

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 4: Determinants of the economic regulation of airports and air navigation services

ECONOMIC REGULATION

(Presented by the Secretariat)

SUMMARY

This paper focuses on economic regulation in the provision of airports and air navigation services; it reports on responses to a survey of States as to their practices in this area; addresses what purposes economic regulation should serve; discusses the functioning of a regulatory mechanism; and finally considers possible additional contributions by ICAO with regard to policy and practical guidance. Suggested action by the Conference is at paragraph 5.1.

1. Background

1.1 Fundamental changes have taken place over the last two decades with regard to the organizational form under which the majority of international airports and air navigation services are provided. This has been brought about by primarily two factors. First, governments have been faced with the need to provide funds for the high volume capital investments required in airports and air navigation services so as to accommodate rapid growth in traffic as well as to maintain high levels of safety. Second, growth in traffic has enabled a greatly expanded number of airports and air navigation services providers to become financially viable. That in turn has led many governments to transfer the operation (and in some cases ownership) of airports and air navigation services to financially autonomous bodies. At the same time the establishment of financially autonomous bodies can be claimed as the single most significant factor in bringing about the improvement in the financial situation of airports and air navigation services. These organizational developments have given rise in many States to a requirement for introducing specific economic regulation of airports and air navigation services or changes to existing regulation.

1.2 The airline industry, the main user of airports and air navigation services (and usually the principal revenue contributor), has by and large shown small profits over recent decades. However, the airports and the provision of air navigation services have not generally been profitable. Marked improvements in the

finances of service providers have been seen over the last decade with the number of airports and air navigation services providers showing revenues in excess of expenses having greatly increased, and with major international airports around the world largely being profitable. But while major airports have been profitable, a very large number (a majority of airports listed as being open to international civil aviation) have not, and the majority of air navigation services providers also still do not recover their total costs.

2. Regulatory practices

2.1 Who determines charges on air traffic

2.1.1 States were asked about their regulatory practices in a pre-Conference questionnaire (circulated under State Letter SR 167/1-99/80 dated 6 August 1999). Appendix A summarizes the practice in 76 States as to who determines airport and air navigation services charges. Airport charges in 43 States and air navigation services charges in 41 States are determined by the airport/air navigation services provider with government approval. Airport charges are determined directly by the government in 21 States, and air navigation services charges in 20 States. The provider independently determines airport charges in 12 States and air navigation services charges in 11 States. A conclusion is that in the majority of States, charges are either determined by the government or subject to government approval.

2.2 Main determinants applied in setting airport and air navigation services charges

2.2.1 States were requested to indicate the main determinants applied in setting airport and air navigation services charges, including: charges are cost-based; transparent accounting system clearly identifying sources of income and categories of expenses; mandatory consultation with users; ICAO cost recovery policy; and intergovernmental factors (e.g. obligations emanating from bilateral air services agreements and regional regulatory policy agreements). Indication of multiple determinants was anticipated and received.

2.2.2 Appendix B shows that of the 75 States responding, 39 indicated that airport charges were cost-based and 50 indicated that air navigation services charges were cost-based. 38 States confirmed that they follow ICAO cost recovery policy in setting charges for airports and 47 did so in setting charges for air navigation services. The majority of States which reported that their charges are cost-based reported also that they follow ICAO cost recovery policy (21 out of 39 for airports and 37 out of 50 for air navigation services). It is of interest that the application of the two determinants outlined above is not as frequent with regard to airports as it is with regard to air navigation services. The reason for this is probably that autonomous bodies and privatization have featured in airport operations in a much larger number of instances and over a longer period of time than in the case of air navigation services.

2.2.3 Thirty-four States advised they applied a transparent accounting system for their airports and the same number, but not always the same States, advised they did so for air navigation services. As to mandatory consultations with users, 30 States affirmed their existence in setting airport charges and 34 States in setting air navigation services charges. Only 10 States cited intergovernmental factors as one of the main determinants for setting airport charges and 11 States cited such factors for setting air navigation services charges. Other methods reported include setting a “price cap” on the charges levied; two States referred to the principles applied by the international operating agency providing the air navigation services on their behalf.

