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Organization

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WORKING PAPER

WORKSHOP ON AIRPORT AND ROUTE FACILITY MANAGEMENT

(Port of Spain, 18-21 October 2005)

AGENDA

1. ICAO policy on airport and air navigation services charges
 2. Organizational structures of airports, including commercialization
 3. Airport financial management and airport charges on air traffic
 4. Development and management of non-aeronautical activities
 5. Infrastructure financing
 6. Organizational structures of air navigation services, including international cooperation
 7. Financial management of air navigation services and air navigation services charges
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Agenda Item 1: ICAO policy on airport and air navigation services charges

The basic policy established by ICAO in the area of airport and air navigation services charges is expressed in Article 15 of the *Convention on International Civil Aviation* (the Chicago Convention). Additional and more detailed policy guidance is provided in the *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082/7), in paragraphs 7 to 35 and Appendix 1 with respect to airports and in paragraphs 7 to 20, 36 to 51 and Appendix 2 with respect to air navigation services. Chapter 1 – ICAO Policy on Airport Charges, of the *Airport Economics Manual* (Doc 9562/2) also focuses on this subject, as does Chapter 1 – ICAO Policy on Air Navigation Services Charges, of the *Manual on Air Navigation Services Economics* (Doc 9161/4). It should be noted that a Supplement to Doc 9082 containing information on States' implementation of ICAO's policies on charges has been developed and published under "Free publications" on the ICAO website together with Doc 9082.

This agenda item is intended to provide the workshop participants with an opportunity to examine the policy and principles advocated by ICAO, obtain clarifications, and raise any other related subject matters. A special reference will be made to security charges.

It should be noted that practical aspects of implementing the principles and practices advocated will be addressed under other agenda items below, in particular items 3 and 7.

Agenda Item 2: Organizational structures of airports, including commercialization

The objective of this agenda item is to discuss various aspects of the organizational structures of airports. This includes such subjects as airports within a civil aviation administration and different forms of autonomous entities under which airports may operate. Particular attention will be given to the increasing commercialization of airports, private involvement in airport ownership and operation as well as economic oversight.

In approaching the subject reference should be made to the guidance in the *ICAO's Policies on Charges for Airports and Air Navigation Services*, paragraphs 10 to 17 addressing, *inter alia*, independent economic regulation mechanism, performance parameters and best commercial practices. Participants may also find it useful to base their discussions on Chapter 2 – Organizational Structures of Airports of the *Airport Economics Manual*. Moreover, reference should be made to the ICAO Circular 284-AT/120 *Study on Privatization in the Provision of Airports and Air Navigation Services*. Participants should be prepared to answer questions on the organizational arrangements that international airports in their States operate under.

Agenda Item 3: Airport financial management and airport charges on air traffic

Airport accounts serve many important purposes and it has long been recognized that a suitable accounting system, which permits the identification of an airport's revenues and expenses, its debts and the value of its assets, is an essential tool for airport management in exercising proper financial control, including obtaining external financing under the most favourable terms.

Attention is invited to paragraph 21 of the *ICAO's Policies on Charges for Airports and Air Navigation Services*, which states: "The Council considers that as a general principle it is desirable, where an airport is provided for international use, that the users shall ultimately bear their full and fair share of the cost of providing the airport. It is therefore important that airports maintain accounts which provide information adequate for the needs of both airports and users and that the facilities and services related to airport charges be identified as precisely as possible".

Guidance on the development of airport accounting systems is contained in Chapter 3 – Airport Financial Control, of the *Airport Economics Manual*, which deals with the purpose, scope and inter-relationship of financial control and accounting in airport planning and management, and other basic aspects thereof; gives broad descriptions of accounting systems designed to meet requirements for certain specific functions; and also describes means of measuring performance and productivity.

Chapter 4 – Determining the Cost Basis for Charging Purposes, of the *Airport Economics Manual*, then describes the practical application of financial data for the particular purpose of determining the cost basis for airport fees and charges. The chapter provides advice on how this should be done with respect to individual charges on air traffic, as well as advice on determining the costs attributable to concessions and other non-aeronautical activities.

Agenda item 3 will also focus attention on the establishment of charges and charging systems aimed at recovering from air traffic the airport costs attributable to that traffic. Policy guidance on this subject is contained in the *ICAO's Policies on Charges for Airports and Air Navigation Services*, paragraphs 23 to 31 and 33. Additional guidance is provided in Chapter 5 – Charges on Air Traffic and Their Collection, of the *Airport Economics Manual*, which addresses various aspects of airport charges on air traffic, including systems to be applied with regard to individual types of charges, collection of charges, and consultations with users on charges.

