



Agenda Item 9: Air Transport Matters
**9.3 Conference on the Economics of Airports and Air Navigation
 Services (CEANS)**

**ICAO CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION
SERVICES (CEANS) HELD IN MONTREAL, 15-20 SEPTEMBER 2008**

(Presented by the Secretariat)

SUMMARY	
This paper provides information on the purpose and results of the Conference on the Economics of Airports and Air Navigation Services (CEANS) held in September 2008, including follow-up actions to be undertaken by ICAO and States.	
References: Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services (seventh edition)</i> Doc 9908, <i>Report of the Conference on the Economics of Airports and Air Navigation Services (CEANS)</i>	
Strategic Objectives	<i>This working paper is related to Strategic Objective D.</i>

1. Introduction

1.1 The Conference on the Economics of Airports and Air Navigation Services (CEANS) was held in Montreal from 15 to 20 September 2008. There were 535 participants from 103 Contracting States and 17 international organizations. Eighty-seven working papers were tabled, of which there were 36 by the Secretariat, 29 by Contracting States, and 22 by international organizations. CEANS adopted 15 recommendations, of which 10 are related to additions and amendments to ICAO's *Policies on Charges for Airports and Air Navigation Services* (Doc 9082).

1.2 The purposes and goals of CEANS were to:

- a) learn from the experiences of commercialization/privatization of airports and air navigation services providers;
- b) assess future challenges such as the financial crisis, the environment and the shortage of fuel;
- c) bring cooperation between parties to another, higher level; and
- d) achieve consensus on ways and means to optimize the efficiency and cost-effectiveness in the provision of airport and air navigation services.

2. **Agenda**

2.1 The Agenda of CEANS was divided into four items:

1. Issues inter-related and common to airports and air navigation services, involving interaction between States, providers and users.
2. Specific issues related to airport economics and management.
3. Specific issues related to air navigation services economics and management.
4. Implementation of ICAO's policies on charges for airports and air navigation services.

2.1.1 Agenda Item 1 covered the three most important topics: economic oversight, economic performance and consultation with users.

2.1.1.1 With respect to the first topic, CEANS reaffirmed that economic oversight is a State responsibility. The main purpose of economic oversight is to achieve a balance between the efforts of autonomous or private providers to obtain the optimal effects of commercialization or privatization and public objectives such as:

- a) Minimize the risk of potential abuse of dominant position or anti-competitive practices of airports and air navigation services providers;
- b) Ensure that there is no discrimination and transparency in the application of charges;
- c) Ensure that investments in capacity meet demand;
- d) Protect the interests of users; and
- e) Ensure that service providers consult with users and that they develop and implement performance management systems.

2.1.1.2 States should select the appropriate form of economic oversight according to their specific circumstances, while regulatory interventions be kept at a minimum and as required.

2.1.1.3 The second key topic was economic performance and minimum reporting requirements for airports and air navigation services providers. The Conference noted that performance management is an important management tool for providers, regulators and users. Appropriate performance management systems should include, as a minimum, four key performance areas (KPA): safety, quality of service, productivity and cost-efficiency. Additional KPAs can be selected (such as the environment, capacity and security) according to their objectives and their particular circumstances.

2.1.1.4 The third inter-related topic was consultation with users. The Conference recommended that States, within their economic oversight responsibilities, ensure that a clearly defined, regular consultation process is established with users by their airports and air navigation services entities. The consultation process relate not only to changes in the structure or level of charges, but also to infrastructure planning, development and investments.

2.1.2 Under Agenda Items 2 and 3, the Conference adopted a number of “technical” recommendations, including:

- a) States should consider the establishment of autonomous entities to operate airports and air navigation services, and review the governance structure of their airports and air navigation services providers (ANSPs) by applying best practices of good corporate governance;
- b) More flexibility should be given to airport operators with respect to setting charges by aggregating cost bases;
- c) States should, where necessary, clearly define the methodology for determining what is a reasonable rate of return on assets for their service providers;
- d) States should give due consideration to the results of ICAO’s studies and relevant guidance on slot allocation as well as international general and business aviation access to airports, at their discretion and in a flexible manner; and
- e) States should implement the global ATM operational concept through international cooperation as well as regional approaches.

2.1.3 Regarding the fourth Agenda Item on the implementation of ICAO’s policies on charges, CEANS noted that 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. Against this background, the Conference recommended that States should ensure that their airports and ANSPs adhere to ICAO’s policies on charges, and that ICAO should take all relevant actions to ensure widespread awareness and knowledge of the policies. Further, the Conference recommended that ICAO should encourage States to include the main principles of Doc 9082, i.e. non-discrimination, cost-relatedness, transparency and consultation with users, into national legislation, regulations or policies, as well as in all future air services agreements.

3 Actions recommended by CEANS

3.1 In summary, these CEANS recommendations asked for actions by:

1. Contracting States.
2. Council (to amend the text of ICAO's policies, Doc 9082).
3. ICAO Secretariat (mainly the revision and expansion of ICAO's guidance material with the assistance of the Airport Economics Panel (AEP) and the Air Navigation Services Economics Panel (ANSEP).
4. Other actions for ICAO and the Council.

3.2 The first group of actions recommended by CEANS are directly addressed to Contracting States. In January 2009, the Secretary General dispatched a State letter (SD 38/1-09/2 dated 30 January 2009) to draw the attention of the States to the outcome of CEANS and the actions required, which include:

- a) States responsibility and objectives of economic oversight;
- b) Implementation of performance management systems;
- c) Establishment of a clearly defined, regular consultation process with users; and
- d) Implementation of ICAO's main policies on charges through national legislation and international agreements.

3.3 The second group of actions recommended by CEANS relate to additions and amendments to Doc 9082. They affect mainly the policies on:

- a) economic oversight, economic performance and minimum reporting requirements, and consultation with users;
- b) governance issues such as the adoption of best practices for good governance and the separation of regulatory and service provision functions; and
- c) some "technical" policies such as the aggregation of cost bases for setting charges and conditions for the application of differential charges and incentives for providers and users.

3.4 The third group of actions recommended by CEANS relate to the revision and expansion of guidance material for topics such as:

- a) governance/ownership/control;
- b) methodologies for the calculation of a reasonable rate of return of providers;
- c) categorization of services for ANSPs cost allocation and charges;

- d) role of aircraft weight in the charging formulae of ANSPs; and
- e) economic aspects of the global ATM operational concept.

This work is to be done with the assistance of the two economics panels (AEP and ANSEP).

3.5 Finally, the fourth group of actions recommended by CEANS are for ICAO and the Council on three issues:

1. ICAO/regional organizations to establish a dialogue on economic performance.
2. ICAO to take measures for a widespread awareness of the policies on charges.
3. Council to address the issues related to slot allocation and night curfews (in November 2008, the Council approved that the Secretariat send a State letter to remind the existing guidance and update the Template Air Services Agreement, as well as to continue monitoring the situation).

3.6 On 14 November 2008, at its 185th Session, the Council approved all the recommendations of CEANS, including the revisions to Doc 9082, which was published as the Eighth Edition in January 2009.

3.7 During 2009 and 2010, AEP and ANSEP will be tasked to undertake the work described in the third group of actions, i.e.: 1) the revision of the two economics manuals for airports and air navigation services, respectively (Doc 9562 and Doc 9161, which are available free of charge from the ICAO website); and 2) the revision of Doc 9082 to improve its structure and readability.