2.3 **Specific regulatory provisions**

2.3.1 States were requested to indicate if their government had in effect or planned any specific regulatory provisions for airports and/or air navigation services with regard to abuse of monopoly and, for airports only, ground handling arrangements. Responses were received from 42 States and are summarized in Appendix C, including brief details of the provisions,.

2.3.2 Of the 43 States responding to these questions with regard to airports, 20 confirmed that they already had specific regulatory provisions regarding abuse of monopoly while 11 are planning their introduction. As concerned air navigation services 18 States affirmed the existence of regulatory provisions regarding abuse of monopoly and three States reported that they are planning to introduce such provisions. The replies indicate that in States where independence from the government in the provision of airports, in particular, and/or air navigation services has occurred this has tended to lead to the introduction of regulatory provisions aimed at preventing abuse of a monopoly position.

2.3.3 As regards regulatory provisions for ground handling arrangements at airports, 21 States indicated that they are already in effect and 13 States reported that they are planning their introduction. Some States in Europe referred to the applicability of European Union Directives for ground handling arrangements at their airports. A more broadly applicable observation is that it appears that an increasing number of States are opening ground handling to competition.

2.3.4 Two general comments with regard to the response to the survey. First is the wide range, both in economic as well as geographical terms, of States that responded and where economic regulation is applied; and second is that economic regulation is applied in number of instances where airports and/or air navigation services in the State concerned are not operated by a financially autonomous body.

3. **Control of economic regulation**

3.1 As already noted where governments have ceased to be directly involved in the operation of airports and air navigation services (usually through directorates of civil aviation) and instead vested their operation in autonomous entities separate from the directorates, this has usually been accompanied with the expectation or even instructions for the autonomous body to become financially self-sufficient. These circumstances may appear in some instances to have reduced the awareness and possibly the sense of obligation to ensure that, for example, charging practices comply with ICAO policies and principles. Coupled with the monopolistic characteristics of airports and air navigation services, which insulate them to a certain extent from the corrective effects of market forces that govern where competition exists, more situations have emerged showing a need for a regulatory code and an independent overseeing body to ensure that the interests of users as well as the airport and/or air navigation services providers and of the national economy are promoted or at least protected and that international obligations are met. These are responsibilities which can only be assumed by the State itself.

3.2 The monopolistic aspect of airports and air navigation services has always been a matter of concern to their principal users, that is the air carriers. That concern has increased with airports becoming financially autonomous entities no longer under the direct administration of government, which also has had to take into account its responsibility for the development of the national economy as a whole. That has involved maintaining to the extent possible a balance between the interests of users and providers of aviation infrastructure services. (Maintaining such balance is specifically recommended in the *Statements by the*

*Council to Contracting States on Charges for Airports and Air Navigation Services** in Doc 9082/5 paragraphs 9 and 29, in the context of determination of charges.

3.3 The concerns of the airlines *vis à vis* airports and air navigation services, particularly where these are operated as financially autonomous bodies, include the following (technical, safety and security issues aside):

- overcharging for services provided, and charges not being properly cost based
- lack of transparency in particular with regard to revenues and expenses
- lack of efficiency in airport operations
- inadequately consistent standards of service
- failure by airport to invest timely in new infrastructure to allow for traffic growth
- denial of access

Of course none of these should be considered in isolation since many of them interact, for example failure to invest may be the cause of denial of access. Failure to invest in infrastructure has also given rise to the concern that with privatization, and an airport possibly becoming part of a large holding company, there is the additional risk of profits from the airport being diverted to other enterprises controlled by the holding company whose activities may be unrelated to airport operations or even to air transport. With the government having been further removed from the provision of services this has also increased the calls for an independent regulatory body. Such a body would be empowered to review the financial records of airports and air navigation services providers and serve as a tribunal to which users could appeal if they had reason to believe they were being subject to abuse of monopoly powers or other unfair practices (see ANSCConf-WP/12 on “Prior Consultation and Handling of Complaints”).