Following discussions of Chapters 3, 4 and 5, participants may wish to exchange views on the approaches applied at their international airports in determining the cost basis for individual charges on air traffic (for example landing, parking, passenger-service and security charges) as well as costs attributable to non-aeronautical activities.

Participants may also wish to use the opportunity to discuss problems encountered in their States in the area of airport charges and their collection, compare their charging systems, and raise any other related matters.

Agenda Item 4: Development and management of non-aeronautical activities

The *ICAO's Policies on Charges for Airports and Air Navigation Service* draw attention to the continuing importance to airports of income derived from concessions and rentals and recommend that airports study and encourage the development of such revenues to the extent feasible. Also, that ICAO be kept informed of practices and conclusions in this regard so that the benefit of experience may be made available to all concerned (paragraphs 34 and 35 refer).

Chapter 6 – Development and Management of Non-Aeronautical Activities, of the *Airport Economics Manual*, in addressing this subject focuses on such matters as types of non-aeronautical activities, managerial aspects, setting fees and charges for non-aeronautical activities, and contractual aspects. In approaching this subject, participants would probably find it useful to exchange views on the possibilities for developing non-aeronautical revenues at their airports and other related aspects. Information that participants might provide concerning the experience of their airports in this field, that is likely to be of particular interest would include the following:

- a) the types of concessions and rental arrangements presently in operation;
- b) their relative significance in the contribution they make to overall airport revenues;
- c) what additional concession and rental arrangements are being contemplated; and
- d) whether any problems exist or have arisen in this area of airport operation.

Since the drafting of various types of contracts will vary with the law of the particular State concerned, it would be useful for the Workshop to discuss the more important common features of the different kinds of contractual arrangements which airports conclude. Such features would include, but not necessarily be limited to:

- a) basis of calculation of contractual payments [fixed fee (or rental) versus a charge related to turnover, or a combination of these two methods];
- b) rights and obligations of the contracting parties;
- c) duration of contract (short versus long-term considerations);
- d) control of concession prices and practices; and
- e) provisions regulating termination of contract.

Agenda Item 5: Infrastructure financing

This agenda item focuses on various aspects of financing airport and air navigation services infrastructure. In approaching this subject participants may find it useful to examine Chapter 7 – Financing Airport Infrastructure, of the *Airport Economics Manual*, and Chapter 5 – Financing Air Navigation Services Infrastructure of the *Manual on Air Navigation Services Economics*. Both chapters deal with such subjects as the relevance of traffic forecasts in the context of financing, economic and financial analyses, financing plans and sources of financing.

The ICAO's *Policies on Charges for Airports and Air Navigation Services* in paragraphs 24 and 42 address a new ICAO policy on pre-funding of projects; and in paragraphs 32 and 50, recommend that airport and air navigation services users, particularly the airlines and their representative bodies, provide airport and air navigation services providers with advance planning data relating to future types, characteristics and numbers of aircraft, forecast traffic, special facilities that the users desire, and other data relevant to planning future financial requirements.

It is suggested that participants exchange views and information on sources of financing used or planned to be approached for airport and air navigation services infrastructure financing and development in their States, and difficulties that have been experienced in this connection. Discussions would include consideration of the scope for self-financing and the availability of grants and loans from external sources to the airport or air navigation services administrations such as:

National sources: government; banks; industry and commerce; and bond issues (public and private).

Foreign sources: foreign governments, including special government created export promoting agencies (e.g. export-import banks); international financial institutions (e.g. Caribbean Development Bank, Inter-American Development Bank, European Development Fund, International Bank for Reconstruction and Development, International Development Association); foreign contractors and suppliers.

Agenda Item 6: Organizational structures of air navigation services, including international cooperation

The objective of this agenda item is to provide for discussion on organizational structures under which air navigation services are operated, with special emphasize on commercialization and the growing need for multinational cooperation in the financing and operation of air navigation services. In approaching this

subject, participants may find it useful to base their discussions on the guidance in *ICAO's Policies on Charges for Airports and Air Navigation Services*, paragraphs 10 to 18 addressing, *inter alia*, an independent economic regulation mechanism, performance parameters, best commercial practices and charges collection and on Chapter 2 – Organizational Structures of Air Navigation Services, of the *Manual on Air Navigation Services Economics*, which provides guidance on the basic organizational characteristics of air navigation services provision, the basic forms under which they are operated and economic oversight.

