



International Civil Aviation Organization

WORKING PAPER

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ASSEMBLY — 37TH SESSION

ECONOMIC COMMISSION

Agenda Item 50: Economics of airports and air navigation services

NEED FOR SOCIAL RESPONSIBILITY IN AIRPORTS AND AIR NAVIGATION SERVICES

(Presented by the International Transport Workers' Federation)

EXECUTIVE SUMMARY

The ITF represents workers around the world and speaks for millions of Aviation employees globally. The day to day safe and secure operation of air transport worldwide depends on their skills and commitment.

Action: The Assembly is invited to consider amending Doc 9082 to include “*Encourages* Contracting States to adopt the principles of non-discrimination, cost-relatedness, transparency and consultation with users, and worker and professional representatives in their national legislation, regulation or policies, as well as in air services agreements, to ensure compliance by airports and air navigation services providers.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D — Efficiency — Enhance the efficiency of aviation operations in particular concerning the sustainable provision of airports and air navigation services in an efficient and cost effective manner.
<i>Financial implications:</i>	See 4.1-4.3
<i>References:</i>	

¹ English, French and Spanish versions provided by ITF.

1. INTRODUCTION

1.1 Since the last Assembly we have seen a major deterioration in the economics of the aviation industry. This in turn has led to a deterioration in the income of airports and air navigation service providers. This is coupled with the increasing impact of the low cost carrier model which is also having an impact on the income of airports and air navigation services. Furthermore it would appear to be having an impact on the funding of various oversight functions where regulatory and operational functions have been separated as referred to in the document A37-WP/6 EC/2 at this Assembly.

1.2 Workers recognise that they have a role to play in helping to resolve the present economic crises.

1.3 However all too often they are excluded from the consultation process when it comes to setting charges. This process has a direct impact on the terms and conditions of employment for many workers in airports and air navigation services.

1.4 At the Symposium held before the Conference on the Economics of Airports and Air Navigation Services (CEANS) in 2008 a number of organisations making presentations suggested that it was important to maintain a balance between rewarding and motivating the work force, delivering a cost effective and efficient service and maintaining safety and sustainability. This balanced approach was put forward by NAVCANADA and Airways Corporation of New Zealand. This approach is supported by the ITF. In our view it is vital that the contribution of staff is properly recognised and that ANSPs are able to recruit and train the high quality staff they will need in the next few years.

2. SUPPORTING CONSULTATION

2.1 ICAO recognises that it has a role in supporting States, airports and air navigation service providers in developing an appropriate consultation mechanism on user charges. ITF would argue that ICAO has a role along with the ILO in developing appropriate consultation mechanisms with workers representatives and their professional counterparts. This is in line with the ILO conclusions from the tripartite meeting held in 2002 which stated "Governments should encourage consultations among the social partners in civil aviation at all levels". The same conference also concluded that the ILO should enhance its cooperation and collaboration with ICAO and the international financial institutions, to promote economic cooperation and the importance of tripartite consultation and continuous social and technical dialogue.

2.2 In most other industries there is no consultation on price with the users or customers. A company or provider of a service simply sets a price that they believe that the market will bear. In turn workers can negotiate directly with their employers taking into account the health of an enterprise, the demand for a product and the profitability of the enterprise. However it is recognised that the aviation industry is different. Airports and air navigation service providers operate in near monopoly positions. Under the current approach in the aviation industry many workers are excluded from the consultation process on setting user charges and applying economic regulation. In turn this leads to industrial action which has an impact on the financial industry. It is the view of the ITF that an approach to consultation involving both users and workers will bring benefits to the industry in the longer term. Such an approach

has been already accepted when it comes to negotiations between the EU and others on the development of open skies agreements and bilateral arrangements between the EU and other States. Worker representatives are invited to participate and to contribute to these developments.

3. THE CURRENT CHARGING FORMULA IS INSUFFICIENT

3.1 The ITF believes that currently applied weight for distance formula laid out in ICAO Doc 9082 *ICAO's Policies on Charges for Airports and Air Navigation Services* no longer accurately reflects the cost of providing ATC services.

3.2 The formula is based on an erroneous assumption that the size of the aircraft and distance flown has a bearing on the cost of providing services. In fact, the cost per mile of delivering services declines as the distance flown increases. This is borne out by the fact that the U.S. standard for classification of air traffic facilities recognises that the workload for air traffic controllers, and therefore the cost of providing the service, is greatest during the transitional phase of flight.

