

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 2: Organizational issues

Agenda Item 5.2.2: Air navigation services charging principles

INTERNATIONAL COOPERATIVE VENTURES

(Presented by the Secretariat)

SUMMARY

This paper addresses the significance of international cooperative ventures in the provision of air navigation services, describes different forms of such ventures, and discusses a possible role of ICAO. Suggested action by the Conference is at paragraph 5.1.

1. Background

1.1 Major technological advancements and rapid growth in traffic have advanced international cooperation in many aspects of civil aviation from being desirable to becoming essential. In the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation services* in Doc 9082/5*, paragraph 27, the Council:

“encourages international cooperation in the provision and operation of air navigation services where this is beneficial for the providers and users concerned.”

1.2 The World-wide CNS/ATM Systems Implementation Conference (Rio de Janeiro, 1998) adopted several recommendations promoting cooperation among States in the implementation of the CNS/ATM systems and provision of air navigation services in general. More specifically, on cost recovery, ICAO Assembly Resolution A32-17 *Consolidated statement of continuing ICAO policies in the air transport field*, in Appendix F, “Urges Contracting States to cooperate actively in the recovery of costs of multinational air navigation facilities and services.”

*Proposed by the Secretariat in ANSCConf-WP/4 to be retitled *ICAO Policies on Charges for Airports and Air Navigation Services*.

2. The need for and scope of international cooperation

2.1 Considering the congestion problems and delays currently being experienced in many areas and taking into account the forecast 50 percent increase in overall movements within ten to fifteen years (see ANSCConf-WP/13), major investments will be required in airports as well as in air navigation services systems. The investments required in air navigation services will in many instances be of such a magnitude that it will not be feasible or possible for the large majority of States to finance them alone. Because of the magnitude of the investments they call for and the capacity they offer, major CNS/ATM systems components are typical examples of facilities and services where international cooperation is required if the significant benefits these systems offer are to be realized.

2.2 Implementation of CNS/ATM systems components and other advanced technology offers the possibility of expanding the capacity of individual area control centres (ACCs) in many parts of the world and particularly over the high seas. As a result it would be possible and technically and economically feasible to merge many flight information regions (FIRs) into what could be termed a (single) air traffic management region and correspondingly reduce the number of ACCs. Other potential areas of cooperation are planning, research and development, training, technical support, meteorological services for air navigation (MET) and aeronautical information services (AIS).

2.3 Concerns have been expressed that such development could affect cost recovery since even without an ACC a State may still need to incur costs associated with providing air navigation services for overflying traffic and during the en-route phase of traffic landing on or departing from its territory (e.g. communication links with one or more ACCs, and MET costs). However, such costs would continue to be recoverable by the State(s) concerned, though cooperation or agreement between that State and the entity operating the ACC serving the air traffic management region covering the State concerned. The entity could be another State, a joint venture by a few States, or an international or regional body.

2.4 International co-operative ventures in the provision of air navigation services have normally proven to be highly cost-effective for the provider States and the users served alike, and in some instances have constituted the only means for implementing costly facilities and services which offer capacity that exceeds the requirements of individual States. By co-operating in such facility or service provision the States concerned have been able to provide more efficient services and at lower cost than if they had to finance the facilities concerned themselves. Some of the forms joint ventures or cooperative arrangements can take are described in the following paragraphs.

3. International cooperative ventures

3.1 International operating agencies

3.1.1 An international operating agency is a separate entity assigned the task of providing air navigation services, principally route facilities and services, within a defined area on behalf of two or more sovereign States. The services such an agency provides are usually in the categories of air traffic services, aeronautical telecommunication, search and rescue (essentially rescue co-ordinating centres) and aeronautical information services, but can extend to meteorological services for air navigation as well. These agencies are also responsible for the operation of charges collection systems for the services provided. Examples of international operating agencies are Agence pour la sécurité de la navigation aérienne en Afrique et à Madagascar (ASECNA) in Africa (which operates airports as well as air navigation services), Corporación centroamericana de servicios de navegación aérea (COCESNA) in Central America and EUROCONTROL in Europe.