3.4 Caution must though be exercised to prevent the regulatory body from being subject to frivolous appeals since the aim should be to promote efficient and cost effective airport and air navigation services operations. To prevent this the economic regulations could include a requirement for economic licensing by the government of autonomous bodies operating airports and/or air navigation services. In order to be licensed such bodies would need to guarantee, for example, full transparency of all revenues and expenses and the provision of this information to users upon request.

3.5 So far economic regulatory bodies have generally been considered in a national context as a national establishment. The expertise called for is not only knowledge but also long-term experience in the economics of airports and air navigation services, which is proving to be a scarce commodity. Scarcity of resources and potential administrative economies are each strong arguments for the establishment of sub-regional or regional regulatory bodies to serve a group of States. This could be done on the basis of the regulations in each State or the States could agree on a regional regulatory approach

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

that would apply in all the States concerned, which could provide further benefits of transparency and harmonized and equitable approach.

3.6 At the same time, it does not necessarily follow that a separate mechanism to oversee and regulate the operation of airports and air navigation services needs to be established in every case. The function may well continue to be carried out satisfactorily, for example, as part of the broader responsibilities of a directorate of civil aviation or a ministry. But such a mechanism, however, is more likely to be required, primarily to counter possible abuse of monopolistic activities, where the government itself is not involved in the operation of airports and/or air navigation services but has passed that responsibility to a financially autonomous body or private enterprise..

3.7 On the other hand a Contracting State could not even if it wished to do so give full independence to the operators of its airports and air navigation services. One reason is that under the *Convention on International Civil Aviation* (Chicago Convention) basic responsibilities are assigned to the Contracting States which they cannot delegate. For example, under Article 28 it is the Contracting State not the airport or air navigation services provider that is responsible for the standards of the facilities and services provided, a responsibility the State cannot delegate to an autonomous or private entity. Also there are the obligations States have undertaken in air services agreements, where again the State alone is responsible for the observance of stipulations addressing, for example, access to certain airports. But the overriding responsibility of the State is to afford protection against monopolistic abuses which negatively impact on aircraft operators, passengers and shippers alike and thereby may have a detrimental effect on the national economy as a whole.

3.8 Taking these factors into account the functions of an independent economic regulatory body established to oversee the operations of airports and/or air navigation services providers might include, *inter alia*, the following:

- ensure that the monopoly position is not used for overcharging for the services provided and that the rate of return on capital invested is kept at reasonable level;
- ensure transparency in costs and cost recovery and that systems are in place to permit the identification of actual costs and revenues;
- ensure that all the State's obligations and responsibilities under the Chicago Convention and its Annexes as well as all other agreements, including air services agreements, to which the State is a party are observed;
- ensure the observance of ICAO Cost recovery principles contained in the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082);
- ensure that the quality and efficiency of the services provided are maintained at acceptable levels, and apply appropriate means of measuring performance and productivity;
- ensure that consideration is duly given to infrastructure investments requirements and the amounts involved, as well as what revenue or other income the provider intends to pledge against serving loans to finance such investments
- participate as observer where required, in the consultation process with the users

4. ICAO guidance

4.1 Considering the issues that have been discussed in this paper it may be desirable for additional guidance to be provided by ICAO in the area of economic regulation of airports and air navigation services. This refers both to policy guidance that should be included in the Council Statements in Doc 9082/5 and to supplementary guidance.

4.2 The policy guidance would involve the insertion of a new paragraph in the introductory part of the Council Statements that could be along the following lines:

Where required and in particular where financially autonomous entities have been established to operate airport(s) and/or air navigation services, a State may consider, individually or in cooperation with other States, establishing an independent economic regulatory authority to oversee the financial practices of the airports and/or air navigation services providers. The regulatory body should be empowered to intervene when necessary. The aim of the functions of the regulatory body should include:

- prevent overcharging and other monopolistic practices;
- ensure transparency as well as the availability and presentation of all financial data required to determine basis for charges;
- assess efficiency and efficacy in the operations of providers;
- review standards and quality of services providers; and
- monitor investments planned in relation to traffic forecast.

4.3 Supplementary guidance would focus on the establishment of the regulatory body and a regulatory mechanism as such, building *inter alia* on what has been noted in this paper. This guidance might, at least in part, be accommodated in the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3).