3.3 There is also no direct relationship between aircraft size and service cost. Under the current charging formula, operators of smaller aircraft are in effect being subsidised by carriers operating larger aircraft. The cost of providing air traffic services is directly related to the volume of airspace controlled (sectors), as well as the number and variety of aircraft types at any point transitioning the airspace. In this regard, an aircraft that remains within one sector of airspace for several hundred miles does not require substantially greater resources than an aircraft that briefly traverses the sector.

3.4 It could be argued that the aircraft size criterion is intended to ensure that charges bear some relationship to the number of passengers transported. However, it is far from clear whether the current formula provides the best means of ensuring this.

4. WHO SHOULD CONTRIBUTE TO THE COST?

4.1 ICAO Doc 9082 states at paragraph 36 that “The Council considers that as a general principle, where air navigation services are provided for international use, the providers may require the users to pay their share of the related costs.” The current approach in many countries is that the charges mechanism attempts to recover all of the costs associated with ANS provision. Public funding for air navigation is reducing or has disappeared in many ICAO States, and despite the fact that the aviation industry, including general aviation, contributes millions of dollars in taxes and duties, very little comes into the provision of ANS or airport infrastructure.

4.2 In most regions of the world, General Aviation has experienced huge growth over recent times. General aviation now makes a significant contribution to the growth of the world economy. However in most member States they do not pay charges. This needs to be addressed.

4.3 States also need to be clear about who pays for exempt flights and what contribution should be made by the military for the provision of ANS infrastructure. Who pays when the head of state flies by special aircraft from country to country? Similarly how should we cost the delays required when military emergencies arise?

5. THE PUBLIC SERVICE DIMENSION OF CIVIL AVIATION AND ATM

5.1 5.1 The final report of the ILO tripartite meeting held in January 2002 (TMICA/2002/11), recognised “that the existence of a vibrant civil aviation industry is in the public interest.” The paragraph concluded, “Therefore the interests of public safety and security dictate that governments play an active role in the protection and maintenance of a civil aviation infrastructure.” We contend that the current charging guidelines do not recognise such an approach.

5.2 Increasingly, it is expected that airlines should cover all of the costs of the ANS infrastructure. This lack of public support increases the pressure on providers to reduce costs and in many cases brings pressure to reduce staff and, with that, an adverse effect on performance targets for safety, efficiency and regularity. This is in marked contrast to the approach towards road or rail signalling and traffic management. If a government sees a need to improve services or reduce traffic jams, it will build new roads or rail links. In the case of aviation it “grants the freedom to borrow money outside of government debt.”

5.3 The problem with such an approach is most marked at times of crisis when governments have acted to guarantee the minimum funding needed to maintain system-wide and integrated provision and reliability even at times where income does not meet operational or investment needs.

5.4 The association that represents commercialised providers, CANSO, argues that the solution to this problem is to release ATS providers to operate as commercial agencies with a capacity to extract profits from the service provided, and to raise capital from the private finance sector. Such an approach supported by many governments simply exacerbates the current economic crises. In our view this approach is contrary to the principles contained in ICAO Doc 9082 and the ITF believes that the public sector functions of national ATS systems need to be recognised.

5.5 To some extent this public role is already being recognised in the government support being given to the development of NextGen and the SESAR project in Europe.

6. RESERVE FUNDS

6.1 States will continue to be the bottom-line guarantor of their national infrastructure, including their air traffic services. One mechanism for managing the business cycle that is an integral feature of the air transport industry would be for States to permit the establishment of reserve funds, dedicated to financing operational and investment costs, at those points in the business cycle where income from charges declines while costs remain fixed or rise. Such contingency funding could be established on the basis of estimated costs of the service over the entire business cycle. It would, however, require some revision to the current ICAO policies as outlined in Doc 9082.

7. CONCLUSIONS

7.1 The General Assembly is invited to consider that:

- a) it is time to return to the original vision of ICAO that airlines should share in the costs of provision of ANS services, whilst the fundamental role of the State needs to be recognised;
- b) as part of the review of guidance material suggested by the Secretariat in Doc A35-WP/10 - ICAO undertakes a review of the current charging formula to see how it might be revised to meet the new climate;
- c) such a review should include consultation with all stakeholders including all representative bodies for ATS employees; and
- d) Doc 9082 should be amended to include “Encourages Contracting States to adopt the principles of non-discrimination, cost-relatedness, transparency and consultation with users, and worker and professional representatives in their national legislation, regulation or policies, as well as in air services agreements, to ensure compliance by airports and air navigation services providers.

— END —