



WORKING PAPER

**SEVENTH WORLDWIDE AIR TRANSPORT CONFERENCE
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**Agenda Item 3: Strengthening regulatory and institutional frameworks
3.4: Levies on international air transport**

**COST-RELATEDNESS AS A FAIR FLOOR: AN ECONOMIC
FRAMEWORK FOR GROUND HANDLING**

(Presented by the Aviation Services Association (ASA))

EXECUTIVE SUMMARY

With Amendment 18 to Annex 14, Volume I and complementary amendments to Annex 6, Annex 9 and Procedures for Air Navigation Services (PANS)-Aerodromes (Doc 9981), the International Civil Aviation Organization (ICAO) has recognized ground handling as a safety-critical activity subject to State oversight. Its economic treatment has not kept pace. Unlike airports and air navigation services, ground handling is a fragmented industry in which multiple providers compete for airlines procuring principally on lowest price — a downward cost spiral pursued at the expense of safety investment and workforce welfare, and one in which airlines routinely disregard even the contractual norms they themselves developed in the International Air Transport Association (IATA) Standard Ground Handling Agreement (SGHA). This paper proposes that the four charging principles of ICAO's *Policies on Charges for Airports and Air Navigation Services* (Doc 9082) — cost-relatedness, non-discrimination, transparency and consultation — be extended to ground handling, with one adaptation: applied to price-takers facing concentrated buyer power, cost-relatedness operates not as a ceiling on the charges of a dominant provider but as a fair floor. It proposes a six-element framework: rates reflecting the full cost of safe and sustainable provision; restoration of contractual balance under the SGHA; recovery of costs mandated by the new safety framework, as for airports and air navigation services providers (ANSPs); tender criteria beyond lowest price; oversight fees limited to the cost of oversight performed; and the four principles applied to fees imposed on ground handling service providers (GHSPs). The Conference is invited to endorse the principle and to request the Council to update Doc 9082, *Airport Economics Manual* (Doc 9562), *Manual on Ground Handling* (Doc 10121) and *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587) accordingly.

Action: The conference is invited to agree to the recommendations presented in paragraph 6.2.

<i>Strategic Goal:</i>	This working paper relates to Strategic Goals: <i>The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All and Safety.</i>
<i>Financial implications:</i>	Not applicable

¹ English, Arabic, Chinese, French, Russian and Spanish versions provided by ASA World.

<i>References:</i>	Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i> Doc 9562, <i>Airport Economics Manual</i> Doc 9587, <i>Policy and Guidance Material on the Economic Regulation of International Air Transport</i> Doc 10121, <i>Manual on Ground Handling</i> Amendment 18 to Annex 14 — Aerodromes, Volume I — Aerodrome Design and Operations Commission Delegated Regulation (EU) 2025/20 supplementing Regulation (EU) 2018/1139, laying down requirements for the safe provision of ground handling services and for organisations providing them EASA, Notice of Proposed Amendment 2023-106 — Ground handling (RMT.0728) HLCC 2021-WP/243, Report of the Safety Stream on Agenda Item 3 (Ground handling), High-level Conference on COVID-19 (HLCC 2021) A42-WP/545, A42-WP/550 and A42-WP/552 (presented by ASA)
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1. INTRODUCTION

1.1 Ground handling — passenger, baggage, ramp, aircraft and cargo services — generated US\$64 billion in revenue and supported nearly 3 million jobs worldwide in 2023. Every international air service depends on it: it is an essential aeronautical activity, not an ancillary commercial convenience, and its financial resiliency conditions the performance of the whole system. Aviation Services Association (ASA) documented in A42-WP/545, A42-WP/550 and A42-WP/552 both the sector's move into the International Civil Aviation Organization (ICAO)'s safety framework and the economic fragility that undermines its capacity to invest in safety.

1.2 This paper addresses the economic dimension of that transition. As ground handling becomes a regulated, safety-critical activity under ICAO Standards and Recommended Practices (SARPs), the principles ICAO applies to airports and air navigation services — cost-relatedness, non-discrimination, transparency and consultation — should be extended to it. One distinction is central: those policies discipline dominant infrastructure providers, whereas ground handling inverts that structure — fragmented supply facing concentrated buyer power. Cost-relatedness here is therefore not a cap on the charges of a dominant provider but a fair floor ensuring that rates for a safety-critical service do not fall below the cost of providing it safely. The objective is fair, sustainable and transparent competition, not the protection of incumbents.

