



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

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Agenda Item 2: Examination of Key Issues and Related Regulatory Framework

Agenda Item: 2.7: Economics of airports and air navigation services

FUNDING AIR TRANSPORT INFRASTRUCTURE

(Presented by the Secretariat)

EXECUTIVE SUMMARY

This paper explains how current ICAO policies and guidance can be applied to funding air transport infrastructure through airport and air navigation services charges, through pre-funding of projects and through the allocation of Global Navigation Satellite Systems (GNSS) costs.

Action: The Conference is invited to:

- a) review the information, assessments and discussion presented in this paper;
- b) endorse the conclusions presented in paragraph 3; and
- c) adopt the recommendations presented in paragraph 4.

References:

ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 Ensuring a sound and sustainable economic development of air transport is a core objective of ICAO. Existing ICAO policies and guidance can be applied to funding for infrastructure required for the implementation of a new generation of air navigation systems.

2. CURRENT ICAO POLICIES ON FUNDING AIR TRANSPORT INFRASTRUCTURE

2.1 *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) is of particular interest in the consideration of issues relating to funding for air transport infrastructure. Doc 9082 addresses policies on the cost basis for airports and air navigation services charges. As a general principle, providers may require the users to pay the portion of costs properly allocable to them but, at the same time, international civil aviation should not be required to meet costs which are not properly allocable to it (paragraph 2 vi) of Section II and paragraph 1 of Section III refer).

2.2 An equitable cost recovery system could comprise charges based on the allocation of total airport/air navigation services costs incurred on behalf of aeronautical users. The cost to be allocated is the full cost of providing the airport/air navigation services, including appropriate amounts for the cost

of capital and depreciation of assets, as well as the costs of maintenance, operation, management and administration. In general, aircraft operators and other airport users, including end-users, should not be charged for facilities and services they do not use, other than those provided for and implemented under the Regional Air Navigation Plan(s) (paragraph 2 i) and 2 ii) of Section II and paragraph 3 i) and 3 ii) of Section III of Doc 9082 refer).

2.3 Airport/air navigation services may produce sufficient revenues to exceed all direct and indirect operating costs and so provide for a reasonable return on assets (for air navigation services before tax and cost of capital) to secure efficient financing for the purpose of investing in new or enhanced infrastructure (paragraph 2 viii) of Section II and paragraph 3 vi) of Section III of Doc 9082 refer). Furthermore, costs directly related to oversight functions (safety, security and economic oversight) for airport and air navigation services may be included in the airport or the air navigation services provider's cost basis, at the discretion of the State (paragraph 2 x) of Section II and paragraph 3 vii) of Section III of Doc 9082 refer).

2.4 With respect to airport charges, only the cost of those facilities and services in general use by international air services should be included, and the cost of facilities or premises exclusively leased or occupied and charged for separately, should be excluded; the capacity of users to pay should not be taken into account until all costs are fully assessed and distributed on an objective basis. At that stage, the contributing capability of States and communities concerned should be taken into consideration, it being understood that any State or charging authority may recover less than its full costs in recognition of local, regional or national benefits received (paragraph 2 iii) and paragraph ix) of Section II of Doc 9082 refer).

2.5 With respect to air navigation services charges, the costs to be taken into account should be those assessed in relation to the facilities and services, including satellite services, provided for and implemented under the ICAO Regional Air Navigation Plan(s), supplemented where necessary pursuant to recommendations made by the relevant ICAO Regional Air Navigation Meeting, as approved by the Council. Any other facilities and services, unless provided at the request of aircraft operators, should be excluded, as should the cost of facilities or services provided on contract or by the aircraft operators themselves, as well as any excessive construction, operation or maintenance expenditures. Furthermore, the costs of air navigation services provided during the en-route, approach and aerodrome phases of aircraft operations should be identified separately where possible. Finally, the costs of supporting services such as aeronautical meteorological services (MET), aeronautical information services (AIS) and other ancillary services should also be identified separately (paragraph 3 ii), 3 iii) and 3 iv) of Section III of Doc 9082 refer).

2.6 Notwithstanding the principles of cost-relatedness for charges and of the protection of users from being charged for facilities that do not exist or are not provided (currently or in the future), pre-funding of projects may be accepted in specific circumstances, i.e., when it is the most appropriate means of financing long-term, large-scale investment, provided that strict safeguards are in place (paragraph 23 of Section I of Doc 9082 refers).

2.7 Detailed guidance material on funding of airport and air navigation services infrastructure can be found in the *Airport Economics Manual* (Doc 9562) and in the *Manual on Air Navigation Services Economics* (Doc 9191). These manuals discuss various aspects of funding that need to be considered when embarking on an infrastructure investment project required for providing enhanced airport and air navigation facilities and services.

2.8 Finally, with regard to GNSS, the ICAO Council adopted a provisional policy on the allocation of the incremental costs of more advanced GNSS. The following is a summary of the provisional policy:

- a) basic GNSS services to be provided free of charge as a common good, as there is a multiple number of user categories, while more advanced GNSS services (including augmentation services), which require a higher quality of service with higher costs, may have to be paid for by the users;
- b) the incremental costs for more advanced GNSS services should be allocated amongst all the users who derive benefits from them. Such cost allocation should take place at the regional level and take into account the requirements of different user categories, where the service level can be adjusted to satisfy different requirements;
- c) before any costs are recovered from civil aviation, cost allocation amongst all users should be discussed and agreed upon through transparent negotiations and consultations between a GNSS service provider and representatives of civil aviation as well as other user categories;
- d) any cost allocation and the resultant cost recovery should be consistent with ICAO policies on air navigation services charges in order to ensure that civil aviation is requested to pay only its fair share of the relevant costs according to sound accounting principles and that international civil aviation is not discriminated against in comparison to other modes of international transport and other user groups; and
- e) once the civil aviation share has been determined, the allocation among participating States and/or air navigation services providers should be determined according to existing ICAO charging policies and guidance. Providers could then recover the costs from the users within existing charging systems.

3. **CONCLUSION**

3.1 In light of the discussion above, the following may be concluded:

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 GNSS costs remain relevant.

4. **RECOMMENDATIONS**

4.1 The following recommendations are proposed for consideration by the Conference:

- a) States should continue to implement, as relevant and depending on national circumstances, ICAO policies and guidance that can be applied to funding air transport infrastructure through airport and air navigation services charges: and
- b) ICAO should take all relevant measures to ensure widespread awareness and knowledge of its policies.

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