

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

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THE ICAO JOINT FINANCING ARRANGEMENTS

(Presented by the Secretariat)

SUMMARY

This paper provides a brief description of ICAO's Joint Financing Arrangements for air navigation facilities and services and observations on possible use of the joint financing concept for other applications including the implementation of elements of CNS/ATM. More general information on cooperative or joint ventures on the provision of air navigation services is provided in ANSCConf-WP/6.

1. Introduction

1.1 Agreements for the joint financing of air navigation facilities and services have been administered by ICAO on behalf of Contracting Governments for more than fifty years. The involvement by ICAO in these agreements is provided for under Chapter XV of the *Convention on International Civil Aviation* (the Chicago Convention) where the basic principles for "joint support" are laid down.

2. The existing ICAO joint financing arrangements

2.1 The first arrangements came into existence in 1948 and 1949 to finance and provide air navigation services for North Atlantic flights. These original arrangements were revised in 1956 and the Joint Financing Agreements (DEN/ICE Agreements) were signed that year with Denmark and Iceland as provider States. Today, services continue to be provided and financed in accordance with these two Agreements, as amended by the Montreal Protocols of 1982, and represent an excellent example of the international cooperation provided for under Chapter XV.

2.1.1 Facilities and services are provided by Denmark and Iceland for civil aircraft flying across the North Atlantic, north of the 45° N latitude. These services comprise air traffic control, communications and meteorology. Financial responsibility is assumed by a group of 23 States, including the two provider States, whose Governments are parties to the Agreements.

2.1.2 The responsibility for the administration of the Agreements rests with the ICAO Council and the Secretary General, on behalf of the Contracting Governments. A particular Committee of the ICAO Council, the Joint Support Committee, ensures that the procedures established in the Agreements are followed. It also examines the financial and technical aspects of new requirements necessary for the proper and efficient operation of the services and makes appropriate recommendations to the Council.

2.1.3 The ICAO Secretariat is responsible for generally supervising the operation and administration of the Agreements. It carries out the day-to-day administrative functions involved, in particular analysing cost estimates and actual costs; evaluating requests for new capital expenditures or resources; preparing the assessment levels for Contracting Governments; determining the level of user charges; arranging for audits and also for payments to the provider States from assessments received.

2.1.4 The total (operational, investment-related and administrative) costs for the year 2000 of the jointly financed services are estimated at US\$25.6 million. The method used to finance these services amongst the participating Governments is set forth in the Joint Financing Agreements (Docs 9585-JS/681 and 9586-JS/682). Denmark and Iceland, in their role as provider States, contribute five percent of the total costs of the services in consideration of the aeronautical and indirect benefits to them arising from the Agreements. All civil aircraft flying across the North Atlantic north of 45° N latitude, whether or not the governments of the airlines concerned participate in the Agreements pay, through a user charge, the cost of the meteorological, air traffic control and communication services, which are described as costs allocable to civil aviation. The remainder of the costs, namely those not allocable to civil aviation, are shared amongst the 23 Contracting Governments parties to the Agreements (including Denmark and Iceland) on the basis of the number of individual crossings by their aircraft. The user charge encompasses the costs incurred by the ICAO Secretariat in administration of the Agreements. An adjustment mechanism for over/under-recovery ensures that the users pay no more and no less than they should. A user consultation meeting is convened annually by the provider States before the actual costs and estimated costs are presented to the Joint Support Committee.

2.2 Based on the experience acquired in the administration of the Danish and Icelandic Joint Financing Agreements, six States providing air navigation services over the North Atlantic (Canada, Iceland, Ireland, Portugal, United Kingdom and United States) have requested the Secretary General to assume the responsibilities associated in administering the Height Monitoring System Programme. This Programme has been designed to provide the necessary verification and monitoring of height-keeping performance required for the planned introduction of reduced vertical separation minimum (RVSM) above FL290 in the North Atlantic Region. The joint financing concept was adapted to take into account the modalities inherent to this programme and the request of the participating provider States for an effective and flexible joint financing arrangement. Operational, maintenance, depreciation and interest costs, as well as ICAO's administrative costs, are met through user charges which are billed and collected by the United Kingdom together with the DEN/ICE user charges. This flexible approach has proved to be well adapted for financing the RVSM experimentation in connection with the implementation of the DEN/ICE Agreements.

3. Main elements of ICAO policy on joint financing

3.1 ICAO policy in this matter is based on Chapter XV of the Chicago Convention, Assembly Resolutions A1-65, A14-37 and A16-10, as well as recommendations and conclusions of recent ICAO meetings.

