



CEANS-WP/81
18/9/08

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

Montréal, 15 to 20 September 2008

DRAFT REPORT ON AGENDA ITEM 3.1

Agenda Item 3: Specific issues related to air navigation services economics and management
3.1: Governance, ownership and control

3.1.1 Documentation

Secretariat (WP/12) reviewed recent experiences of commercialization of ANSPs and the emerging issues associated with their governance, ownership and control. These experiences indicate that there may be a linkage between performance achieved and corporate governance. The paper, therefore, developed a set of best practices for good governance of commercialized ANSPs. In circumstances where the State directly operates air navigation services, the paper emphasized the necessity to ensure that regulatory and operational functions are not provided by the same authority. To give effect to these conclusions, an amendment of the text in Doc 9082 was proposed.

CANSO (WP/36) believed that good air navigation services performance results from good governance, and in turn, from good government policy-making. The paper urged States to avoid relying too heavily on regulatory mechanisms but instead consider the various elements of good governance that drive performance in service provision, i.e. ANSP mission and objectives; enabling legislation and regulation; ANSP governance structure; independent and empowered management; customer relations; other stakeholder relations and social dialogue; performance measurement; and economic oversight.

CANSO (WP/37) recognized that separation of air navigation services provision from the regulatory oversight function is consistent with principles of good governance and enhances air traffic management performance. The paper called on States to take appropriate measures to implement existing ICAO's guidance material that promotes autonomy for an ANSP and its separation from the regulatory oversight function.

Secretariat (WP/18 – information paper) provided some information related to this item (see paragraph 1.1.1).

Secretariat (WP/19 – information paper) provided some information related to this item (see paragraph 2.1.1).

Mali (WP/43 – information paper) presented information on its current practices and experiences related to governance, ownership and control of air navigation services; role of aircraft weight in charging formulae; incentives; and economic and organizational aspects of the implementation of the global air traffic management (ATM) concept. The paper also expressed support for the amendments of Doc 9082 proposed by the ICAO Secretariat (WPs/12, 15 and 16) as well as a study on the application of aircraft weight (WP/14).

3.1.2 Discussion

3.1.2.1 The discussion centered mainly on two aspects of WP/12, the separation of the regulatory and operational functions with respect to Government-operated ANSPs, and the use of best practices of good corporate governance by service providers. There was a general consensus on the importance of clearly separating the functions of the regulator and service provider, with their respective roles and powers distinctly defined. The Conference expressed the need for more flexibility in the wording to take into account the situation in each State and region. It was therefore agreed to amend the draft conclusion in WP/12 to better reflect this notion.

3.1.2.2 There was support for the application of best practices of good corporate governance as a means of improving the performance of ANSPs. Regarding the value of the application of best commercial practices in general, the Conference felt that this may vary as air navigation services are in many cases provided as a public service by States. It was therefore suggested that the Secretariat should amend the wording in the proposed text for paragraph 17 of Doc 9082 to better capture the business realities when applying best practices. The Secretariat was also requested to ensure linkages of the wording with the conclusions on WP/7.

3.1.3 Recommendation

3.1.3.1 From the documentation and ensuing discussion on governance, ownership and control under Agenda Item 3.1, the Conference adopted the following recommendation:

**RECOMMENDATION 10 – GOVERNANCE, OWNERSHIP AND CONTROL OF
AIR NAVIGATION SERVICES PROVIDERS**

THE CONFERENCE RECOMMENDS THAT:

- a) Where States choose not to establish autonomous providers of air navigation services, it is desirable, at least, that a clear functional separation of the regulator and the service provider be made, with roles and powers clearly defined for each one;
- b) States should review the governance structure with regard to their ANSPs, and make use of the best practices of good corporate governance with regard to objectives and responsibilities, shareholders' rights and their treatment, responsibilities of the board, power and accountability of the management, relationship with interested parties, and information disclosure; and
- c) ICAO should amend Doc 9082 to emphasize the importance of separation of regulatory and operational functions and to include the components needed to ensure good governance through the application of best commercial practices.

— END —