4.4 In addition to setting basic equity principles in charging the Chicago Convention in Article 15 envisages that all airport and air navigation services charges “shall be published and communicated to the International Civil Aviation Organization: provided that, upon representation by an interested contracting State, the charges imposed for the use of airports and other facilities shall be subject to review by the Council, which shall report and make recommendations thereon for the consideration of the State or States concerned.” Charges communicated to ICAO are published in the *Manual of Airport and Air Navigation Facility Tariffs* (Doc 7100) which is updated and published annually. As part of the updating process the Secretariat when noting an apparent infraction of the equity principles espoused in Article 15 draws the attention of the State concerned thereto. However, no systematic and comprehensive analysis is presently carried out to monitor application of Article 15 or the policy guidance in the Council Statements in Doc 9082/5. As regards addressing concerns regarding charges, under Article 15 as noted above the role of ICAO is limited to representation by States (and not users directly) to the Council, a mechanism which is not being used and which should preferably continue to be preempted (see ANSCConf-WP/12 on “Prior Consultation and Handling of Complaints”). At the same time, with the increasing autonomy in service provision, the Conference may wish to consider whether there may be a need for an extended ICAO role in this area, particularly in the case of airspace over the high seas where the responsibility for the provision of air navigation services has been assigned to different States by ICAO.

5. **Action by the Conference**

5.1 The Conference is invited to note this paper and:

- a) agree to recommend to the Council that:
 - i) text along the lines described in paragraph 4.2 above be inserted in the Council Statements in Doc 9082; and
 - ii) supplementary guidance material on economic regulation be added in the appropriate Manuals or other documents (see paragraph 4.3 above); and
- b) consider whether any additional role or guidance should be taken on by ICAO in the field of economic regulation in the provision of airports and air navigation services (see in particular paragraph 4.4 above).

— — — — —

APPENDIX A

ENTITY DETERMINING CHARGES ON AIR TRAFFIC

Region	Provider Independently	Provider with Government Approval	Government
Asia and Pacific (11 States)			
Airport Charges	1	8	2
ANS Charges	2	6	2
Middle East (8 States)			
Airport Charges		5	3
ANS Charges		5	3
Africa (18 States)			
Airport Charges	2	10	5
ANS Charges	2	10	3
Europe (30 States)			
Airport Charges	7	18	5
ANS Charges	6	19	5
North America (2 States)			
Airport Charges	2		
ANS Charges	1		1
Caribbean/Central/ South America (7 States)			
Airport Charges		2	6
ANS Charges		1	6
Total* (76 States)			
Airport Charges	12	43	21
ANS Charges	11	41	20

* Based on information received from the following States:

Asia/Pacific: Australia, Bangladesh, Hong Kong (China), Maldives, New Zealand, Singapore, Sri Lanka, Thailand, Turkmenistan, Uzbekistan, Vietnam;

Middle East: Bahrain, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia;

Africa: Algeria, Botswana, Burkina Faso, Egypt, Eritrea, Gambia, Ghana, Kenya, Mauritius, Namibia, Sao Tome and Principe, Senegal, South Africa, Swaziland, Tunisia, Uganda, United Republic of Tanzania, Zimbabwe;

Europe: Austria, Azerbaijan, Belgium, Czech Republic, Denmark, Finland, France, Georgia, Germany, Greece, Iceland, Ireland, Lithuania, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Slovakia, Spain, Sweden, Switzerland, The Former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom;

North America: Canada, United States;

**Caribbean/Central/
South America:** Barbados, Bolivia, Brazil, Costa Rica, Ecuador, Mexico, Saint Vincent and the Grenadines.

