduction

1. The ICAO PKD operates on a cost recovery basis, financed by fees paid by PKD Participants.
2. These rules and procedures are established by the PKD Board under paragraph 1.2 f) of Attachment C of the PKD MoU. They should be read in conjunction with Attachment B of the PKD MoU, the Cost Sharing/Fee Schedule.
3. The significant investment of time and money required to establish the ICAO PKD has been met, to a considerable extent, by the early PKD Participants. These PKD Participants have met these costs in order to establish a sustainable globally interoperable scheme of ePassport validation for the benefit of all subsequent PKD Participants.
4. The ICAO PKD is characterised by high establishment costs of the IT systems, low transaction costs, rent costs that are largely fixed, and limited fixed assets. Because of this cost structure, the average cost to be met by each PKD Participant in the ICAO PKD can be expected to fall as the number of PKD Participants increases.
5. Attachment B of the PKD MoU makes provision for the application of Registration Fees, Annual Fees, and User Fees.

Objective

6. A global, interoperable scheme for ePassport validation will be viable provided it achieves high participation rates amongst ePassport issuing states and entities. Keeping costs of participation low and ensuring that the benefits of participation are tangible and significant will contribute to attracting new PKD Participants.
7. The PKD Board will therefore seek, over time, to reduce Registration Fees for new PKD Participants, and reduce Annual Fees for all PKD Participants.
8. User Fees will be applied only where this is provided for in the MoU and judged to be indispensable to cover the costs for PKD access for users while operating the PKD as a globally interoperable scheme of ePassport validation to contribute to aviation security and the efficiency of civil aviation operations.

Transitional Arrangements

9. Transitional arrangements for Registration Fees and Annual Fees for PKD Participants have applied in the implementation phase of the ICAO PKD. These arrangements cease to apply from 1 January 2009. The details of these arrangements are described in

the minutes of PKD Board meetings and in PKD Board Discussion Papers.

10. The section relating to Procedures for Setting and Updating Annual Fees is the standing rule for transitional fee arrangements, e.g. applied to new PKD Participants or in case of excess fee collections. The details of these arrangements are described in the minutes of PKD Board meetings and in PKD Board Discussion Papers to which new PKD Participants have access to.

Procedures for Setting and Updating Registration Fees

11. Registration Fees are published in the PKD MoU. As such they may be changed subject to the provisions for Amendments to the PKD MoU described in paragraph 8 of the PKD MoU and the procedures established under paragraph 1.2 m) of the PKD MoU for amending the PKD MoU.
12. The level of Registration Fees is set to recover the costs of establishing the ICAO PKD and to make provision, via a “Reserve Fund”, for future costs of a capital nature for the future development of the ICAO PKD, as and if required, and to make provision to replace depreciable assets. The PKD Board closely monitors the future costs of a capital nature as necessary with a view to run the PKD Development & Implementation Fund in balance or surplus.
13. The PKD Registration Fee Schedule will be subject to annual review. The review will assess the extent to which establishment costs have been met and appropriate provisions for ongoing capital costs have been made. As participation grows in the ICAO PKD, the PKD Board will look for opportunities to recommend that Registration Fees be reduced.

Procedures for Setting and Updating Annual Fees

14. Annual Fees for the ICAO PKD will be set to match the operating costs of the ICAO PKD on a year to year basis. The PKD Board closely monitors the operating costs as necessary with a view to run the PKD Operational Fund in balance or surplus.
15. The procedures to update the PKD Annual Fee Schedule will be undertaken out-of-session and, where practicable, during PKD Board meetings.
16. The procedure for updating the PKD Annual Fee Schedule is detailed below:
 - 1) by 30 September - The ICAO PKD estimated Operating Budget for the following year is presented by ICAO Secretariat to the PKD Board for review. The Operating Budget will have regard to contractual commitments to the PKD Operator and other suppliers and include an estimate of ICAO’s operating costs. The Operating Budget will exclude development costs and other costs of a capital nature, which will instead be included in the budget for the “Reserve Fund”.
 - 2) The PKD Board, in consultation with the Secretary General and the PKD Operator, will review and approve the Operating Budget.

- 3) as at 31 October - The PKD Board will determine the actual number of PKD Participants.
- 4) A draft Annual Fee will be determined by dividing the Operating Budget agreed at 2) above (modified by an adjustment for any applicable transitional arrangements, and reduced by any proceeds from User Fee collections) by the number of actual PKD Participants determined at 3) above.
- 5) by 14 November - A draft proposal for a PKD Annual Fee Schedule will be circulated by the PKD Board for comment by PKD Participants. The draft proposal will include:
 - the number of actual PKD Participants for the coming year,
 - an outline of the anticipated expenses, and
 - details of how the fee was calculated, including the application of transitional arrangements and credits for prior year excess fee collections, as applicable.PKD Participants will have 14 days to comment on the proposed PKD Annual Fee Schedule.
- 6) The PKD Board will review the PKD Annual Fee Schedule in the light of PKD Participant's comments and agree on a final PKD Annual Fee Schedule.
- 7) by 1 December - The ICAO Secretariat will issue invoices for Annual Fees for all PKD Participants no later than 1 December and full payment will be payable on 1 January. In the event that Annual Fees remain unpaid for any reason by a PKD Participant, the PKD Operator may withdraw services as of 1 April. PKD MoU Attachment B paragraph 2.5 refers. After 1 April it is a bilateral matter between a PKD Participant and the PKD Operator how a payment default is handled.

