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REPORT OF THE ECONOMIC COMMISSION ON AGENDA ITEM 36

(Presented by the Chairman of the Economic Commission)

The attached report on Agenda Item 36 has been approved by the Economic Commission

Note.— After removal of this covering sheet, this paper should be inserted in the appropriate place in the report folder.

(4 pages)

Agenda Item 36: Economics of Airports and Air Navigation Services — Policy

36.1 In WP/11, the Council presented the economic and financial measures to address the impact of the COVID-19 pandemic, based on the ICAO guidance and the recommendations of the Council Aviation Recovery Task Force (CART) and the High-level Conference on COVID-19 (HLCC 2021). The paper also presented ICAO's plan for future work on this aspect, focusing on identifying additional measures according to the evolving situation, providing implementation assistance and promoting cooperation among all parties on financial support to aviation.

36.2 In WP/12, the Council reported on major tasks accomplished by ICAO on economic aspects of airports and air navigation services, including the updating of existing guidance and development of new guidance, addressing funding and financing needs for aviation infrastructure, as well as supporting the recovery of airports and air navigation services providers (ANSPs) from the economic fallout of the COVID-19 pandemic. The paper also presented ICAO's plan for future work in this area, focusing on the continued update and development of policies, guidance and tools for economic viability of airports and ANSPs and funding and financing needs over the short-, medium- and long-term.

36.3 WP/221, presented by the Republic of Korea, informed on the difficulties in formulating a standard comparison on charges for airports and air navigation services imposed by States due to the application of different charging criteria, including those that are not contained in the Council recommendations. The paper called on ICAO to review the current recommendations on charging policies; consider establishing additional policies so that charges can be imposed by States in a transparent and fair way; and develop a digitalized charging reporting system for States to regularly update the charging criteria.

36.4 In WP/342, Saudi Arabia with the support of the Member States of Arab Civil Aviation Organization (ACAO)¹, presented its experience in enhancing passenger experience and improving airport infrastructure, service levels and operational efficiency through the establishment of an airport total quality score program (ATQS) in 27 airports. The paper proposed that ICAO study the pillars of ATQS and consider the feasibility of providing a template for use by Member States that wish to incorporate such a programme.

36.5 In WP/247, South Africa explained how competition has become the centre of the airport business and drew attention to the difficulties for airports to maintain existing infrastructure and plan for future capital expenditure as a result of the impact of the COVID-19 pandemic on airport traffic and financials. The paper highlighted the importance for the Airport Economics Panel (AEP) to review ICAO's policies on charges contained in Doc 9082 and explore mechanisms upon which regulated airports can be compensated for exceptional circumstances such as pandemics, and other global shocks.

36.6 Through WP/199, the United States, the European Union (EU)² and its Member States, and the other Member States of the European Civil Aviation Conference (ECAC)³ expressed their view on the

¹ Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

² Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

³ Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Iceland, Republic of Moldova, Monaco, Montenegro, North Macedonia, Norway, San Marino, Serbia, Switzerland, Türkiye, Ukraine and the United Kingdom.

need for specific guidance and legal analysis regarding the provisions of Article 15 of the *Convention on International Civil Aviation* (Chicago Convention), in order to ensure States' compliance. The paper highlighted the fact that certain States require commercial arrangements between airlines as a prerequisite for airspace access or for preferential overflight routings. It argued that the confidential nature of such transactions makes it difficult for aviation authorities to understand the potential market impact of these arrangements between airlines, and under certain circumstances, such practices seem to be inconsistent with the intent of Article 15. The paper called on ICAO to undertake an analysis of the relationship between States' obligations pursuant to Article 15 of the Chicago Convention and States' grants of airspace access, which would provide a basis to promote States' adherence to Article 15.

36.7 Through WP/228, the Airports Council International (ACI) highlighted the intensified competition faced by airports due to the change of the competitive and economic landscape and emphasized the need for responsive, flexible and efficient charging approaches for airports to recover sustainably from the COVID-19 pandemic and to respond adequately to capital expenditure requirements. The paper underscored the importance of the work of AEP to assess the relevance of ICAO's policies on charges and its responsiveness to industry changes.