APPENDIX B

MAIN DETERMINANTS APPLIED IN SETTING CHARGES

Region	Cost-based charges	Transparant Accounting System	Mandatory Consultation with Users	ICAO Cost Recovery Policy	Inter-governmental Factors	Other
Asia and Pacific (11 States)						
Airport Charges	7	6	4	5		3
ANS Charges	6	5	5	7		1
Middle East (8 States)						
Airport Charges	5	3	3	6		1
ANS Charges	4	2	4	5	1	
Africa (18 States)						
Airport Charges	9	6	7	10		1
ANS Charges	9	5	8	11	1	1
Europe (30 States)						
Airport Charges	12	14	12	14	6	2
ANS Charges	25	18	14	19	6	3
North America (2 States)						
Airport Charges	2	2	2		1	
ANS Charges	2	2	2	2	2	
Caribbean/Central/ South America (6 States)						
Airport Charges	4	3	2	3	3	
ANS Charges	4	2	1	3	1	
TOTAL * (75 States)						
Airport Charges	39	34	30	38	10	7
ANS Charges	50	34	34	47	11	5

* Based on information received from the following States:

Asia/Pacific: Australia, Bangladesh, Hong Kong (China), Maldives, New Zealand, Singapore, Sri Lanka, Thailand, Turkmenistan, Uzbekistan, Vietnam

Middle East: Bahrain, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia;

Africa: Algeria, Botswana, Burkina Faso, Egypt, Eritrea, Gambia, Ghana, Kenya, Mauritius, Namibia, Sao Tome and Principe, Senegal, South Africa, Swaziland, Tunisia, Uganda, United Republic of Tanzania, Zimbabwe

Europe: Austria, Azerbaijan, Belgium, Czech Republic, Denmark, Finland, France, Georgia, Germany, Greece, Iceland, Ireland, Lithuania, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Slovakia, Spain, Sweden, Switzerland, The Former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom;

North America: Canada, United States;

**Caribbean/Central/
South America:** Barbados, Brazil, Costa Rica, Ecuador, Mexico, Saint Vincent and the Grenadines.

— — — — —

APPENDIX C

SPECIAL REGULATORY PROVISIONS *

State	Abuse of Monoploy				Ground Handling Arrangements	
	Airports		Air Navigation Services		Airports	
	In effect	Planned	In effect	Planned	In effect	Planned
1	2	3	4	5	6	7
Asia and Pacific						
AUSTRALIA	1		1			
BANGLADESH		1				1
MALDIVES					1	1
NEW ZEALAND		1				1
UZBEKISTAN			1			
Sub total Asia and Pacific	1	2	2	0	1	3
Middle East						
IRAN		1			1	
JORDAN		1				1
KUWAIT						1
OMAN					1	
Sub total Middle East	0	2	0	0	2	2
Africa						
BURKINA FASO	1					1
ERITREA		1		1		
GAMBIA	1		1		1	
GHANA						
KENYA	1		1			
MAURITIUS	1				1	
NAMIBIA		1		1		1
SENEGAL					1	
SOUTH AFRICA	1		1			
UNITED REPUBLIC OF TANZANIA	1		1			1
ZIMBABWE	1		1		1	
Sub total Africa	7	2	5	2	4	3
Europe						
BELGIUM		1	1		1	
FINLAND	1		1			
FRANCE	1				1	
GEORGIA		1	1		1	
GREECE					1	
ICELAND					1	1
MALTA	1					1
NETHERLANDS		1				
REPUBLIC OF MOLDOVA	1		1			1
ROMANIA						1
RUSSIAN FEDERATION	1		1		1	
SLOVAKIA		1			1	
SWEDEN					1	
SWITZERLAND					1	
THE FORMER YUGOSLAV		1	1			1
REPUBLIC OF MACEDONIA						

* See also "Details of Provisions" in this Appendix

APPENDIX C

SPECIAL REGULATORY PROVISIONS *

State	Abuse of Monoploy				Ground Handling Arrangements	
	Airports		Air Navigation Services		Airports	
	In effect	Planned	In effect	Planned	In effect	Planned
1	2	3	4	5	6	7
TURKEY	1				1	
UKRAINE			1			
UNITED KINGDOM	1			1	1	
Sub total Europe	7	5	7	1	11	5
North America						
CANADA	1		1			
UNITED STATES	1				1	
Sub total North America	2	0	1	0	1	0
Caribbean/Central/South America						
COSTA RICA	1		1			
ECUADOR	1		1		1	
MEXICO	1		1		1	
Sub total Caribbean/Central/ South America	3	0	3	0	2	0
Grand Total	20	11	18	3	21	13

