



**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**

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

**EUROPE: A "TOTAL SYSTEM" APPROACH TO TRANSPARENCY  
AND PREDICTABILITY OF  
AIR TRANSPORT INFRASTRUCTURE COSTS**

(Presented by France, on behalf of the European Community and its Member States<sup>1</sup> and by the other State members of the European Civil Aviation Conference (ECAC))<sup>2</sup>.

**SUMMARY**

The crisis affecting the industry and in particular the aircraft operators since 2001 calls for significant actions by States and International Organisations, aiming at ensuring transparency, fairness, comparability and predictability of the costs of the air transport infrastructure. The current ICAO Principles and the papers submitted by the Secretariat at this Conference recommend virtuous behaviours and best practice to achieve these goals.

This paper presents Europe's "total system" approach covering all air transport infrastructure charges for airport, terminal and en route services, in line with ICAO policies and, where possible, going beyond with a view to helping airspace users to face the current economic challenges.

Action by the Conference is in paragraph 4.

<sup>1</sup> Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom. All these 27 States are also Members of the ECAC.

<sup>2</sup> Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Iceland, Moldova, Monaco, Montenegro, Norway, San Marino, Serbia, Switzerland, The former Yugoslav Republic of Macedonia, Turkey and Ukraine.

## 1. INTRODUCTION

1.1 The June 2000 ICAO's conference on the economics of airports and air navigation services (ANSConf) took place in a context of steady air traffic growth and addressed the challenges then facing the industry, including capacity management, privatisation of service provision as well as financing and funding issues. Since this Conference, aircraft operators have been affected by an unprecedented crisis, recently further aggravated by the increase in fuel prices. Airlines achieved substantial productivity gains and managed to cut a lot of their costs, but still a large number of them currently fight for their survival (June 2008 IATA figures highlight expected losses of 2.3 USD billion for its member airlines in 2008 with fuel at 107 USD, and of 6,1 USD billion with a fuel at 135 USD). Economic efficiency, value for money and operational performances of airport and air navigation services has become the main concern of the airspace users.

1.2 In 2008, air transport infrastructure charges represent an average of 11% of the operating costs of IATA airlines. This share is in relative decrease because of fuel price increases, but the amounts at stake remain very significant (some 8 Billion euros in Europe). A large number of air navigation services are provided under a natural or legal monopoly. In the present difficult context, it is therefore the States' and/or international organisations' duty to ensure that users are only charged with transparent, justifiable and predictable costs. Efforts are made in this direction in all countries. This working paper presents Europe's "total system" approach covering all air transport infrastructure charges for airport, terminal and en route services, in line with ICAO's Policies.

## 2. THE EUROPEAN ROUTE CHARGES SYSTEM AND THE SINGLE EUROPEAN SKY

2.1 Eurocontrol, the "European Organisation for the safety of air navigation", has been operating since 1985 a multilateral route charges system, calculating route charges, collecting them from airspace users and redistributing them to its Member States (38 at present). A set of Principles, adopted by unanimity of Eurocontrol States and complying with ICAO recommendations, allowed putting in place adequate requirements in terms of user consultation, transparency, fair cost allocation and cost-relatedness of en route charges. This system however is limited to en route charges.

2.2 In this context a first Single European Sky Package of legislative measures, adopted in 2004, addressed the charging issue<sup>3</sup>. It aimed at making the best use of the existing Eurocontrol system and addressed its perfectible points. An implementing rule, adopted in December 2006<sup>4</sup>, put in place a common charging scheme for the European Union Member States which entered into force on 1 January 2007. The 2008 air navigation services (ANS) costs and rates of all European Union States were established in compliance with this new scheme. Its main features are:

a) *Harmonisation through:*

Coverage of both en route and terminal air navigation costs and charges. ANS costs are identified, disclosed in a comparable way and justified from departure to landing.

A single and common formula, for en route and for terminal (with a phased implementation for the latter).

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<sup>3</sup> Regulation (EC) No 550/2004 of the European Parliament and of the Council of 10 March 2004 on the provision of air navigation services in the single European sky (the service provision Regulation)

<sup>4</sup> Commission Regulation (EC) No 1794/2006 of 6 December 2006 laying down a common charging scheme for air navigation services on

b) *Improved governance through*

Separation, at least at functional level, of service provision activities from regulatory functions.

Possibility to establish incentive mechanisms on air navigation service providers and/or airspace users, including financial advantages and disadvantages.

c) *Improved consultation through*

Obligation for each Member State and/or air navigation service provider to propose and organise user consultation at least once a year on costs and charges, with all appropriate cost data being put at users' disposal three weeks in advance.

Obligation for Member States to consult users before taking strategic decisions (E.g. setting up of incentive mechanisms or of a charging zone).

d) *Benchmarking and enforcement through*

Standard templates to be completed for costs and charges, enabling comparability of data between Member States and over time.

Compliance review system, with investigation and enforcement powers in case of non-compliance or non-application of the rules.

e) *A truly international and operations-oriented approach through*

Possibility to create en route charging zones that do not follow national borders or FIRs, but are adjusted to ATC operations and services. There can be cross-border charging zones, or charging zones for complex TMAs.

2.3 Such a system allows for transparency and justification of costs and charges from take-off to landing. It also allows benchmarking and comparative analyses. The "total system approach", closing the loop and allowing gate-to-gate transparency, will be achieved through a third element, the Directive on airport charges.

### **3. THE EUROPEAN COMMUNITY DIRECTIVE ON AIRPORT CHARGES**

3.1 The European Commission has elaborated in 2007 a proposal for a Directive on airport charges, fully aligned with ICAO policies. This legislative proposal is currently being discussed by the European Parliament and the Council of Ministers, the European Community's co-legislators. Once approved, it will be transposed by the European Community's Member States, thus acquiring legislative status at National level. Among the leading principles of this Directive are the non-discrimination, the transparency of costs and regular user consultation. This future Directive is the subject of a separate Information Paper presented by the European Community and its Member States and by the other States Members of the Civil Aviation European Conference.

3.2 Once this Directive will enter into force, the European Union will have achieved complete transparency and justification of all air transport infrastructure costs (airport, terminal and en route), with systematic and periodical user consultation.

#### 4. ACTION BY THE CONFERENCE

##### 4.1 The Conference is invited to:

- a) note Europe's "total system" efforts towards an enhanced transparency, fairness, comparability and predictability of the costs of the air transport infrastructure, as described in this working paper;
- b) invite States to develop or strengthen regional approaches to the transparency, fairness, comparability and predictability of the costs of airport and air navigation services, with the possible assistance of ICAO, e.g. through the drafting of guidance. Different models could be developed to assist different kinds of regional contexts;
- c) amend paragraph 20 of Doc 9082 to recommend the development or strengthening of regional approaches to the transparency, fairness, comparability and predictability of the costs of airport and air navigation services; and
- d) consider establishing a process of regular dialogue with Regional Organisations on this issue, for example through an annual high-level conference.

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