



WORKING PAPER

**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
1.3: Consultation with users**

**SUCCESSFUL CHANGES OF CHARGES THROUGH
CONSULTATION WITH USERS**

(Presented by the Republic of Korea)

SUMMARY

This paper introduces the case of successful changes of charges at Incheon International Airport through consultation with users and is presented as a case that effectively implemented *ICAO's policies on Charges for Airports and Air Navigation Services* (Doc 9082) without any compulsory regulations on user consultation procedures.

INFORMATION PAPER

1. INTRODUCTION

1.1 The case presented in this paper demonstrates how mutually cooperative relations can be maintained between service providers, users and regulators to produce concrete results through friendly consultations and in the process implement *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) even in the absence of relevant compulsory regulations on service provider/user consultation procedures.

1.2 Effective cooperative arrangements between airport and navigational service providers, users and regulators can have significant impact on the enhancement of airport's competitiveness and the advancement of aviation industry. In particular, if the service provider were to fully take into account constructive opinions from the users in setting charges for airport and navigational services, then it would achieve very strong positive effects.

2. REGULATION ON CONSULTATION WITH USERS

2.1 Incheon International Airport Corporation (IIAC) has no regulations on consultations between service providers and users when making changes to policies regarding user charges or setting new user charges. However, owing to 100% ownership of IIAC by the government, it is under direct and indirect supervision from the government in airport operations and IIAC is required to report to the government on matter regarding user charges in accordance with relevant laws.

2.2 In addition, users may file a complaint with the Fair Trade Commission (FTC) when they deem that charges imposed by the service provider are unreasonable. Therefore the service provider tries to keep the charges at appropriate levels.

2.3 IIAC, in overall charge of operation and management of Incheon Airport, complies with procedures on consultation with users in Doc 9082 and renews the policies on charges by consulting with users and taking users' opinions on the charges into account.

3. CHARGING SCHEME SETTLEMENT

3.1 IIAC's decision making process for user charges involves calculation of appropriate airport user charges that take into consideration the charges imposed by competing airports in the region. When a revision of charges or the imposition of new charges is contemplated by IIAC, notice is given to concerned bodies at least 4 months in advance for consultations. And, the final decision is made upon several consultations with all the concerned bodies and it is reported to the government (regulatory body)

4. SUCCESSFUL CONSULTATION WITH USERS

4.1 Consultation with users (AOC: Airline Operators Committee) in 2007 brought about partial reduction of charges (landing fees and other charges). As a result, the service provider and users arrived at a win-win situation where Incheon Airport was able to position itself as a hub airport of Northeast Asia and the users got considerable reduction of cost.

4.2 At the beginning of the consultations, IIAC insisted on a new charging scheme that focused only on retrieving the prime costs in terms of airport construction and expansions. But through several consultations with users, IIAC reconciled itself to a compromised scheme considering management environment in the aviation industry and IIAC's competitiveness against other airports.

5. CONCLUSION

5.1 The following were the contributory factors that made it possible for both airlines and Incheon Airport to reach a satisfactory agreement without any compulsory procedures on changes of charges.

- Compliance with ICAO's Policies on Charges for Airports and Air Navigation Services
- Efforts by all concerned parties to maintain friendly relations throughout the consultations
- Well organized indirect oversight by the regulator (government).