3.2 Assembly Resolution A16-10 (1968), which is still in force, requests Contracting States to consider joint support as a last resort after all methods for obtaining financing of air navigation facilities and services have failed. However, recent ICAO meetings have recommended that Regional Planning and Implementation Groups (PIRGs) take into account the experience gained in the North Atlantic Region and that ICAO make better known the expertise it possesses in this field. Many ICAO meetings have referred to a multinational approach for providing air navigation services in connection with the implementation of the CNS/ATM systems, including the World-Wide CNS/ATM Systems Implementation Conference, Rio de Janeiro, 11-15 May 1998.

3.3 Financing air navigation services through user charges is now a common practice. In this context, it has been agreed over the years that the total costs of the facilities and services allocable to civil aviation provided under the existing Joint Financing Agreements are recovered from the users and an administrative fee has been developed. Care is taken to ensure that the cost determination procedures under joint financing arrangements are consistent with the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082).

3.4 Under exceptional circumstances, ICAO has authority to act as a financier. According to Article 5.2 b) of the ICAO Financial Regulations, “the Council may, in respect of a given financial year, approve appropriations in excess of the budget voted by the Assembly ... up to \$100 000 for expenditures relating to urgent new projects such as the temporary financing of any airport or air navigation facility or service, the lack or breakdown of which might create serious difficulty or danger to international air navigation unless immediate action were taken by the Council, and in respect of which action for joint financing under Chapter XV of the Convention is expected...”. The question of possibly increasing the limit of \$100 000 is under consideration by the Council.

3.5 On 31 May 1999, the Council endorsed a number of recommendations by the Joint Support Committee in order that Contracting States and the Regional Planning and Implementation Groups (PIRGs) be made more aware of the joint financing concept as one of the means of financing the implementation of elements of CNS/ATM.

4. Identification of facilities and services which could be jointly financed

4.1 Because the new CNS/ATM systems have a capacity which frequently exceeds the airspace controlled by an individual State and because of the magnitude of the investments involved, joint financing-type arrangements would lend themselves well to the implementation of a number of CNS/ATM components in situations where it is, for example, very costly for a State to act alone or where an existing regional organization (ASECNA, COCESNA, EUROCONTROL, etc.) does not act on its behalf. Such components potentially would cover all the elements of CNS/ATM, including in particular, ground-earth stations (GES), communications satellite transponders and integrity monitoring, and satellite-based augmentation systems required in connection with the GNSS.

4.2 Possible candidate areas for the application of the joint financing concept include:

S the Middle East Region, where a Task Force of MIDANPIRG has already been established to examine financing and implementation options;

S the Pacific Region, where a Pacific Unified Airspace Management (PUAM) Project is underway;

- S the South Atlantic, where a Coordination Group including representatives of South America, Africa and Europe is active; and
- S other homogeneous air traffic areas and major traffic routes (Common Market for Eastern and Southern Africa, Southern African Development Community sub-region, South American region), where projects are under way.

4.3 For the implementation of the CNS/ATM systems, as is the case for conventional air navigation systems, it is up to the Contracting States, together with the PIRGs, to decide which equipment and facilities are necessary for providing air navigation services in the airspace under their responsibility as well as which type of organization and financing are appropriate, taking into account the prevailing technical, economical and possibly political considerations. It is the responsibility of the PIRGs to develop the architecture of the systems in a given region and then to examine the best way to finance them, joint financing being one means among others. In this process, the Secretariat can provide the Contracting States and the PIRGs with necessary information and guidance, and can give them assistance in making a qualified choice.

4.4 Other possible applications of the joint financing concept, where facilities and costs involved are beyond the needs of a single State, include development of cross-polar routes and calibration of ground aids. The level of ICAO's involvement might vary considerably from case to case.

5. Prerequisites for successful application of the joint financing concept

5.1 A number of conditions are required for successful application of the joint financing concept:

- S a clear description of the project and its objectives, which should be to facilitate (or make possible) the establishment of an air navigation facility or service, and to reduce the cost for each participant;
- S a clear identification of the services to be jointly financed;
- S a clear definition of the responsibilities of the different partners who would agree to participate (in this regard involvement of IATA as representative of the users would be useful);
- S simplicity and flexibility of the arrangements which should be adapted to the circumstances of interested States and allow efficient implementation ("administrative agreements" to the extent possible); and
- S equitable recovery of costs, including administrative costs, through user charges, as well as consistency in general with the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082).

6. Action by the Conference

6.1 The Conference is invited to note the information contained in this paper and to make any recommendation it considers appropriate.