



WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

- Agenda Item 2: Examination of key issues and related regulatory framework**
2.7: Economics of airports and air navigation services

DRAFT REPORT

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2.7: Economics of airports and air navigation services

Note: The Conference considered this Agenda Item in three parts: a) modernization of the aviation system; b) funding of oversight functions; and c) infrastructure management.

a) Modernization of the Aviation System

2.7.1 DOCUMENTATION

2.7.1.1 The Conference considered Agenda Item 2.7 a) based on the following working papers: WP/19 and WP21 (Secretariat), WP/52 (Presented by Ireland, on behalf of the European Union (EU) and other Member States of European Civil Aviation Conference (ECAC)), WP/101 (Member States of African Civil Aviation Commission (AFCAC)), WP/88 (Airports Council International (ACI)), WP/74 (Airports Council International (ACI), Civil Air Navigation Services Organisation (CANSO) and International Air Transport Association (IATA)).

2.7.2 DISCUSSION

2.7.2.1 There was general support for the Secretariat's working papers on the modernization of the aviation system. The Conference deemed that the current ICAO policies and guidance on charges were relevant, including those on airport and air navigation services funding through user charges. Many States were of the opinion that further guidance should be developed with regard to financing the air navigation services block upgrades (ASBUs). Other States expressed the view that there was no need to develop further guidance as it was considered both premature and redundant to develop a new manual on financing the air transport system. Further, it was expressed that creating a new manual with the intention to complement the existing guidance material would likely be counterproductive and hinder ICAO's efforts to promote the use of key funding principles contained in existing guidance.

2.7.2.2 It was noted that the future air navigation system will be complex and very costly, and that there would be a need to develop new financing mechanisms. Support was expressed for work to be undertaken on the schemes of economic incentives, "best equipped, best served" and "most capable, best served" concepts, and performance-based approaches from a gate-to-gate perspective. Some States were of the view that ICAO should develop new guidance material to address such issues, while others felt that the relevance of the recently updated guidance material contained in *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) and in the forthcoming fifth edition of the *Manual on Air Navigation Services Economics* (Doc 9161) should be first assessed.

2.7.2.3 There was consensus on the need to establish a multi-disciplinary working group composed of ICAO, representatives of States and all other interested parties in order to further consider these issues. It was suggested that the working group could, initially, seek to determine the parameters and definitions of, for example, service priority policies and ascertain the effectiveness of these policies. Subsequently, the working group could consider how the policies might be applied in practice and, finally, how they could be reflected in existing ICAO policies and other guidance material. The working group could present its findings to the Airport Economics Panel (AEP) and the Air Navigation Services Economics Panel (ANSEP) to determine if and how the existing guidance could be amended to

incorporate the findings of the working group. It was finally noted that determining whether such practices are consistent with ICAO's policy on non-discrimination was necessary.

2.7.3 CONCLUSIONS

2.7.3.1 As a result of the documentation considered and ensuing discussion on modernization of the aviation system, the Conference concluded that:

- a) ICAO policies and guidance on funding air transport infrastructure through airport and air navigation services charges, through pre-funding of projects and through the allocation of global navigation satellite system (GNSS) costs remain valid;
- b) The relevance of the recently updated ICAO policies and guidance material contained in *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) and the *Manual on Air Navigation Services Economics* (Doc 9161) should be assessed in the context of the modernization of the air transport system; and
- c) A multi-disciplinary working group should be established in order to consider the economic and operational challenges associated with the air navigation services upgrades in particular, and with financing the air transport system in general.

2.7.4 RECOMMENDATIONS

Recommendation 2.7/1 — Modernization of the air transport system

The Conference recommends that:

- a) States should continue to implement ICAO policies and guidance that can be applied to funding air transport infrastructure through airport and air navigation services charges;
- b) ICAO, in cooperation with States, international organizations and the industry, should establish a multi-disciplinary working group to consider the development of an appropriate set of principles on operational and economic incentives to allow early benefits of new technologies and procedures, as described in the aviation system block upgrade (ASBUs) modules, to support operational improvements, while maximizing safety, capacity and overall system efficiency, taking into account the specific needs expressed by States and by the industry at AN-Conf/12; and
- c) ICAO should undertake measures to ensure widespread awareness and knowledge of its policies and guidance and other material related to funding infrastructure and ensure that they remain relevant, current, and responsive to the changing situation.

b) Funding of Oversight Functions

2.7.5 DOCUMENTATION

2.7.5.1 The Conference considered Agenda Item 2.7 b) based on the following working papers: WP/7 (Secretariat), and WP/76 (Bangladesh).

2.7.5.2 The following information paper was also noted by the Conference: IP/12 (Presented by Ireland, on behalf of the European Union (EU) and its Member States and Eurocontrol).

2.7.6 DISCUSSION

2.7.6.1 Many States considered that the provisions on oversight functions included in ICAO's policies on charges in Doc 9082 (namely safety, security and economic oversight) were sufficient. Other States expressed that current ICAO policies addressed only airport and air navigation services but not the funding of oversight functions at the State or regional level. It was therefore suggested that ICAO develop further guidance material to cover charges for oversight functions at the State and the regional levels.

2.7.6.2 The Conference was reminded of the discussion that took place at the 37th Session of the ICAO Assembly regarding "safety charges", noting that their application must be consistent with existing ICAO policies on charges.

2.7.6.3 The Conference gave full consideration to a proposal to establish a \$5 passenger-based safety and security charge that would be collected by IATA and administered by the Technical Cooperation Bureau of ICAO. Nevertheless, this proposal was deemed contradictory to ICAO's key charging principles of cost-relatedness, transparency, non-discrimination and consultation with users. It was noted that cost-effectiveness for oversight functions could be achieved through a regional approach (for instance, through the establishment of, or the participation in, a regional safety/security oversight organization).

