



**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND
AIR NAVIGATION SERVICES**

Montréal, 15 to 20 September 2008

Agenda Item 1: Issues involving interaction between States, providers and users

1.1: Economic oversight

1.2: Economic performance and minimum reporting requirements

1.3: Consultation with users

Agenda Item 2: Specific issues related to airport economics and management

2.1: Governance, ownership and control

2.2: Cost basis for charges

2.3: Cost allocation and charging systems

2.4: Non-discrimination aspects

2.5: Financing and cost recovery of security measures

A TOURISM PERSPECTIVE

(Presented by the World Tourism Organization (UNWTO))

SUMMARY

In this paper the World Tourism Organization (UNWTO) outlines developments in tourism and its contribution to economic prosperity, particularly in less developed countries, and identifies a need for greater representation of passenger interests at airports (and, where relevant, for air navigation services), including on governance, consultation, performance assessment and charging. Some suggestions are made for specific enhancements to ICAO policy and guidance.

Action by the Conference is in paragraph 4.

1. INTRODUCTION

1.1 The aviation and tourism industries have a strong symbiotic relationship:

- Some 40 per cent of the 903 million international tourist arrivals in 2007 were by air, with very much higher proportions for medium- and particularly long-haul destinations.

- Conversely, the vast majority of the 919 million international passengers in 2007 were tourists¹.

1.2 Some tourism facts and figures²:

- International tourists spent an estimated \$856 billion in 2007.
- The long term growth forecast in arrivals is 4.1 per cent per annum through 2020, when the expectation is for 1.6 billion international tourists, spending \$5 billion per day.
- Tourism has been surprisingly resilient in times of crisis and economic downturn, which has tended to produce shifts in origins and destinations rather than reductions in growth.
- Tourism directly represents globally about 4 per cent of GDP, 3 per cent of employment, 6 per cent of exports and 30 per cent of commercial service trade.
- Tourism receipts of Least Developed Countries (LDCs) grew from \$1 billion in 1990 to well over \$5 billion today.
- Tourism is second-biggest source of foreign exchange for 46 of 49 LDCs.
- Tourism is often the principal service sector activity.
- Tourism can be an effective catalyst for gender equality, employment of young people, rural regeneration, cultural preservation and nature conservation.
- Tourism is accordingly a primary vehicle for poverty alleviation and implementation of the Millennium Development Goals.

1.3 Air transport will continue to be a fundamental facilitator in achieving the above benefits. Airports and air navigation services are of course an integral part of the air transport product and airports are a particularly perceptible constituent of the tourist's travel experience.

1.4 Against this background, UNWTO feels that the economics of airports and air navigation services need to be considered integrally with safety, security and facilitation, and environmental impact including climate change³. Treatment of the tourist throughout his or her journey should avoid irritation and promote a pleasant travel experience.

1.5 Furthermore, UNWTO sees a need to take greater account of the critical shortfalls in poor countries of technologies, human skills and finance, and to rectify this both for: i) total aviation system efficiency, safety, security and facilitation, and environmental values; and ii) equitable participation of these countries in tourism benefits.

1.6 UNWTO recognizes the key role of ICAO in promoting good policy and practice in aviation and fully supports *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) and related guidance material. UNWTO appreciates this timely Conference which will

¹ ICAO records passengers in terms of numbers on each flight; thus an international tourist travelling by air may count as at least two international passengers (inbound and outbound at destination, plus any connecting international flights). The UN definition of a tourist encompasses business as well as leisure travel.

² Source: UNWTO, *Tourism Barometer and Vision 2020*.

³ UNWTO's strategy on Security and Facilitation Enhancement (S.A.F.E) as it relates to aviation may be found in A35-WP/107 REVISED and A36-WP/127. Similarly a contribution by UNWTO to ICAO on the subject of climate change may be found in A36-WP/75, which is elaborated in a discussion paper on *Tourism, Air Transport and Climate Change* available through the *Climate and Tourism Exchange Service* on the UNWTO website (see www.unwto.org/climate/index.php); UNWTO's more general policy on environment and sustainable development may also be found on the UNWTO website (www.unwto.org/sustainable), as may policy on climate change and a comprehensive study on *Climate Change and Tourism: Responding to Global Challenges*, June 2008 (www.unwto.org/climate).

primarily be concerned with enhancing State and ICAO's policies to meet evolving trends and needs. With this in mind, UNWTO has the following comments on the substance of certain agenda items.

