

Joint financing arrangements contribute to operational safety and efficiency

Decades of experience with joint financing arrangements for providing air navigation services over vast areas have proven successful both technically and economically, and may inspire new applications of this type of international cooperation.

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MOST of the half billion plus passengers who have crossed the North Atlantic during the past 50 years did not appreciate that the safety of their trip over the ocean depended on an outstanding example of international cooperation. Longstanding agreements on the joint financing of certain air navigation services in Greenland and in Iceland — the so-called “DEN/ICE Agreements” — as well as two other joint financing arrangements that have been developed more recently under the auspices of ICAO, contribute to the safe and efficient operation of air navigation services in different parts of the world. Looking at these experiences demonstrates that the joint financing concept has the potential to be applied to other

technical and geographical areas.

The administration of joint financing arrangements has been an ICAO activity since the signing of the DEN/ICE Agreements, originally with Iceland in 1948, and with Denmark in 1949. Two other aviation applications of the joint financing concept had preceded these agreements: one in 1946 for the operation of meteorological ships, the other in 1947 for the operation of a Loran station in Iceland.

ICAO’s involvement in the provision of air navigation services by its member States conforms with the *Convention on International Civil Aviation* (also known as the Chicago Convention), which recognizes that some Contracting States may encounter difficulties in providing air navigation services in the airspace for which they are responsible. ICAO Assembly resolutions and conclusions

reached at recent ICAO meetings encompass the ICAO policy in this field, while individual agreements establish the legal framework for joint financing applications.

Existing agreements

The DEN/ICE joint financing agreements, with Denmark and Iceland as the respective provider States, cover the operation and financing of air navigation facilities and services for air traffic control, communications and meteorology in the northern part of the North Atlantic (i.e. the Sondreström and Reykjavik Flight Information Regions).*

Financial responsibility is assumed by a group of States — currently 23 in number including the two provider States — whose governments are parties to the agreements. The responsibility for administering the agreements on behalf of the contracting governments rests with ICAO. Denmark and Iceland contribute 5 percent of the cost of providing the services in light of the special benefits they derive from their operation. The main part of the remaining 95 percent of the cost, corresponding to the costs allocable to civil aviation, is financed by user charges paid by the operators of aircraft crossing the North Atlantic above the 45°N latitude. These charges include fees to meet ICAO’s administrative costs and the expenses incurred by the United Kingdom for billing and collecting the charges. The remaining costs are covered by assessments on the contracting governments based on the percentage of North Atlantic crossings performed by civil aircraft operated in their States.

The jointly financed services have



Two joint financing agreements between 23 States cover the operation and financing of air navigation services for aircraft over the North Atlantic. Pictured is a controller at the Oceanic Area Control Centre in Reykjavik, Iceland.

been able to handle considerable increases in the North Atlantic traffic, which rose from 22,000 crossings in 1956 to more than 300,000 annually during recent years, as well as the development of important elements of the communications, navigation, surveillance and air traffic management (CNS/ATM) systems in this region. The total estimated costs of the services under the two agreements for 2003 amount to approximately \$28 million, and the user charge per crossing is approximately \$80 (all financial figures stated in U.S. currency).

At the request of six States providing air navigation services for the North Atlantic (Canada, Iceland, Ireland, Portugal, the United Kingdom and the United States), ICAO assumed responsibility in 1994 for administering a height monitoring system programme over the North Atlantic. In operation since 1995, this programme was designed to monitor 1,000 feet reduced vertical separation minima (RVSM) prior to its implementation. The joint financing concept used for the DEN/ICE Agreements was adapted for this application, bearing in mind that the participating States requested an effective and flexible joint financing arrangement.

Operational, maintenance and depreciation costs are met through user charges, which are billed and collected by the United Kingdom together with the DEN/ICE user charges. The estimated costs involved for 2003 amount to \$2.2 million, with a user charge of \$6.52 for each crossing.

This arrangement is administered by the ICAO Secretariat, which reports to the North Atlantic Systems Planning Group (NAT SPG).