36.8 Through information paper WP/391, Cameroon shared its experience in the supervision and monitoring evaluation of the quality of services and facilities offered to air transport users, in particular at airports, via the regular annual forum organized involving airline companies, airport operators, air navigation service providers, and partner administrations intervening at the airports. The paper highlighted the importance of a platform of exchange with all stakeholders to improve the quality of services offered to users of air transport.

36.9 Through information paper WP/542, ACI presented its airport passenger service and benchmarking programme – Airport Service Quality (ASQ), including the coverage of the programme and its methodology. The paper highlighted the growing importance of continued monitoring and measurement of airport service quality, and encouraged States to do so on the basis of fair, reasonable criteria, which support the airport's business model and operating environment.

36.10 Information paper WP/553, presented by the International Federation of Air Traffic Controllers' Associations (IFATCA), drew attention to the reductions in investment and personnel by ANSPs as a result of the recurring cycles of traffic growth followed by downturns, which often contributed to capacity constraints during recovery. The paper highlighted the need for reviewing the funding methods and identifying a more resilient approach to the financing of air navigation services.

36.11 In information paper WP/454, the International Transport Workers' Federation (ITF) drew attention to an independent study entitled *Navigating the COVID-19 Crisis: Air Traffic Charging Models and Financing of Air Navigation Service Providers* and highlighted the issue concerning the "user pays" (private good) as opposed to the infrastructure (public good) approach to funding air navigation services. The ITF expressed its support to the main conclusion of the study: "The minimum (essential) level of service/staffing should be funded by the State. Beyond that, users might be charged directly for ANS, but policymakers need to reconsider who are the 'users' and how they pay for what is ultimately an invaluable, but invisible service."

36.12 In considering the report of the Council presented in WP/12, the Commission commended the work accomplished by the Organization in the area of economics of airports and air navigation services.

The Commission also supported the ongoing work on the update of the ICAO policies and guidance and the cost recovery for the provision of aeronautical meteorological (MET) services, space weather information services and the funding of the operations of the unmanned aircraft systems (UAS). The Commission therefore endorsed the work programme of the Organization in this field, including the importance of maintaining robust policies and guidance.

36.13 As regards to WP/221, while noting the difficulties in the comparison of charges due to the application of different charging criteria by States, the Commission agreed that these are a result of the differences between national and regional specificities and the underlining economics of States and their airports and air navigation services providers. On the proposal for a comprehensive charging system that promotes fairness and transparency, the Commission was of the view that ICAO has already developed policies on charges, which provide key principles, including non-discriminatory, cost relatedness, transparency and consultation with users, as contained in *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082). The Commission therefore urged States to enhance their implementation of the ICAO policies.

36.14 The Commission welcomed the information shared in WP/342 regarding the experience on enhancing passengers' facilitation at airports. The Commission noted the practicality and usefulness of the pillars for measuring airport quality, which can be considered by States that wish to develop a similar programme.

36.15 In reviewing WP/247 and WP/228, the Commission noted the significant impact of the COVID-19 pandemic on airports and the difficulties faced to maintain existing infrastructure and meet long-term infrastructure needs. The Commission had a positive discussion with respect to the work programme of the AEP and the Air Navigation Services Economics Panel (ANSEP) and acknowledged that there were some divergent views on specific topics currently being addressed by the joint panels. Recognizing the dynamic nature of the industry, the Commission expressed support for the ongoing work of the AEP-ANSEP on Doc 9082.

36.16 The Commission noted the issue presented in WP/199 with respect to the practice of charging fees or otherwise requiring compensation beyond standard, cost-based air navigation charges for airspace access, which are inconsistent with the intent of Article 15 of the Chicago Convention. Emphasizing the importance of States' adherence to the rules established by the Convention, the Commission agreed that more specific guidance and legal analysis are required for Member States to better understand and apply Article 15 of the Convention and, to that end, that the ANSEP and the Air Transport Regulation Panel, in consultation with the Legal Committee, should undertake an analysis to look specifically at the question of whether a State's differential conditioning of grants of airspace access to other States is consistent with the national treatment standard and the principle of non-discrimination set forth in the Convention. The Commission also supported the work of the ANSEP on addressing fees related to airspace access through the update of ICAO's Doc 9082.

36.17 The Commission noted the information contained in WP/391, WP/542, WP/553 and WP/454.