2. GROUND HANDLING'S NEW REGULATORY STATUS UNDER ICAO

2.1 On 28 March 2025 the ICAO Council adopted Amendment 18 to Annex 14, Volume I, applicable on 26 November 2026 — within days of this Conference. For the first time the Annex framework addresses ground handling directly: States are to assess regularly its impact on aviation safety and to establish criteria for its safety oversight, and aerodrome design and apron management provisions address it expressly. Complementary amendments to Annex 6, Annex 9 and Procedures for Air Navigation Services (PANS)-Aerodromes (Doc 9981) harmonize oversight, training and equipment use, and the European Union has adopted the first comprehensive regional regulation (EU 2025/20), mandating oversight of ground handling service providers (GHSPs) and their safety management systems (SMS).

2.2 ASA has welcomed and supported this evolution, knowing that regulatory oversight adds a cost the sector has not carried before: obligations set by the regulator rather than negotiated by contract,

and not recoverable under either. What has not evolved is the economic treatment of the sector. GHSPs pay license fees, concession fees, centralized infrastructure charges, rents and access charges set by airport operators, and increasingly certification and oversight fees. GHSPs pay into the airport charging system; its protections do not extend to them. The safety half of the framework is increasingly being addressed; the economic half is missing.

3. ICAO'S ESTABLISHED ECONOMIC PRINCIPLES FOR AIRPORTS AND AIR NAVIGATION SERVICES

3.1 *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) rests on four key charging principles — non-discrimination, cost-relatedness, transparency and consultation with users. Cost-relatedness requires that charges reflect the cost of the facilities and services provided, equitably allocated and consistent with Article 15 of the *Convention on International Civil Aviation* (Chicago Convention); that no service be charged for twice; that charges not discourage the use of facilities and services necessary for safety; and that the cost basis may include oversight costs, cost of capital, depreciation and a reasonable return to finance investment efficiently. They already touch ground handling: Doc 9082 excludes it from the encouragement to develop non-aeronautical revenues fully, *Airport Economics Manual* (Doc 9562) directs airports to monitor handling charges, and *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587) carries a model clause.

4. WHY COST-RELATEDNESS SHOULD APPLY TO GROUND HANDLING

4.1 Regulatory status and economic treatment must correspond: an activity cannot be aeronautical for safety yet purely commercial for charging. Airports and ANSPs have always operated commercially; ICAO's answer was economic discipline, culminating at the Conference on the Economics of Airports and Air Navigation Services (CEANS) (2008) in independent oversight paired with the four charging principles. Airlines, though equally safety-regulated, set their own fares and price their safety obligations into them. GHSPs have neither: they are price-takers, and no correction is available to them. Ground handling's change of status calls for the same pairing.

4.2 Ground handling, however, inverts the market structure those principles were built for: instead of a dominant provider facing captive users, GHSPs — however consolidated globally — bid station by station against structural buyer power: hub carriers and alliance groups purchasing GHSP services centrally, a few contracts carrying most of a handler's station revenue, self-handling always in reserve. No collusion is required; each airline bidding alone drives the same result.

4.3 Nor is this ordinary price competition. Standard airline commercial practices — payments deferred by up to 75 days, capped or no inflation- or wage-related escalations, contractual liability caps, and third-party audits that in cases documented by the European Union Aviation Safety Agency (EASA) consume 178 days a year, with results 80 per cent identical — mean the buyer does not carry the full cost of the safety it refuses to fund; the consequences surface only later, landing on the whole system. Deferred payment falls hardest on a labor-intensive business: wages and statutory contributions are due monthly, so a 75-day payment cycle makes the GHSP the airline's working-capital lender. This is an externality: the savings accrue to individual airlines while the costs are dispersed across the system. Rates fall below the full cost of safe provision, creating a natural economic incentive to diminish the items safety depends on — training, supervision, staffing, equipment renewal and working conditions — and carrying the hidden risks and costs of below-cost procurement, hidden until too late: incidents and accidents, eroded operational resiliency and degraded customer satisfaction, borne by airports, airlines, ANSPs and passengers alike.

4.4 Labor, the largest cost component, absorbs the pressure first, with consequences on both sides of the ledger: attrition, inexperience, fatigue and lengthening duty hours manifest as ramp incidents — EASA has documented the highest staff turnover in the aviation industry, an annual rate of 70 per cent post-pandemic at some GHSPs in Europe, and warned that, combined with the pressure to minimize cost, it raises safety risk across flight and ground operations — while depressed pay and conditions have provoked recurrent ground handling strikes at airports worldwide, cancelling flights and stranding passengers. The pressure will not ease on its own: EASA expects the shortage to worsen as the current workforce retires and fewer younger workers replace it, and the skills a digital operation requires are rising, so the cost of a qualified workforce rises with or without procurement pressure. Applied to a dominant airport or sole ANSP, cost-relatedness is a ceiling; applied to GHSPs facing structural buyer power it must be a fair floor — in this sector, a safety measure.

