



International Civil Aviation Organization

A37-WP/6
EC/2
18/6/10

WORKING PAPER

ASSEMBLY — 37TH SESSION

ECONOMIC COMMISSION

Agenda Item 50: Economics of airports and air navigation services

DEVELOPMENTS IN THE ECONOMIC ASPECTS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Presented by the Council of ICAO)

EXECUTIVE SUMMARY

This paper reports on major work accomplished by ICAO since the last Assembly in assisting States to operate airports and air navigation services in an efficient and cost-effective manner. It also provides a brief overview of developments in the economic aspects of airports and air navigation services and presents the Organization's plan of action for the next triennium.

Action: The Assembly is invited to endorse the future activities outlined in paragraph 4, which comprise the following:

- a) cooperation and engagement by ICAO with Member States, the industry, interested international organizations and other stakeholders on issues of common interest in the field of airport and air navigation services economics;
- b) dissemination and promotion of the policies on charges;
- c) finalization of the revision of Doc 9082 and the two economics manuals;
- d) holding regional workshops on a cost-recovery basis and training on airport charges on a commercial basis;
- e) development of new guidance on emerging issues;
- f) monitoring the financial situation of airports and air navigation services and the consequential impact on charges; and
- g) development of an on-line database for ICAO's *Tariffs for Airports and Air Navigation Services* (Doc 7100)

<i>Strategic Objectives:</i>	The action proposed in this paper will further Strategic Objective D, in particular, concerning the sustainable provision of airports and air navigation services in an efficient and cost-effective manner.
<i>Financial implications:</i>	The activities referred to in this paper will be undertaken subject to the resources available in the 2011–2013 Programme Budget and/or from extra budgetary contributions.
<i>References:</i>	A37-WP/20, Consolidated statement of continuing ICAO's policies in the air transport field Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i> Doc 9562, <i>Airport Economics Manual</i> Doc 9161, <i>Manual on Air Navigation Services Economics</i> Doc 9904, <i>Summary Minutes with Subject Index. Council 180th Session</i> Doc 9902, <i>Assembly Resolutions in Force</i> (as of 28 September 2007) Doc 9908, <i>Report of the Conference on the Economics of Airports and Air Navigation Services (CEANS)</i> Doc 7100, <i>Tariffs for Airports and Air Navigation Services</i>

1. INTRODUCTION

1.1 Since the 36th Session of the Assembly, a number of developments have taken place regarding economic, managerial and organizational aspects of airports and air navigation services. This paper reports on issues considered by the Council during the past triennium in this field. It also envisages key issues that will need to be addressed in activities planned for the 2011-2013 period.

2. MAJOR WORK DONE BY ICAO

2.1 The most important event conducted in this area in the past triennium was the convening of the Conference on the Economics of Airports and Air Navigation Services (CEANS), held in September 2008. The purpose of CEANS was to learn from the experiences of commercialization/privatization of airports and air navigation services providers (ANSPs); assess future challenges; bring cooperation in the air transport industry to a higher level; and achieve consensus on ways and means to optimize efficiency and cost-effectiveness in the operation and provision of airport and air navigation services. The Airport Economics Panel (AEP) and the Air Navigation Services Economics Panel (ANSEP) met twice, in September 2007 and February 2008, respectively, to assist the Secretariat in the preparations for the Conference.

2.2 The Conference adopted 15 Recommendations, 10 of which were made to strengthen *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082), *inter alia*, on economic oversight as a State responsibility; the implementation of performance management systems; the establishment of a clearly defined, regular consultation process; more flexibility in setting charges; a clear separation of regulatory and operational functions; the application of good corporate governance through best practices; and the efficient and cost-effective implementation of the global Air Traffic Management operational concept. The recommendations also called for States to enshrine the main principles of ICAO's policies in their national legislation, regulations or policies, as well as in all air services agreements. Other recommendations called for specific studies, the revision or expansion of guidance material, and specific actions by Member States. The Conference's report was published as *Report of the Conference on the Economics of Airports and Air Navigation Services (CEANS)* (Doc 9908).

2.3 The Conference recommendations were endorsed by the Council on 17 November 2008 (C-DEC 185/11) and the revised Doc 9082 was published in January 2009 as its eighth edition. State letter SD 38/1-09/2 dated 30 January 2009 was circulated to Member States informing them of the outcome of the Conference.

2.4 A third joint meeting of AEP-ANSEP was held from 30 November to 4 December 2009. The main purpose was to follow-up on the recommendations of the Conference, in particular with regard to: a) the revision and expansion of the guidance material for the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161); and b) the improvement of the structure and readability of Doc 9082. Further progress regarding the development of guidance material for the two economics manuals and Doc 9082 will be accomplished at the fourth joint meeting of the economics panels, planned for 7 to 11 February 2011.

2.5 The Secretariat conducted a number of regional workshops during the period under review, in follow-up to the CEANS recommendation that all relevant measures should be taken to ensure widespread awareness and knowledge of ICAO's policies on charges. The first such workshop was held in Vienna, in December 2008, for European States; a second workshop was held in Bangkok, in

February 2009, for Asia/Pacific States. In Africa, a Regional Symposium on the Economics of Airports and Air Navigation Services was held in Kampala, in August 2009, in cooperation with the African Civil Aviation Commission (AFCAC) and hosted by the Uganda Civil Aviation Authority. This Symposium was followed by two sub-regional workshops, in Dakar and Nairobi, in February and March 2010, respectively.