* See also "Details of Provisions" in this Appendix

NOTES**Details of Provisions¹****AUSTRALIA**

- 2 “Determinations and directions under the Prices Surveillance Act 1983 administered by the Australian Competition and Consumer Commission.”
- 4 “Airservices is subject to the general provisions of the Trade Practices Act 1974, which prohibits misleading or deceptive conduct and anti-competitive behaviour in trade and commerce. In addition, Airservices is subject to economic regulation by the Australian Competition and Consumer Commission. Prices for the terminal navigation en route and aviation rescue and fire fighting services provided by Airservices Australia are classified as “declared services” for the purposes of the Prices Surveillance Act 1983 and the Commission is therefore required by law to be notified and agree to any increases in service prices or changes to the structure of those prices. In considering pricing notifications, the Commission has regard inter alia to not only the cost of services, but also the efficiency of the underlying cost base of the organisation, as well as the reasonableness of the consequential rates of return generated.

In terms of planned measures to limit any potential abuse of monopoly position, the Australian Government is currently considering policy options involving the introduction of competition in the provision of terminal navigation and aviation rescue and fire fighting services.”

BELGIUM

- 6 “Ground handling: AP regulating market access for ground handling services at Brussels National Airport (12/99).”

BURKINA FASO

- 7 In order to address the monopoly aspect of ground handling operations performed by Air Afrique, the Committee of Ministers of Transport of States parties to the Yaoundé Treaty (creating Air Afrique) has re-affirmed the establishment in each State of a partnership with a third party for ground handling operations.

CANADA

- 2, 4 “By statute, airport authorities in Canada, and NAV CANADA, must operate as ‘not-for-profit’ corporations and cannot issue dividends. Also, the Board of Directors of airport authorities consist of local interests. NAV CANADA’s Board of Directors consist of industry, union and government representatives, with industry forming a majority. These features provide for a system of ‘checks and balances’ “.

¹ Number before note refers to column number, otherwise the note refers to all columns.

ECUADOR

“Law on the Modernization of the State, Privatizations and Provision of Public Services by Private Initiative and the substitutive Regulations of this Law in force as from December 1994.

Article 47 states that: ‘the existence of monopolies in any form is prohibited and consequently third parties are authorized to establish activities or provide services of the same or a similar nature’.

This aspect covers or includes port facilities. In spite of this, at present the airport and air navigation infrastructure services are provided by the DGCA and the ground handling services are provided by a mixed enterprise, ‘Globe Ground’ “.

ERITREA

- 3, 5 “The details of specific regulatory provisions as reviewed by the Civil Aviation Department are indicated in AIP Eritrea.”

FRANCE

- 2 “Modifications to aeronautical charges proposed by the service providers are presented for approval by a consultative commission which includes the users. The State has the right to oppose.
- 6 The European directive 96/67 CE on ground handling services has been included in the French Legislation.”

GAMBIA

- 6 “Ground handling, although operated as an airport concession government has granted exclusive rights to the national carrier for an indefinite period.”

GEORGIA

“An antimonopoly service has been established at the Ministry of Economic in Georgia. A law on monopolies and an order on monopolists with a list of organizations and types of activities falling under the effect of the law on monopolies have been issued. “Sakaeronavigatsia” falls under the effect of this order for en-route control services and it is obliged to coordinate the rates of the charges for en-route services.”

GHANA

“Generally there are plans to amend/update the Civil Aviation Regulations.”

ICELAND

- 6, 7 “Additional providers of ground handling services are being introduced at Keflavik Airport.”

IRAN

- 6 “In ground handling arrangements uniformity is carried out among the handling agents.”

KUWAIT

- 7 “The Civil Aviation Authority seeks to introduce the elements of competition and privatization in the provision of ground handling services at the Kuwait International Airport.”

