



**WORKING PAPER**

**ASSEMBLY — 39TH SESSION**

**ECONOMIC COMMISSION**

**Agenda Item 40: Economics of Airports and Air Navigation Services — Policy**

**REPORT ON THE DEVELOPMENTS REGARDING ECONOMIC ASPECTS OF AIRPORTS AND AIR NAVIGATION SERVICES**

(Presented by the Council of ICAO)

**EXECUTIVE SUMMARY**

This paper reports on the work accomplished by ICAO regarding economic aspects of airports and air navigation services, focusing on the follow-up to the Sixth Worldwide Air Transport Conference (ATConf/6) and decisions of the 38th Session of the ICAO Assembly. The paper also presents the future work plan in this field (a part of the economic regulatory framework and technical assistance work programme). The proposed work plan helps States to identify and address infrastructure gaps, facilitate private and public financing and access to funding for long-term needs while at the same time emphasizing the implementation of ICAO's policies to advance the Organization's No Country Left Behind (NCLB) initiative.

**Action:** The Assembly is invited to:

- a) review the work accomplished by ICAO related to the economic aspects of airports and air navigation services as presented in paragraph 2;
- b) endorse the Organization's plan for future work thereon, as presented in paragraph 3; and
- c) consider the information contained in this paper for the update of Assembly Resolution A38-14, Consolidated statement of continuing ICAO policies in the air transport field.

<i>Strategic Objectives:</i>	This working paper relates to strategic Objective D — <i>Economic Development of Air Transport</i> .
<i>Financial implications:</i>	The activities referred to in this paper will be undertaken subject to the resources available in the 2017-2019 Regular Programme Budget and/or from extra-budgetary contributions.
<i>References:</i>	Doc 10009, <i>Report of the Sixth Worldwide Air Transport Conference (ATConf/6)</i> Doc 10027, <i>Report of the Economic Commission of the 38th Session of the Assembly</i> Doc 10022, <i>Assembly Resolutions in Force</i> (as of 4 October 2013) Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i> Doc 9161, <i>Manual on Air Navigation Services Economics</i> Doc 9562, <i>Airport Economics Manual</i> Doc 9734, <i>Safety Oversight Manual</i> A38-WP/56, <i>Outcome of the Sixth Worldwide Air Transport Conference</i> A39-WP/3, <i>Report on implementation of Recommendations of the Sixth Worldwide Air Transport Conference (ATConf/6) and decisions of the Thirty-eighth Session of the Assembly</i> A39-WP/8, <i>Consolidated statement of continuing ICAO policies in the air transport field</i> A39-WP/xx, <i>Proposed draft budget of the organization for 2017, 2018 and 2019</i>

## 1. INTRODUCTION

1.1 The work of the Organization related to economic aspects of airports and air navigation services was carried out pursuant to the Council action plan for implementation of the recommendations of the Sixth Worldwide Air Transport Conference (ATConf/6) and relevant Assembly decisions. Tasks completed or initiated are summarized below, and the implementation status of ATConf/6 recommended actions can be found in the Appendix to A39-WP/3, *Report on implementation of recommendations of the Sixth Worldwide Air Transport Conference (ATConf/6) and decisions of the Thirty-eighth Session of the Assembly*.

## 2. WORK ACCOMPLISHED BY ICAO

2.1 **Modernization of the air transport system.** As follow-up to ATConf/6, a Multi-disciplinary Working Group on the economic challenges linked to the implementation of the Aviation System Block Upgrades (MDWG-ASBUs) produced reports on how to conduct cost-benefit analyses, business case study and economic impact analyses, as well as financing schemes. The Airport Economics Panel (AEP) and the Air Navigation Services Economics Panel (ANSEP) were tasked with developing stand-alone guidance material based on these reports, which will be included as cross-reference in the 2019 edition of the Global Air Navigation Plan (GANP).

2.2 Concerning the use of incentives designed to encourage implementation of the ASBUs, it was concluded that: a) existing *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) are sufficient to address financial incentives; and b) new guidance material should be developed on the potential role/use of operational incentives as part of the assessment of economic and performance benefits, which will also be included in the 2019 edition of GANP.

2.3 Consensus was reached by ANSEP to remove the phrase “provisional” from the existing provisional policies on the allocation of incremental costs of more advanced Global Navigation Satellite System (GNSS) services to civil aviation.

2.4 **Funding of oversight functions.** While existing ICAO policies and guidance on funding of oversight functions in Doc 9734, *Safety Oversight Manual, Part B — The Establishment and Management of a Regional Safety Oversight System* remain valid to address the challenges faced by States and regional organizations, the AEP and ANSEP recommended that once a State delegates its oversight function to a regional organization, duplication of oversight functions between States and regional organizations should be avoided.

