



CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

Montréal, 15 to 20 September 2008

Agenda Item 3: Specific issues related to air navigation services economics and management

Agenda Item 3.4: Economic and organizational aspects related to implementation of the global air traffic management (ATM) concept

ATM GLOBALISATION AND ITS ECONOMIC IMPACT ON THE GLOBAL SYSTEM

(Presented by member States² of the Latin American Civil Aviation Commission
(LACAC))

SUMMARY

The measures recommended to the Conference are shown in paragraph 3.

Action by the conference is in paragraph 4.

1. INTRODUCTION

1.1 The economic and organisational aspects related to the implementation of the global air traffic management (ATM) concept are based on globalisation, understood as the process developed as a result of the interaction among States and among sub-regions and regions, and generated by the expansion of capital markets, trade and direct foreign investment.

1.2 Thus, capital is free to go wherever it is most productive. Based on the hypothesis that a satellite-based CNS platform of broad geographical coverage would provide economies of scale to an increasingly growing traffic that is hard-pressed by high fuel costs, requires an efficient system and in which the scarcity of airspace capacity starts to have a definite impact on operators, imposing restrictions and generating delays, air traffic management provides an attractive framework in which capital can endeavour to design projects in response to this need.

1.3 The States, which are air navigation service providers by tradition, are faced with the challenge of accessing new technologies to provide the efficiency required by the users of these services. ICAO has sent a message of integration to multilateral organisations as a transitional answer to the

¹ Spanish version provided by LACAC.

² Argentina, Aruba, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

problem caused by globalisation, while other States have already sought the intervention of private capital for the implementation of the global air traffic management (ATM) concept.

1.4 At the Eleventh Air Navigation Conference (Montreal, 22 September 2003), the President of the International Civil Aviation Organization (ICAO) Council, Dr. Assad Kotaite, encouraged the audience to create the concept of an inter-functional, seamless, and global air traffic management system for international civil aviation in the 21st century: “It is time to adjust our strategy and start a new phase for the establishment of the future air navigation infrastructure.” The message implies an investment, a building mechanism that finds its answer in globalisation and a given timeframe. “This is an advanced global concept in its description of the services that will be required for the operation of the global air traffic management system up to the year 2025”.

1.5 There are some ideas to the contrary, fed by the narrow line between the efficiency of a global air traffic management (ATM) system and safety, an issue that will be resolved only through the implementation of appropriate safety management systems (SMS) that will give the States and the citizens the necessary assurance as to the proper safety level. Therefore, this paradigm seems to be changing and it may be said that private entities can duly meet their safety responsibilities.

1.6 Another common argument of the States is their concern for the compensation received for a resource that, in the case of their airspace, is increasingly in demand, scarce and useful. This element is essential for the development of multinational organisations, together with those mechanisms that provide for a proper distribution of the capacities to be developed, employment, contributions and the required balance among States to maintain efficiency.

1.7 Finally, there is still some discussion about the sovereignty concept as compared to the general efficiency obtained from the implementation of the global air traffic management (ATM) concept.

2. ANALYSIS

2.1 It is obvious that there are expectations as to the type of technologies and systems that will help meet the different operational requirements of the global ATM. It is now time to restructure the legal and economic mechanisms that will permit the consolidation of the economic operating units that will make it possible.

2.2 The Regional Civil Aviation Commissions or State organisations must participate in the construction of the new scenarios, not only guiding the States, as LACAC has done with the methodology to be used for setting tariffs, but also offering a discussion forum to guide the implementation of the economic, political, and legal aspects of the global air traffic management (ATM) concept.

2.3 Through the decentralised work of these mechanisms, the mandate given by the 36th ICAO Assembly to the organisation would be met with the inclusion in the work programme on legal aspects of a study of regional multinational organisations, aimed at harmonising the international legal framework and the responsibilities derived from the relationships resulting from its activity (see A36-WP/230). Accordingly, it is worth analysing some paragraphs of working papers A36-WP/297 and A36-WP/341, which state:

“47.8 Upon reviewing Item 3 of the general work programme of the Legal Committee, various delegations supported the inclusion of regional multinational organisations, as suggested in paper A36-WP/230. These delegations considered that it was extremely important to design clear rules and governing principles for the

participation of regional organisations in the implementation of CNS/ATM systems. One delegation also highlighted the need to have a clear global framework ...”

Thus *“47.9 Upon discussing a legal framework, the Commission agreed to modify Item 3 of the general work programme of the Legal Committee to include regional multinational organisations. The Commission pointed out that it understood that, once the members of European Civil Aviation Conference prepared a regional legal framework model, ICAO would be able to circulate this model among its member States, and that interested States could use the information as a guide to draft their own regional legal framework, as appropriate.”*

2.4 The Legal Committee needs to begin the process of developing guides for the establishment of multinational organisations, in order to create the regulatory framework to guide the global air traffic management (ATM) concept process, whether these organisations are State partnerships or financed with private capital, or a combination of both, or other legal or economic modality.

2.5 Therefore, regional bodies must discuss these initiatives and encourage the States to follow ICAO guidelines, so that national provisions will be consistent with global guidelines, and global air traffic management (ATM) may benefit all stakeholders, especially the States. Guidelines should also be established to achieve sustainability and, thus, regulate ATM globalisation, which, in its current form, is "moving at an extraordinary pace but without a map or compass", as stated in a UNDP report on globalisation and which seems to apply to the preceding concept.

2.6 ICAO has the responsibility of ensuring that the implementation of the global air traffic management (ATM) concept will not result in greater inequalities or an increased gap in CNS know-how, in order to keep a balance between States, between the States and the private capital, and between these and the user, in such a way that the operational, economic, and environmental benefits will be greater than the global cost of attaining them.

2.7 Accordingly, the legal committee must reach a consensus as to the principles and pillars of economic interests, capital and its profitability within this context, short- and medium-term benefits, the practices of private entities, joint ventures and State partnerships, State regulations for their operation, State deregulation, and supra-national regulations for the operation of these organisations, including economic and labour issues, the relationship between these organisations and traffic rights as a limiting factor of their growth, and the standards of their regulatory bodies for the balanced growth of the States.

3. CONCLUSIONS

3.1 Based on the foregoing and given the importance of this topic:

- a) in keeping with the work plan on legal aspects, ICAO is requested to give priority to the study of multinational organisations as vehicles for the implementation of the global air traffic management (ATM) concept; and
- b) it is recommended that Regional Civil Aviation Commissions that have not done so yet, as well as interest groups or other organisations, take steps to study aspects related to the implementation of the global air traffic management (ATM) concept.

4. **ACTION BY THE CONFERENCE**

4.1 The Conference is invited to:

- a) take note of this working paper;
- b) expressly state the significance of ATM globalisation for the future development of aviation, and its economic impact on the global air transportation system, and how ICAO must consolidate the respective legal and economic criteria; and
- c) highlight the need for this process to follow guidelines issued at the highest level and, resulting from a consensus of all stakeholders, to develop a new ATM scenario based on the implementation of the global air traffic management concept.

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