MALTA

- 2, 7 “Luqa Airport is Malta’s only airport open for all types of traffic. It has been operated by a Government owned Company since 1 May 1998 as a licensed aerodrome. For this reason legislation requires the airport operator to provide services to all users on an equal basis. Airport charges require Government approval. With Malta’s projected entry into the European Union (EU), directives/regulations applicable within the Union will become applicable in Malta after accession. There are EU directives/regulations which cover ground handling arrangements.”

MEXICO

- 2, 4, 6 “There is the Federal Commission of Economic Competency that regulates these provisions based on the Federal Law of Economic Competency.”

NETHERLANDS

- 3 “Airport charges are determined by the airport providers. In the actual situation profits from non-aeronautical activities make an appropriate contribution towards the (small) losses from aeronautical activities (single-till-principle).

Airport charges are subject to government approval; a clear regulatory framework is missing however. Rate of return regulation based on the ‘reasonable rate of return’ - principle is an option but offers no incentives to improve efficiency.”

NEW ZEALAND

- 3, 7 “Consultation and disclosure regulations come into effect 1 January 2000 for setting of user charges for the non-contestable activities and service provided.”

OMAN

- 6 “There are currently provisions for a concession agreement to a local company for the provision of ground services. This agreement will expire during the next two years and the Government is contemplating its non-renewal in order to open the floor to competition.”

REPUBLIC OF MOLDOVA

- 2, 4, 7 “In accordance with the law of the Republic of Moldova on the limitation of monopoly activities and the development of competition, by a government decree on the regulation of monopolies in the national economy, the provisions approved by the State civil aviation administration regulate: the list of economic subjects in the area of natural monopolies; the list of charges for monopoly services; the tariff-fixing basis, the size and order of the application of tariffs; the list of services provided upon payment of each type of charge.”

RUSSIAN FEDERATION

- 2, 4, 6 “Russian Federation law of 22/3/91 ‘Competition and limitation of monopolistic activity on commodity markets’ “.

SOUTH AFRICA

- 2, 4 “An independent regulating committee which regulates the affairs of airports and air navigation services is appointed by the minister of Transport.”

SWEDEN

- 6 “Sweden is implementing the European Union Directive regarding Ground Handling.”

SWITZERLAND

- 6 “More than one handling agent on international airports, leading to a competition situation, i.e. the user has the choice between various providers.”

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

- 3, 4, 7 “Our DGCA strictly follows the ICAO Doc 9082 and regarding to the airports, the privatization and diversion of the commercially oriented activities are being planned.”

UNITED KINGDOM

- 2 “Abuse of monopoly - regulator can investigate complaints about abuse of a dominant position or discriminatory practices, and improve conditions to rectify the situation and prevent recurrence.

Government appoints an independent economic regulator who reviews and provides regulatory price caps to those parts of the business where it is deemed services are either non contestable or there is market dominance. Currently four airports are subject to economic regulation (Heathrow, Gatwick, Stansted and Manchester). It is also planned to make the NATS Public/Private Partnership subject to economic regulation.

- 6 Ground handling - U.K. airports are subject to regulations requiring market liberalisation. These are based on EC Directive.”

UNITED REPUBLIC OF TANZANIA

- 2, 4 “The government observes the accepted International practice of Consulting with users before any major change is implemented for both Airports and Air Navigation Service provision.

- 7 With regards to Ground Handling there are plans to select a concessionaire through open tender, and when traffic allows to engage more than one service provider for an airport.”

UNITED STATES

- 2, 6 “To receive federal airport improvement funds, an airport must agree that it will operate its airport in an economically nondiscriminatory manner. The “economic nondiscrimination” grant assurance implements the provision of 49 U.S.C. 4707) a) (1) through (6). In pertinent part, these require the airport sponsor to make the airport available as an airport for public use on reasonable terms and without unjust discrimination, to any person, firm, or corporation, to conduct or to engage in any aeronautical activity for furnishing services to the public at that airport. 49 U.S.C. 4707 (1); Grand assurance 22a, 62 Federal Register 29761, 29766 (June 2, 1997).”

ZIMBABWE

- 2, 4 “Regulatory provisions are in effect and are currently being reviewed.”
- 6 “Ground handling services have been tendered to introduce competition.”

—END—