2.6 In addition, ICAO has developed, in association with the Airports Council International (ACI), a training course on airport charges, which has been delivered on nine occasions so far and has benefited 172 aviation professionals from 72 States.

3. DEVELOPMENTS AND REGULATORY ISSUES

3.1 According to a study on the financial situation of airports and air navigation services conducted by the Secretariat in early 2009, airports were, overall, profitable in 2007. However, a significant number of international airports with low traffic volumes continued to operate at a loss. The situation of ANSPs was similar to that of airports. In terms of percentage shares of total operating expenses of scheduled airlines, both airport and air navigation charges remained at fairly stable levels in recent years; in 2008, these charges provisionally accounted for 4.0 per cent and 2.3 per cent, respectively.

3.2 The general economic context for air transport services started to deteriorate in late 2008 and worsened in 2009. The continued downturn in air traffic created an economic challenge for many airport operators and ANSPs. During 2009, their revenues decreased as a result of fewer flights with fewer passengers. Airports and ANSPs around the world cut costs, reconsidered capital investments, froze recruitment and reduced staff numbers. Many of them did not increase their charges or limited planned increases, while some even decreased their charges on a temporary basis.

3.3 The Secretariat study on the ownership, organizational and regulatory practices of airports and ANSPs (conducted in 2008) showed that the pace of commercialization and privatization of airports has been slowing in recent years. This is because many of the most promising airports (from an investor's perspective) have already been transferred to private interests or have been commercialized, and also as a result of the global financial crisis that started in 2008. However, cross-border investments and trans-national management arrangements will continue as long as the business community considers an airport to be a sound investment. Similarly, commercialization of ANSPs has slowed down.

3.4 The commercialized and privatized environment and the industry trends in which airports and ANSPs operate have increased the risk of less awareness of ICAO's policies. A lack of firm commitment by States to adhere to ICAO's policies results in their airports and ANSPs applying different rules for setting charges, a situation that is not conducive to the orderly and sustainable development of air transport and aviation infrastructure.

3.5 In certain States where regulatory and operational functions have been separated, there are difficulties regarding the funding of various oversight functions within the regulatory authority. Funding is also an issue for some regional safety oversight organizations (RSOOs).

3.6 There are also concerns with respect to the operation of airports that are not economically viable but are necessary, as part of an integrated transport network, for the safety of international air transport and/or for socio-economic purposes.

3.7 On the operational and management side, important changes are underway in: a) North America, where through the NextGen Air Transportation System Integrated National Plan, air traffic

control will be transformed from a ground-based system of radars to a satellite-based system; and b) Europe, where the Single European Sky ATM Research (SESAR) project aims at developing the new generation air traffic management system capable of ensuring the safety and fluidity of air transport over the next 30 years. The adoption of the second package of the Single European Sky represents a significant step forward in improving the performance of the ATM system by providing binding targets in the key areas of safety, capacity, flight efficiency, cost-effectiveness and environmental sustainability.

4. FUTURE WORK

4.1 ICAO will engage and cooperate with Member States, the industry, interested international organizations and other stakeholders to address issues of common interest in the field of airport and air navigation services economics.

4.2 ICAO will continue to provide guidance and information to States, airports, ANSPs and users to promote better understanding of the policies on charges, and how they can be applied to assist in the overall improvement of their performance so that the provision and operation of airports and air navigation services is carried out in a cost-effective manner.

4.3 ICAO will finalize the revision of Doc 9082, to be published as its ninth edition, and will complete the guidance material for Doc 9562 and Doc 9161. Such an enhancement of ICAO's policies and guidance material will be a useful tool for States in exercising their governance and control duties in an appropriate way in the context of commercialized and privatized airports and air navigation services.

4.4 With the objective of increasing the awareness and knowledge of ICAO's policies on charges and obtaining the broadest possible adherence to them, ICAO will continue to hold regional workshops on a cost-recovery basis, to disseminate information on the status of implementation by States of such policies, and to offer training courses on airport charges on a commercial basis.

4.5 ICAO also plans to develop new guidance on emerging issues, including: a) ways to fund oversight functions at national and regional levels (including RSOOs); b) sustainability of non-economically viable airports; and c) charges, economic and institutional aspects regarding the transition from Aeronautical Information Services to Aeronautical Information Management.

4.6 Considering the specific nature of airports and air navigation services, there will also be a need to closely follow the development of their financial situation and the consequential impact on charges to ensure that there is an appropriate balance between the interests of all the parties concerned.

4.7 Another related area where substantial work will be required is the development of a database for ICAO's *Tariffs for Airports and Air Navigation Services* (Doc 7100) with the purpose of enhancing transparency by making the information on worldwide charges available on-line, as an interactive document.

4.8 Future work relating to economic aspects of airports and air navigation services as outlined above will be undertaken subject to resources available in the 2011–2013 Programme Budget and/or from extra budgetary contributions.