Chapter 3 – International Cooperation in the provision of air navigation services, addresses relevant aspects of international operating agencies, joint charges collection agencies, multinational facilities and services, arrangements on joint financing of air navigation services administered by ICAO and political cooperation. The chapter also reviews background developments relevant to the implementation of the ICAO communications, navigation, and surveillance/air traffic management (CNS/ATM) systems, and their potential to enable States to carry out certain functions more efficiently and at a lower cost when they do so jointly rather than individually.

On this agenda item participants may be asked questions about the organizational form(s) under which air navigation services are provided in their States, and existing or planned cooperation with other States in the provision and operation of air navigation services. Participants may also wish to consider whether it would be feasible and more advantageous to provide any of the aviation services presently provided by their administrations by means of one or more multinational facilities/services or other joint ventures in the future.

Agenda Item 7: Financial management of air navigation services and air navigation services charges

The most appropriate context in which the Workshop could discuss financial management of air navigation services is that indicated by the opening sentence of paragraph 36 of *ICAO's Policies on Charges for Airports and Air Navigation Services*, which i.a. states that "... international civil aviation should not be asked to meet costs which are not properly allocable to it". The means for ensuring this is a system of accounting which enables costs to be accurately recorded and thereafter equitably apportioned among the various beneficiaries of the facilities and services concerned. Paragraphs 36 to 40 and Appendix 2 of the Policies set forth certain basic principles and other advice relevant to this aim. Additionally, there are the more detailed costing guidelines in Chapter 6 – Cost Basis for Charges – of the *Manual on Air Navigation Services Economics*.

Paragraphs 41 to 49 and 51 of *ICAO's Policies on Charges for Airports and Air Navigation Service* set forth the principles and conclusions formulated for the purpose of providing guidance to States in establishing air navigation services charges (approach and aerodrome control and route charges) and charging systems with supplementary material appearing in Doc 9161, Chapter 7 – Air Navigation Services Charges and Their Collection.

Of relevance to the discussion of this agenda item are Chapter 4 – Financial Management, Chapter 6 – Cost Basis for Charges and Chapter 7 – Air Navigation Services Charges and their Collection of the *Manual on Air Navigation Services Economics* as well as the Report on Agenda Item 3 of the Eleventh Air Navigation Conference (Doc 9828, AN-Conf/11).

The participants might wish to view agenda item 7 as an opportunity to discuss and to compare their States' charging methods and experience. The meeting will in particular, with reference to Doc 9828, discuss ways and possibilities to measure the economic performance of the air navigation system. Participants should be prepared to describe the present situation in this area in their States and assess the appropriateness and practicality to implement various levels of performance measuring.

**THE FOLLOWING ICAO PUBLICATIONS WILL BE USEFUL
IN THE WORKSHOP DISCUSSIONS,
IN ADDITION TO WORKING PAPERS ISSUED FOR THE MEETING**

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| 1. | Doc 7300/8 | Convention on International Civil Aviation |
| 2. | Doc 9082/7 | ICAO's Policies on Charges for Airports and Air Navigation Services |
| 3. | Doc 9764, ANSConf 2000 | Report of the Conference on the Economics of Airports and Air Navigation Services |
| 4. | Doc 9562/2 | Airport Economics Manual |
| 5. | Doc 9161/4 | Manual on Air Navigation Services Economics |
| 6. | Doc 7100 - 2004 Edition | Tariffs for Airport and Air Navigation Services |
| 7. | Circular 284-AT/120 | Study on Privatization in the Provision of Airports and Air Navigation Services |
| 8. | Doc 9828, AN-Conf/11 | Report of the Eleventh Air Navigation Conference |

GUIDANCE TO ACCESS ICAO DOCUMENTS THROUGH THE ICAO WEB SITE

1. Go to ICAO's web site: <http://www.icao.int>.
2. On the left side of the page, navigate down to the heading "Publications" and select "Free publications" to find "Doc 7300 – *Convention on International Civil Aviation* and Doc 9082 – *ICAO's Policies on Charges for Airports and Air Navigation Services*".
3. Back on the ICAO web page, navigate down to the heading "Meetings" and under the heading "Meetings and Conferences" select "Previous years".
4. Go to "2000" to find the "Conference on the Economics of Airports and Air Navigation Services - ANSConf 2000". On the left side of the ANSConf 2000 web page select "Working Papers" and you will find draft report material starting with WP/101.
5. Go to "2003" to find the "Eleventh Air Navigation Conference". On the left side of the AN-Conf/11 web page select "Reports of AN-Conf/11".

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