2.7.7 CONCLUSIONS

- a) the functions of safety, security and economic oversight are a State responsibility, but for some States with limited financial resources, it is not always possible or practical to use Government funding;
- b) the guidance developed by ICAO on funding of oversight functions at the airport/ANSP level continues to be relevant and should be kept current for use by States according to need. Based on ICAO's policies on charges in Doc 9082, additional guidance was developed on funding of the safety oversight function at the regional level through charges. Nevertheless, given the challenges associated with funding oversight functions at the State and regional levels, ICAO's policies and guidance should be further developed; and
- c) the proposal for a passenger-based charge to fund safety and security oversight activities was not in line with ICAO's policies on charges, in particular those

concerning cost-relatedness of the proposed charges, transparency, non-discrimination and consultation with users.

2.7.8 RECOMMENDATIONS

Recommendation 2.7/2 — Funding of oversight functions

The Conference recommends that:

- a) ICAO should continue to develop guidance material on the sustainable funding of the safety and security oversight functions at the State level while monitoring the situation for economic oversight funding; and
- b) ICAO should further explore possibilities for the establishment of new mechanisms to ensure the sustainable funding of the oversight functions at the State and regional levels, including user charges that are in line with *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082), taking into account the various situations encountered by different States.

c) *Infrastructure Management*

2.7.9 DOCUMENTATION

2.7.9.1 The Conference considered Agenda Item 2.7 c) based on the following working papers: WP/6 and WP/9 (Secretariat), WP/92 (Republic of Korea), WP/88 (Airports Council International (ACI)), WP/71, WP/72, and WP/73 (Civil Air Navigation Services Organisation (CANSO)), and WP/99 (International Transport Workers' Federation (ITF)).

2.7.9.2 The following information papers were also noted by the Conference: IP/2 (Secretariat), IP/18 (Brazil) and IP/16 (Indonesia).

2.7.10 DISCUSSION

2.7.10.1 The Conference supported the Secretariat working papers on infrastructure management and recognized the benefits of establishing autonomous entities to operate airports and air navigation services. There was consensus regarding the positive effect of good governance and a meaningful, regular and mutually beneficial consultation process between providers and users in the management of airports and air navigation services. A view was expressed that all interested parties should be included in the consultation process, including labour.

2.7.10.2 The results of the two ICAO surveys on the implementation of the Conference on the Economics of Airports and Air Navigation Services Economics (CEANS) were noted, and ICAO was requested to continue to collect information from States on the level of implementation of the policies on charges for airports and air navigation services, and publish and regularly update this information in the

form of a Supplement to Doc 9082, as well as to monitor changes in airport and ANSP commercialization and privatization.

2.7.10.3 The Conference noted that non-aeronautical revenues are essential for the financial sustainability of airports and that the majority of airports worldwide are suffering losses, with most airports with traffic under one million passengers not breaking-even.

2.7.10.4 A proposal was put forward, according to which airports are not required to use non-aeronautical revenues to reduce charges through the “single-till” and that airports may retain non-aeronautical revenues to finance future investments. This proposal was supported by some States, while many others were of the opinion that ICAO’s policies on charges in Doc 9082 provide sufficient flexibility for a State to select whether an airport should operate under a single-till, a dual-till, or a hybrid-till arrangement. Another proposal was tabled for consideration by the Conference, arguing that economic oversight of airports should be kept to a minimum. A view was expressed that States should ensure that the interests of providers and users should be balanced through economic oversight and should be for the protection of end-users.

2.7.10.5 Finally, the Conference encouraged ICAO to continue ensuring widespread awareness and knowledge of its policies on user charges and its other guidance material.

2.7.11 CONCLUSIONS

2.7.11.1 As a result of the documentation considered and ensuing discussion, the Conference concluded that:

- a) experience gained worldwide indicates that where airports and ANSPs are operated by autonomous entities, overall financial situations and managerial efficiency have generally improved, and that good governance and performance benchmark has driven performance upward and the private sector has been essential for the development of airport and air navigation infrastructure worldwide;
- b) as illustrated in responses to the two ICAO surveys, the 2008 CEANS recommendations have been implemented in most States that have responded to the survey; however, the implementation rate of some specific recommendations needs to be improved;
- c) with regard to airports, non-aeronautical revenues are essential for the financial sustainability of airports worldwide;
- d) ICAO’s policies on charges in Doc 9082 provide enough flexibility for States to decide whether an airport should apply a single-till, a dual-till or a hybrid-till arrangement; and
- e) for relations and consultations with users to be mutually beneficial, there are a number of fundamental principles, processes and tools that should be observed, and CANSO’s Guide to Customer Relationship Management may serve as a reference document.

2.7.12 RECOMMENDATIONS

Recommendation 2.7/3 — Infrastructure Management

The Conference recommends that:

- a) States should consider the establishment of autonomous entities to operate airports and ANSPs, taking into account economic viability as well as the interests of the users and other interested parties, and ensure that the recommendations made at CEANS are implemented;
- b) States should promote quality air navigation services performance through good governance;
- c) ICAO should take all relevant measures to ensure widespread awareness and knowledge of its policies on user charges and its guidance material related to governance, ownership, control and management of airports and ANSPs, and ensure that they remain relevant, current, and responsive to the changing situation;
- d) ICAO should develop a provision on the basis of CEANS recommendations to be included as an optional regulatory arrangement in the template air services agreements (TASA); and
- e) ICAO should continue to monitor changes in airport and ANSP commercialization and privatization, collect information from States on the level of implementation of the policies on charges for airports and air navigation services, and publish and regularly update this information in the form of a Supplement to Doc 9082.

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