The ICAO Secretariat will invoice PKD Participants for their Annual Fee showing details of any credits due to excess Annual Fee collections and the application of transitional arrangements. At the same time the ICAO Secretariat will invoice PKD Participants for their individual fees determined by the activity status in the PKD on the basis of the contract between ICAO and the PKD Operator.

- 8) by 14 December - The PKD Board Chairperson will advise ICAO Secretariat of the revised PKD Annual Fee Schedule.
 - 9) by 1 January - ICAO Secretariat will publish the revised PKD Annual Fee Schedule to the PKD section of the ICAO MRTD website and disseminate details of the revised PKD Annual Fee Schedule to PKD Participants.
17. Under these procedures a prorated Annual Fee applies for new PKD Participants calculated from the date when PKD participation becomes effective (ICAO part) and from the date of commencement of the user testing (UAT) for upload access to the ICAO PKD or from the date of first download, whichever occurs first (Operator part). In any case the Operator part will commence after fifteen months from the date that participation becomes effective.

Procedures for Setting and Updating User Fees

18. Subject to the PKD MoU, User Fees may be imposed by the PKD Board.
19. User Fees collected will be used to meet operational costs of the ICAO PKD.
20. User Fees will be applied by classes of users on a cost recovery basis. However, in order to manage incentives to support a globally interoperable scheme of ePassport validation, it is intended that some classes of users may not be charged, or may be charged at a level below cost recovery.
21. Where users enjoy free or subsidised access to the ICAO PKD, the costs of the subsidy will be borne by PKD Participants. It is not intended that cross-subsidisation costs be applied to other users.
22. The PKD User Fee Schedule, identifying classes of users and fee levels, will be published on the ICAO PKD section of the ICAO MRTD website. The PKD User Fee Schedule will be reviewed annually.

Procedures for Non-fee payment

23. The Annual Fee from PKD Participants shall be considered due and payable in full as of the first day of the financial year to which they relate since the ICAO PKD operates on a cost recovery basis;
24. Failure by a Participant to pay the PKD Fees will lead to that Participant's service being withdrawn at the end of the third month following the date on which payment is due and that the service will not be reinstated until that Participant's debt has been fully settled.
25. The PKD Board requests:
 - 1) that all PKD Participants and, in particular, PKD Board members, take all necessary measures to pay their contributions on time;
 - 2) that all PKD Participants having contributions in arrears make suitable arrangements for liquidating their arrears;
 - 3) that the Secretary General be directed to dispatch to all PKD Participants, at least three times in the year, schedules showing the current amounts due for the current year and until 31 December of the previous year;
 - 4) that the voting power be suspended for those PKD Participants that are not current with annual Fee Payment; such suspension to be revoked immediately upon the settlement of outstanding amounts due; and
26. The PKD Board requests that the following additional measures be applied to those PKD Participants whose voting rights have been suspended:

- 1) lose eligibility to attend PKD Board meetings, conferences, workshops and seminars
- 2) receive only the same free documentation as that provided to non-PKD Participants, including those available in the public electronic media, and any other documents that are essential for safety, regularity or efficiency of the PKD;
- 3) lose eligibility for nomination to PKD Board members positions or sub-Committees positions;

27. Wishing to encourage PKD Participants to liquidate their arrears and at the same time provide incentives for doing so;

- 1) the voting power of a PKD Participant suspended may also be restored by action of the PKD Board provided:
 - a) An agreement has already been made between the PKD Board, ICAO and the Operator that provides for the settlement of the Participant's outstanding obligations and for the payment of current contributions and has complied with the terms of that agreement; or
 - b) the PKD Board is satisfied that the Participant has demonstrated willingness to reach an equitable settlement of the Participant's financial obligations to the Organization;
 - c) This demonstration would consist of a clear proposal explaining the reasons for the non-payment and a detailed payment plan.
- 2) the distribution of surplus be restricted to PKD Participants who, at the date of the distribution of the surplus, have paid their contributions for the financial years for which the surplus had been determined and that the entitlement to the surplus be terminated for Participants who have outstanding contributions for the years concerned, except for those Participants with agreements and who have complied with the terms of their agreements;
