

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

Agenda item 5: ICAO policy

Agenda item 5.2.1: Airport charging principles

GROUND HANDLING AT AIRPORTS

(Presented by the Secretariat)

SUMMARY

This paper provides information on regulatory practices concerning ground handling at airports and policy guidance developed by ICAO to assist States in moving to a more competitive environment. Suggested action by the Conference is at paragraph 4.1.

1. Background

1.1 Ground handling is one of the important aspects of an international air carrier's operations which affect the exercise of its basic market access rights. It is also an important factor for air carriers in terms of operating cost, service level and competitive image offered to users. Ground handling is provided at a considerable number of airports by the airports themselves, though at most airports it is provided by airlines or concessionaires.

1.2 The term "ground handling" has no formal, official definition, but is generally taken to broadly include services necessary for an aircraft's arrival at, and departure from, an airport. The ICAO *Airport Economics Manual* (Doc 9562) separates the ground handling function into terminal handling (passenger check-in, baggage and freight handling) and ramp handling (aircraft handling, cleaning and servicing).

1.3 Regulatory practices dealing with the matter vary from State to State. There is limited treatment in bilateral air services agreements. Provisions contained in bilateral agreements concerning ground handling tend to fall into two general categories. The first and larger category provides for ground handling services to be provided reciprocally by the respective designated airlines of the two States or by

a national agency approved by the State in which the ground handling services are provided. The second and smaller category recognizes the right of a designated airline to perform its own ground handling operations, or to use other airlines or service providers, but subject to limitations determined by the State in which the ground handling services are performed. Reflecting the trend of liberalization in international air transport regulation, an increasing number of bilateral agreements concluded in recent years have provided for more liberal treatment in respect of ground handling, using some elements of the guidance developed by ICAO (see paragraph 2.2 and the Appendix).

1.4 On a regional level, rules on liberalization of ground handling services were introduced by the European Union (EU) in 1996 (Council Directive 96/67, effective from 14 November 1996) which allow: 1) self handling for airport terminal services (e.g. passenger check-in) at all EU airports, and for ramp services (e.g. baggage loading, fueling) at airports with at least 1 million passengers per year from 1 January 1998; and 2) third party handling at airports with annual traffic exceeding 3 million passengers from 1 January 1999, and of at least 2 million passengers from 1 January 2001. Service providers are to be limited to two for certain service categories (e.g. baggage handling, fuelling), and from 1 January 2001 (with possible extension until 31 December 2002) at least one service provider must be independent from both dominant air carrier and airport authority. Member States may grant exemptions on basis of space or capacity constraints for a renewable three-year period. Implementation of the rules was, however, found to be unsatisfactory by the European Commission in 1998.

1.5 A review of the Annex on Air Transport Services in the General Agreement on Trade in Services (GATS) by the World Trade Organization will proceed this year with a view to considering further application of the Agreement in this sector. Ground handling is one of several activities (including all cargo, non-scheduled services, express package delivery and leasing) publicly discussed for potential inclusion in the Annex coverage, although the particular direction of the review is unclear at the time of writing this paper.

2. Existing ICAO Guidance

2.1 Recommended Practice 6.6 in Annex 9 (Facilitation) to the *Convention on International Civil Aviation* provides that air carriers, in agreement with and subject to reasonable limitations which may be imposed by the airport authorities, be offered several choices with respect to ground handling arrangements, including providing their own services. The *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082)¹ in paragraph 24 address ground handling in connection with the importance to airports of revenues from concessions stating:

“The Council recommends that, with the exception of concessions that are directly associated with the operation of air transport services, such as fuel, in-flight catering and ground handling, the full development of revenues of this kind be encouraged having regard to the need for moderation in prices to the public, the requirements of passengers, and the need for terminal efficiency.”

Supplementary guidance on determining the cost basis for ground handling services is provided in the *Airport Economics Manual* (Doc 9562). (The subject of concessions in general and other non-aeronautical activities is addressed in ANSCConf-WP/17.)

¹Proposed by the Secretariat in ANSCConf-WP/4 to be retitled *ICAO Policies on Charges for Airports and Air Navigation Services*.

2.2 Building on the above, the 1994 World-wide Air Transport Conference addressed the subject of ground handling as one of the airline commercial activities in the operation of international air services for which there were regulatory arrangements. In response to the Conference's recommendation, the Air Transport Regulation Panel (ATRP) developed in February 1997 Recommendation ATRP/9-5, which contains model clauses on five "doing business" matters including ground handling with related explanatory notes (published in ICAO's *Policy and Guidance Material on the Economic Regulation of International Air Transport*, Doc 9587 Second Edition-1999). The model clauses could be used in a bilateral or a multilateral agreement. The notes provided for each model clause are an integral part of these regulatory arrangements and are to be used for the purposes of negotiating, interpreting and applying them. These model clauses were subsequently approved by the Council in May 1997 and sent to States for their guidance. The model clause on ground handling is reproduced in the Appendix.

3. Study of safety aspects

3.1 In October 1998, the 32nd Session of the Assembly agreed that ICAO should study the safety aspects of ground handling arrangements on the basis that liberalizing these arrangements would result in new companies, without any experience of the safety culture of the air transport industry, becoming active in this field. Following action by the Council and the Air Navigation Commission, the study now under way (State letter AN 12/1.1.7-00/10 of 28 January 2000 refers) includes:

- a) a survey of States practices and regulations in overseeing the provision of ground handling; and
- b) a survey of the various types of ground handling arrangements that exist and the measures taken, and the guidance material developed by the industry and by international organizations such as the International Air Transport Association (IATA) and the Airports Council International (ACI).

4. Action by the conference

4.1 The Conference is invited to note the information in this paper and consider whether the policy guidance with respect to ground handling as it currently appears in Doc 9082/5, paragraph 24, is adequate.

APPENDIX

MODEL CLAUSE ON GROUND HANDLING

Each Party shall authorize air carrier(s) of the other Party/Parties, at each carrier's choice, to:

- a) perform its own ground handling services;
- b) handle another or other air carrier(s);
- c) join with others in forming a service-providing entity; and/or
- d) select among competing service providers.

NOTES

- i) The options listed above are to be used in accordance with international obligations, the guidance contained in Annex 9 (Facilitation) to the *Convention on International Civil Aviation* as well as the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082), national laws and regulations, and in consultation with the airport operator.
- ii) An air carrier is to be permitted to choose freely from among the alternatives available and to combine or change its option, except where this is demonstrably impractical and also where constrained by relevant safety and security considerations, and (with the exception of self-handling in a) above) by the scale of airport operations being too small to sustain competitive providers. At certain airports the number of air carriers and limited physical facilities may not permit all air carriers to perform their own airside ground handling; in such cases, carriers allowed to do so should be selected by objective, transparent and non-discriminatory procedures and competitive, alternative suppliers should be available.
- iii) Parties would always be required to take the necessary measures to ensure reasonable cost-based pricing and fair and equal treatment for air carrier(s) of the other Party/Parties.
- iv) Depending on their particular circumstances States should consider the gradual, phased introduction of self-handling and multiple suppliers based, where appropriate, on the size of the airport.

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