Another agreement concerns the sharing of the cost of the satellite distribution system for information relating to air navigation (SADIS). At the request of a number of States, ICAO in 1996 developed an arrangement to share the costs of SADIS, a communications system designed to provide meteorological data from the London World Area Forecast Centre across a satellite footprint extending from



Joint financing arrangements can be suitable for funding CNS/ATM infrastructure.

the eastern Atlantic (20°W) to Central Australia (140°E), covering the European region, Africa, the Middle East and West Asia. The United Kingdom operates the SADIS.

Participation in the cost sharing of SADIS is mandatory for those States receiving the SADIS service, with an exception granted to the least developed countries. Each party to the arrangement can recover its cost share from users by including the corresponding amounts in the cost basis for the user charges it levies for air navigation services.

The arrangement is administered by the SADIS Cost Recovery Administrative Group (SCRAG), which is composed of representatives from the regions concerned. The ICAO Secretariat provides support services on a cost-recovery basis. The total estimated costs involved amount to about \$829,000 for 2003.

The applications of the joint financing concept cited above involve substantially different methods of administration and ICAO involvement. This corresponds to variances in the facilities or services concerned and in the circumstances.

Future applications

In light of the success of the existing joint financing arrangements in facilitating cost effective air navigation services, it is clear that some States may be interested in considering new applications of

the joint financing concept as a means of funding the operation of a facility, service, or full range of air navigation services.

For the provider States, joint financing can make it easier to find funds for aviation projects by reducing the amount of capital required of each participating State. It allows for facilities and services to be modernized by replacement or updating of equipment, or by acquiring additional equipment. The necessary funds are made available when required on a fair and equitable basis.

For users, joint financing facilitates aircraft operations on a regular, efficient and economical basis while providing more cost-effective services for civil aviation. Such arrangements ensure appropriate consultation with the parties involved, and result in lower user charges for aircraft operators.

Technical, economic and/or political considerations may justify the development of joint financing arrangements.

The general objective of joint financing is to finance the provision of air traffic control, communications and meteorological services to international flights.

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*Details on the joint financing arrangements may be obtained from the ICAO web site (www.icao.int) and from the Joint Financing Section in the ICAO Air Transport Bureau.

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This type of arrangement can lend itself well to the implementation of a number of CNS/ATM system components whose capacity and geographical coverage frequently exceed the airspace controlled by an individual State. It is also appropriate because of the magnitude of the investments involved. Geographically, any homogeneous air traffic area and major traffic route, in particular over the oceans, would be possible candidates for the application of the joint financing concept.

Other possible applications, where facilities, services and the costs are beyond the scope of a single State, include the calibration of ground aids, development of cross-polar routes, and so forth.

The establishment of this type of arrangement under the auspices of a neutral organization such as ICAO can also prove useful in particular circumstances. For example, such arrangements can be appropriate following conflicts between neighbouring States, provided both parties are willing to cooperate.

It is up to States, together with regional planning and implementation groups, to decide which equipment and facilities are necessary for providing safe and economical air navigation services in the airspace under their responsibility, as well as the type of organization and financing arrangements that are appropriate. This decision must take into account the prevailing technical, economic and possible political considerations, joint financing being one means among others.

Requests for assistance in establishing a joint financing programme are considered by ICAO on a case-by-case basis. Such requests and subsequent arrangements should include a clear description of the project and its objectives as well as identifying the facilities and services to be jointly financed. Also required is a clear definition of the responsibilities of the different partners that would agree to participate.

Simplicity and flexibility are key elements for the success of joint financing arrangements. The agreements should be adapted to the circumstances of interested States, and allow for efficient implementation and equitable recovery of costs, including administrative costs, through user charges consistent with ICAO's Policies on Charges for Airports and Air Navigation Services (ICAO Document 9082).

In conclusion, after more than 50 years of experience and millions of crossings over the North Atlantic, joint financing arrangements have proved to be very successful both technically and economically. The joint financing concept, which has largely contributed to making North Atlantic airspace one of the safest and least expensive air corridors in the world, might certainly lead to other applications of this type of international cooperation.
