



International Civil Aviation Organization

**WORKING PAPER**

A36-WP/119

EC/19

31/8/07

**English,  
French and  
Spanish only<sup>1</sup>**

**ASSEMBLY — 36TH SESSION**

**ECONOMIC COMMISSION**

**Agenda Item 41: Regulation of the provision of airports and air navigation services**

**ECONOMIC DEVELOPMENT AND REGULATION OF AIRPORTS**

(Presented by the Airports Council International)

**EXECUTIVE SUMMARY**

ACI supports the ICAO Policies on airport charges stating that the aim of consultations between airport operators and airport users should be that wherever possible, charges should be established in agreement between users and providers.

Economic regulation of airport charges should only be applied to ensure that existing undue market power is not abused by the airport operator. Furthermore, a regulatory mechanism should only be actuated when direct consultations between the airport operator and users have not produced an agreement on airport charges.

**Action:** The Assembly is invited to:

- a) take into account ACI's views particularly when considering amendments to ICAO's policies and guidance material on airport economics and the consultation process between users and providers;
- b) support ACI's position for priority being given to airport infrastructure expansion and investment;
- c) agree that regular consultations between airport users and providers are the primary method of reaching agreement on airport charges and that charges regulation should only be applied under exceptional circumstances.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objectives D.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i>

<sup>1</sup> English, French and Spanish version provided by ACI.

## 1. INTRODUCTION

1.1 International air traffic faces major challenges in terms of future capacity demands and severe pressure on efficient use of resources. The request for regulated and stable or lower airport user charges on the one hand and the urgent need for extensive ground capacity expansion due to the expected doubling of air traffic by 2020 on the other hand, are contradictory to each other. ACI wishes to draw the attention of the Assembly to the ACI Information Paper submitted under Agenda Item 42, entitled- "Airports: vital catalysts for economic growth". This information paper highlights the continuing growth in traffic numbers and concludes that existing airport capacity and moderate expansion will be insufficient to meet forecast traffic demand.

1.2 ACI welcomes ICAO's proposal to hold a world wide conference on the economics of airports and air navigation services. The Conference will provide an opportunity to discuss the many developments and institutional changes that have taken place in the industry over the past number of years.

## 2. REGULATION OF AIRPORTS

2.1 Regular ICAO studies on the economic situation of airports have shown no evidence of any abuse of market power in the airport industry. The share of airport user charges in the cost of airline operations has been remarkably stable over the past decades remaining at around 4%. Regional variations in the levels of charges are justified because of the different degrees of necessary infrastructure expansion and investment, a development often stimulated by liberalization and deregulation within or between aviation markets and increasing demand for air travel.

2.2 In an increasingly liberalized, commercialized and competitive airport industry, economic regulation should be the exception rather than the rule. Economic regulation, especially of user charges should only be introduced in the event an airport operator has demonstrated an abuse of market power and only if direct negotiations between the provider and users have proven fruitless. Any regulatory action should, therefore, be light-handed and rather aimed at mediation between the two parties than unilateral imposition of charges levels.

2.3 Economic regulation of airports, where appropriate, must ensure adequate investment and seek to achieve a balance between cost and adequate service standards for users, airlines and passengers. Moreover, any regulatory action must not introduce additional or undue administrative or cost burdens for the airport operator.

2.4 Airport investment today has to pass the same viability criteria as every other investment as governments, just as private investors, no longer fund airport expansion without the prospect of a reasonable return on their investment. It is in the interest of airport users to enable the airport operator to remove capacity shortfalls by allowing the operator sufficient revenues and profits to finance expansion or to acquire capital in the marketplace, thus creating an efficient operating environment and capacity for future growth and profitability of the entire aviation industry.

### 3. **USER CHARGES**

3.1 Consultations between providers and users should take place at regular intervals to promote transparency and trust and should be based on partnership rather than confrontation. It is essential that providers and users regularly inform and update each other on their future plans and strategies which will enable them to understand and assess better respective requirements.

3.2 User charges are the basic and primary income source of airports. The level of investment at an airport necessarily needs to be reflected in the level and structure of charges. Sweeping requests to reduce airport user charges are short-sighted and ultimately do not promote efficient airport operations. They are also proving to be detrimental to airline and system efficiency as the continued lack of airport capacity produces significant cost due to delays in the air and on the ground.

3.3 It is crucial that ICAO's policies on user charges are actively promoted and disseminated to maximize their application and achieve international consistency in setting airport user charges. ACI will continue to offer support to ICAO in this field.

3.4 ACI is concerned that airports have well trained professionals on their staff and is, therefore strongly committed to continuing its cooperation with ICAO on joint training courses on airport charges which to date 92 students from more than 40 countries have attended.

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