2.5 **Infrastructure management and financing.** An updated report on airport economics was made available on the ICAO website at [www.icao.int/sustainability/Pages/eap-im-airports.aspx](http://www.icao.int/sustainability/Pages/eap-im-airports.aspx). In exploring ways and means by which to finance aviation infrastructure development as recommended by the ATConf/6, extensive research was conducted on the experiences of States in the development of various models of Public-Private Partnership (PPP) for infrastructure projects ([www.icao.int/sustainability/Pages/im-ppp.aspx](http://www.icao.int/sustainability/Pages/im-ppp.aspx)). This information can be used by policy-makers, economic planners, aviation stakeholders and financial institutions when considering management and financing options for aviation infrastructure development. Guidance on PPP will be reflected in the 2018 edition of the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161).

2.6 Work was initiated on the issue of management and operation of economically non-viable airports that are required as part of an integrated network for international air transport and for

socio-economic purposes. The draft report, which will focus on how the existing guidance material in Doc 9562 could be used in this context, will be completed in 2016.

2.7 **Implementation of ICAO's policies.** A State survey was conducted in 2015 concerning the level of implementation of ICAO's policies on charges. The survey result, which is made available as a reference paper for the Assembly, indicates that most of the 83 responding States/Territories (handling 84 per cent of the total flight departures in 2014) have followed the ICAO policies. However, there is room for implementation by States of some specific principles. This result can be used as a baseline to measure the progress of ICAO's No Country Left Behind (NCLB) initiative.

2.8 Efforts were made to promote and raise awareness of ICAO's policies on charges, with emphasis on implementation, through training courses, meetings, State letters and social media. For example, in collaboration with Airports Council International (ACI), a training course on airport user charges was conducted regularly throughout 2015; a total of 303 attendees from 95 States participated. A one-day seminar dedicated to ICAO policies and guidance on airport economics and economic oversight was organized during the ACI Conference on Investing in Airports (December 2015, New Delhi, India).

2.9 Recognizing the critical role of aviation infrastructure for enhancing connectivity and fostering travel, tourism and trade, as well as for economic development, ICAO's work and guidance relating to infrastructure development, management and financing were incorporated into various declarations and action plans adopted by the ICAO regional air transport meetings.

### 3. **FUTURE WORK**

3.1 It is projected that air traffic will double by 2030, placing an increased pressure on existing aviation infrastructure. Without a large number of investments over a long period of time and the collaboration of multiple States to modernize and expand aviation infrastructure, the use of aviation as an economic development driver will be severely constrained. Furthermore, despite its cross-cutting nature and multiple links to other economic sectors, air transport received a mere 4.2 per cent (USD 4.6 billion) of the total Official Development Assistance (ODA) provided by all donors for economic infrastructure and services for the past decade (2005-2013). In comparison, road transport was allocated a share of 54.7 per cent which amounts to USD 60.9 billion.

3.2 Considering the above and in accordance with the NCLB initiative, the Organization's future work in the area of economics of airports and air navigation services will be designed to help States identify and address infrastructure gaps, facilitate private and public financing and access to funding for long-term needs, and ensure that aviation infrastructure projects are economically sustainable.

3.3 In addition, the work programme will continue to contribute to:

- a) improving organizational capability of airports and air navigation services providers;
- b) reducing the financial burden and costs in performing regulatory oversight functions;
- c) protecting user's interests; and
- d) allowing early benefits of new technologies.

Details of the tasks under this work programme are described in A39-WP/xx, *Proposed Draft Budget of the Organization for 2017, 2018 and 2019*.

3.4 In conducting the work programme, priority will be placed on implementation of both the current and new policies and guidance to advance the ICAO NCLB initiative. The delivery of the results will contribute, consequently, to the achievement of the United Nations Sustainable Development Goals (SDGs), particularly Target 9.1 of Goal 9 “*Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation*”, which calls for the development of infrastructure to support economic development and human well-being, with a focus on affordable and equitable access for all.

3.5 ICAO’s work will also contribute to the Global Infrastructure Forum that States agreed to establish under the *Addis Ababa Action Agenda*, which was adopted at the United Nations Third International Conference on Financing for Development in July 2015 (<http://www.un.org/esa/ffd/ffd3/>). Through this Forum, ICAO will highlight the economic impact and benefits of aviation infrastructure, expand opportunities for aviation infrastructure investment, and strengthen corporation with financial institutions and economic planners with a view to overcoming the low-priority given to aviation in financing.

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