2. DISCUSSION

2.1 **Economic oversight (Item 1.1).** UNWTO agrees that economic oversight of airports and air navigation services is a necessary State responsibility, particularly because service providers are effectively local monopolies. Such oversight should promote an appropriate balance amongst safety, security and facilitation, environmental and economic issues. The regulatory regime should go beyond narrow sectoral interests and provide overall benefits for the economy, protection of consumer interests and enhancement of competition. The overall package of economic instruments should provide net economic benefits for all developing countries and preferential measures for the LDCs⁴ in particular.

2.2 **Economic performance and minimum reporting requirements (Item 1.2).** Irrespective of the form of ownership and operation of an airport, performance parameters should be established, monitored and made available to the public. Performance parameters should include elements for safety, security and facilitation, and the environment as well as operational and economic. UNWTO would like to draw particular attention to the potential value of recording, monitoring and publicizing processing times for passengers in relation to the targets in ICAO *Annex 9 – Facilitation Recommended Practices* 3.28 (60 minutes for completion of required departure formalities) and 3.31 (45 minutes for clearance of all disembarking passengers requiring not more than the normal inspection).

2.3 **Consultation with users (Item 1.3).** UNWTO supports ICAO's efforts towards a full and regular consultation process worldwide. At the same time, as currently reflected in ICAO Doc 9082, there is a tendency to consider users as the aircraft operators and assume that the operators will act on behalf of their passengers. In the case of airports, passengers often pay service charges directly and their contribution through the non-aeronautical revenues of the airport can be quite considerable, often exceeding the revenues via air carriers. As indicated by the ICAO Secretariat (WP/8) there can also be cross-subsidization from passengers to aircraft operators in the trend towards shifting aircraft-related costs to passenger-based charges. While recognizing that many countries and airports do not have representative organizations of passengers, the concept of users of airports should nevertheless be broadened to include passengers, who should be encompassed in appropriate parts of the consultation process when practicable and by suitable means.

2.4 **Governance, ownership and control of airports (Item 2.1).** UNWTO recognizes that different forms of ownership and control may be appropriate to the particular situations of different airports, but emphasises the need to ensure clear separation between regulatory and operational functions. In the interests of efficiency and quality, UNWTO also encourages autonomy of and, to the extent possible, competition amongst airports, irrespective of jurisdiction.

2.5 **Charges at airports (Items 2.2, 2.3 and 2.4).** UNWTO supports transparency and non-discrimination, with fair allocation amongst different types of passengers and between passengers and freight. UNWTO specifically supports the proposal of the ICAO Secretariat (WP/8) regarding the amendment of Doc 9082 regarding passenger service charges. However, UNWTO is concerned as regards possible interpretation of the addition proposed by the Secretariat (WP/10) to sub-paragraph 23 v) of Doc 9082 that "If the purpose [of a preferential charge] is to attract and/or retain new air services, such reduction in the charges should only be offered on a time-limited basis". While this is aimed at

⁴ Such as the preferential measures for developing countries prepared by ICAO and included in *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587, Appendix 3) and the *Essential Service and Tourism Development Route* concept mentioned in paragraph 2.5 of the present paper.

preferential charges extended to particular categories of users it may be interpreted as also applying to different categories of routes. There should be a clear distinction made between users and routes, notably (as suggested by the Secretariat in paragraph 2.7 of WP/10) as regards preferential charges specific to essential air services and in particular for LDCs, notably in the form of *Essential Service and Tourism Development Routes*⁵. This distinction could be incorporated in Doc 9082 in a positive way by an appropriate further addition.

2.6 **Financing and cost recovery of security measures (Item 2.5).** UNWTO agrees that any charges or transfers of security costs should be directly related to providing the security services concerned and should be designed to recover no more than the relevant costs involved. Civil aviation, or tourism, should not be charged for any costs that would be incurred by the more general security functions performed by States.

3. **CONCLUSIONS**

3.1 States and ICAO in their airport governance, oversight and management policies should place additional emphasis on the perspective of the tourist as passenger in respect of economic contribution, benchmarks and performance parameters, consultation and charges.

4. **ACTION BY THE CONFERENCE**

4.1 The Conference is invited to:

- a) consider the provision and economic performance of airports and air navigation services in the context of system efficiency, safety, security and facilitation, and environmental values;
- b) consider means of addressing the pressing need for creation and transfer of technologies, human skills and finance in the field of airports and air navigation services to assure poor countries of participation in aviation and tourism benefits; and
- c) review the proposals in paragraphs 2.1 through 2.6 above, recommend them to States for their consideration and to the ICAO Council for reflection as may be required in Doc 9082 and associated guidance.

— END —

⁵ This important safeguard takes existing concepts such as Essential Air Services in the United States, Remote Air Services in Australia, and Public Service Obligations in the European Union, and applies them to routes to and from the Least Developed Countries. A recent joint study by the ICAO and UNWTO Secretariats showed that the concept was viable and provided guidance as to its implementation.