3.2 Joint charges collection agencies

3.2.1 Another effective, if less encompassing, means for States to benefit from co-operation in their provision of air navigation services would be to participate in the operation of a multinational charges

collection agency. This is because States individually operating route facilities and charging for the services rendered are involved in considerable accounting work, and may also encounter collection difficulties where there is a substantial volume of overflying traffic.

3.2.2 Such an agency would collect route air navigation services charges on behalf of all of the participating States, including those which are overflowed. The agency would then transfer to each participating State the charges revenue collected on its behalf. Added to each charge levied for each participating State would be a small fee or percentage to cover the State's share of the agency's costs. For the agency to be cost-effective several States would need to be involved. Separate agencies could be established in different regions. Considering that route air navigation services charges are an essential source of revenues, it is important that the States themselves singly or collectively remain fully in control of the charges collection function. (Joint ventures in the collection of air navigation services charges are addressed in ANSCConf-WP/22).

3.3 **Multinational facilities and services**

3.3.1 A multinational ICAO air navigation facility/service is essentially a facility or service included in an ICAO regional air navigation plan for the purpose of serving international air navigation in airspace extending beyond the airspace serviced by a single State in accordance with that regional air navigation plan. The world area forecast system (WAFS) represents a current global example, while elements of the satellite communications systems required to implement the CNS/ATM systems concept and operated for groups of States represent examples of prospective multinational air navigation facilities/services.

3.4 **Joint financing-type arrangements**

3.4.1 The basis for the joint financing concept is that certain air navigation facilities and services may be too costly for a State to provide and operate alone for the benefit of international civil aviation at large. This is recognized in the Chicago Convention where Chapter XV lays down the basic principles for "joint support" action. Two Joint Financing Agreements, one with Denmark, the other with Iceland, are currently in force (involving at present 23 Contracting States). The joint financing concept used for the Danish and Icelandic agreements has also been adopted for the administration by ICAO of a height monitoring systems programme operated jointly by six States providing air navigation services on the North Atlantic. (A more detailed description of joint financing and the possible application of the concept in the implementation of CNS/ATM systems components and other air navigation facilities or services is provided in ANSCConf-WP/7.)

3.4.2 A related example of a joint financing-type arrangement is the Satellite Distribution System Cost Allocation and Recovery (SCAR) scheme developed by ICAO which also upon request of the governments concerned, provides administrative services for the SADIS Cost Recovery Administrative Group for the European Region (ESCRAAG). The Group audits the costs of the SADIS service and assesses the annual contribution to be made by each State participating in the scheme. The SADIS service involves the distribution of certain aeronautical meteorological data. The United Kingdom operates the SADIS which is presently financed on a voluntary basis by 14 States (including the United Kingdom). The SADIS services are received by 84 States in the European region, Africa, the Middle East and Western Asia.

4. **Possible contribution from ICAO**

4.1 Because of the expertise it possesses and the neutral advice it can provide various bodies have pointed out that ICAO is in a special position to serve States seeking to establish joint ventures to provide air navigation services or to collect charges; and also, if requested, to administer cost recovery schemes for a multinational facility or service. The costs of any such assistance provided by ICAO can be included in the cost basis for charges levied for the facility or service involved. ICAO's role would not be that of an operator on behalf of States at least not in the long term, but rather as organizer or coordinator for the States in implementing the joint-venture project and bringing it to full operational status. Technological developments and traffic growth clearly point to increased requirements in joint ventures in the years to come. It is for States,

to decide what the role of ICAO, if any, should be in assisting them to realize the benefits such ventures may offer.

4.2 With regard to ICAO policy it is suggested that text be added in Doc 9082 to the effect of giving more emphasis to the importance and potential value of joint ventures in the provision of air navigation services, and identifying the most common forms of joint ventures, such as those referred to in this paper. Also, a statement that costs of assistance provided by ICAO in establishing and operating joint ventures are recoverable through charges for air navigation services.

5. **Action by the Conference**

5.1 The Conference is invited to note this paper and:

- a) consider the role of ICAO in assisting States to establish and operate joint ventures to provide air navigation services; and
- b) agree to recommend to the Council that the text in the Council Statements in Doc 9082 encouraging international cooperation in the provision and operation of air navigation services be expanded as described in paragraph 4.2 above.

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