4.5 Self-regulation has failed as an economic governance mechanism. The IATA SGHA, drafted under airline auspices, embodies the industry's own consensus on balanced terms, yet GHSPs report systematic departures from it by the carriers that authored it: payment periods far beyond contractual terms, unilateral pressure on liability caps, refusal of escalation clauses, and one-sided amendments imposed as a condition of award or renewal. ASA documented these practices to the 42nd Session of the Assembly (A42-WP/550), noting their direct effect on the financial viability and economic resiliency of providers. Where the stronger party disregards the framework it wrote, ICAO policy intervention is warranted.

4.6 The new framework imposes substantial compliance costs: SMS, training, equipment and certification. For airports and ANSPs, ICAO doctrine treats mandated costs as recoverable — oversight costs, cost of capital, depreciation and a reasonable return — and Doc 9082 provides that charges should not discourage the use of facilities and services necessary for safety. GHSPs have no equivalent mechanism; without one — balanced contract terms, conditions of use or regulated user fees — the SARPs become an unfunded mandate on a sector already priced below cost. The recovery principle covers oversight itself: GHSPs will now pay certification and oversight fees to competent authorities while continuing to bear the cost of the third-party audits described in 4.3. These too are costs of mandated provision, and they belong in the recoverable cost base. GHSPs should recover the full cost of mandated provision, including all oversight imposed on them — duplicative or not — from those who impose it.

4.7 A fair floor serves States and the traveling public. Below-cost procurement produces a recurring cycle: workforce welfare suffers, safety margins erode, providers fail, operations are disrupted, capacity falls short. The post-pandemic recovery demonstrated it, when handling capacity constrained the restoration of air services. ICAO's High-level Conference on COVID-19 (HLCC 2021, Recommendation 3.3/1) had already asked States to recognize the longer-term social and economic sustainability of GHSPs as a condition of the future safety, efficiency and resilience of the air transport system; below-cost procurement institutionalizes the opposite. Cost-related pricing averts that cycle and so lowers the total cost of the system. Predictable economics also enable investment in equipment, technology and workforce training and development — the foundations of decarbonization, operational resiliency and passenger satisfaction. The fair floor is not a fixed or uniform price. It is the cost of compliant, safe provision at each station, which differs by provider and by station; above it, competition continues on efficiency and service quality.

5. ELEMENTS OF AN ECONOMIC FRAMEWORK FOR GROUND HANDLING

5.1 To secure the safety gains of Amendment 18 and the complementary SARPs, and to give effect to HLCC 2021 Recommendation 3.3/1 on the economic sustainability of GHSPs, ASA proposes the application to ground handling of an economic framework based on the established principles of cost-relatedness, contractual balance and cost recovery, comprising:

- a) recognition of cost-relatedness as a fair floor, rates reflecting the full cost of safe and sustainable provision — qualified staffing, initial and recurrent training, supervision, safety and quality management, audits and inspections, protective equipment and the operational systems required by the airline or the authority, decent employment including statutory wage increases and the cost of recruitment and turnover, equipment renewal, certification and licensing fees, business continuity, and a reasonable return;
- b) restoration of contractual balance under the airlines' own SGHA framework, including payment periods, liability caps, force majeure and escalation mechanisms tracking cost increases and, because GHSPs carry fixed cost against variable airline volumes, minimum-volume commitments, hybrid pricing and contract durations sufficient to amortize investment in equipment and training;
- c) cost recovery for mandated investment through conditions of use or regulated user fees;
- d) licensing and tender policies weighing safety, quality, workforce standards, operational resilience and investment capacity, not lowest price alone, with compliance, safety, capability and financial-fitness thresholds met before price is evaluated;
- e) risk-based oversight and certification fees limited to the cost of oversight performed; and
- f) application of the four key charging principles to fees imposed on GHSPs by airport operators.

6. CONCLUSION AND RECOMMENDATIONS

6.1 Amendment 18 and the complementary SARPs advance the safety half of the framework; the economic half should now follow.

6.2 The Conference is invited to:

- a) recognize ground handling as an essential aeronautical activity whose economic treatment should match its regulatory status under ICAO SARPs;
- b) agree that cost-relatedness should apply to it as a fair floor, so that rates reflect the full cost of safe and sustainable provision and mandated safety investments are recoverable;
- c) request the Council to develop policy and guidance along the lines of paragraph 5.1, updating Docs 9082, 9562, 10121 and 9587;
- d) encourage States to promote balanced contractual practices under the SGHA framework and tender criteria based on safety and quality rather than price alone; and
- e) encourage States, in their economic oversight, to assess the financial fitness of GHSPs and ensure that contractual practices do not undermine it.