

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND
AIR NAVIGATION SERVICES**

(Montreal, 19 - 28 June 2000)

REPORT ON INTRODUCTION AND AGENDA ITEMS 1 - 6

The attached constitutes the report on the Introduction and Agenda Items 1 - 6 and should be inserted at the appropriate place in the report folder.

INTRODUCTION

Site and duration of the Conference

1. The Conference on the Economics of Airports and Air Navigation Services (ANSCConf 2000) was convened in the Assembly Hall of the Headquarters of the International Civil Aviation Organization in Montreal on 20 June 2000. Dr. Assad Kotaite, President of the Council, opened the Conference, which was also addressed by Mr. M.-Y. Peissik, Chairman of the Air Transport Committee. Mr. R.C. Costa Pereira, the Secretary General, welcomed the participants and introduced the Conference Secretariat. Addresses made at the opening meeting appear at Appendix A. The Conference completed its work on 28 June 2000.

Agenda

2. The Conference adopted the following agenda which had been approved by the Council and presented in ANSCConf-WP/1:

1. **Economic situation of airports, air navigation service providers and their financial relationships with air carriers and other users**

Overview of: ownership and control (including transnational investment, ownership/management of multiple entities, alliances), financial and organizational structure in the provision of airports and air navigation services; and of the financial situation of providers in relation to that of air carriers and other users.

2. **Organizational issues**

Address of: commercialization, including private involvement (privatization and concessionary arrangements); obligations of autonomous entities; methods of regulating charges; setting performance standards and monitoring performance (including data requirements); and international co-operative or joint ventures (in financing, operations and/or charges collection), including joint financing, and related concepts addressed in Chapter XV of the *Convention on International Civil Aviation* and Assembly Resolution A16-10.

3. **Funding issues**

Evaluation of: needs, sources, capacity and mechanisms including public/private partnerships; preparatory requirements including sound and transparent accounting and cost recovery practices; economic planning, cost-benefit analysis including environmental cost effectiveness analysis; and development of business cases.

4. **Determinants of the economic regulation of airports and air navigation services**

Examination of: the role of the State; international obligations including those arising from Articles 15 and 28 of the *Convention on International Civil Aviation* (Doc 7300/7); the form of regulatory mechanisms and such features as protection from abuse of monopoly, particularly where it involves private interests, non-discrimination, scope of user charges, equity in cost recovery, competition in service provision (including, in the case of airports, ground handling), consultation with users and arbitration of disputes. Particular attention will be given in this context to capacity constraints and the issue of slot allocation.

5. **ICAO policy**

Broad-based evaluation and development of the principles contained in the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082/5), encompassing:

5.1 **Status, structure and form of ICAO policy**

Clarity, precision and form of presentation of the *Statements*; dissemination and application of the principles in the *Statements*; need for transparency and publication of policy and practice on airport and air navigation service charges in States; related desirability for feedback and dissemination of application of the *Statements*.

5.2 **Elements for consideration with regard to ICAO policy**

Major principles such as non-discrimination; cost basis for charges; cost allocation; charging systems including currency aspects; and consultation with users; notably in the light of developments in, for example, marginal cost pricing, pre-funding of projects through charges, recovery of GNSS costs, costs of search and rescue services provided by the military, and reflection of the effect of organizational changes, with distinction where required to focus on:

5.2.1 **Airport charging principles**

Airport-specific charges such as landing, parking, passenger service, security and noise charges, and development of non-aeronautical revenues and their relevance in determining charges on air traffic.

5.2.2 **Air navigation services charging principles**

Charges specific to air navigation services such as route, and approach and aerodrome control charges.

6. Guidance and assistance by ICAO

Review of adequacy of activities and documents such as: Manuals and Circulars; workshop and seminar programme; assistance in cost-benefit analysis; development of business cases; seeking of financing; and co-operative cost-recovery, billing and collection schemes; also cooperation with other organizations.

Structure and rules of procedure

3. The Conference met as a single body and held meetings. Formal consideration of the agenda was preceded on Monday, 19 June and the morning of Tuesday, 20 June by a preparatory seminar focussing on some key issues to be addressed by the Conference in an informal setting, with the Conference *per se* commencing in the afternoon of 20 June.

4. The rules of procedure were the *Standing Rules of Procedure for Meetings in the Air Transport Field* (Doc 8683-AT/721). Rule 26, which calls for the preparation of summary minutes, had been suspended by the Council.

Attendance

5. The following Contracting States of ICAO were represented at the Conference:

[names to be inserted]

6. The followingObserver Delegations attended the Conference:

[names to be inserted]

7. A list of participants in the Conference appears at Appendix B.

Officers of the Conference

8. The following officers were elected:

| | |
|-----------------------------|----------------------------|
| Chairman of the Conference: | Mr. T. Schmidt (Germany) |
| First Vice-Chairman: | Miss M.F. Nchapi (Lesotho) |
| Second Vice-Chairman: | Mr. C.A. Alvarez (Chile) |

Secretariat

9. Mr. M. Elamiri, Director of the Air Transport Bureau, served as Secretary of the Conference, and Mr. G. Finnsson, Chief, Airport and Route Facility Management Section, served as Deputy Secretary. Assistant Secretaries were Mr. G. Farag, Mr. Ö. Magnusson, Mr. B. Peguillan, Mr. U. Wickrama,

Mr. A. Costaguta, Mr. J. Crayston, Mr. J.-C. Bugnet and Mr. Y. Wang. Liaison for the Air Transport Bureau was carried out by Mr. R.I.R. Abeyratne, document coordination by Miss M. Mikkola, credentials coordination by Mrs. M. Boulos, web-page coordination by Mrs. S. Joseph, and secretarial supervision by Mrs. B. Walsh, Mrs. A.M. Fuchs-Ledingham and Mrs. N. Souto. Mr. C.B. Lyle, Deputy Director of the Air Transport Bureau, acted as Adviser to the Conference.

10. Administrative services were provided under the supervision of Mr. V. Pattanayak, Director, Bureau of Administration and Services, by Mr. M. Blanch, Chief, Conference and Office Services Section, Miss A. Craig, Document Control Officer and Mr. S. Gauthier, Supervisor, Internal Distribution Unit. Language services were provided under the supervision of Mr. Y.N. Beliaev, Chief, Language and Publications Branch, assisted by Mrs. R.J. Ezrati, Chief, Interpretation Section.

Documentation

11. A list of the documentation associated with the work of the Conference is presented in Appendix C.

— — — — —

Agenda Item 1: Economic situation of airports, air navigation service providers and their financial relationships with air carriers and other users**1.1 Documentation**

Secretariat (WP/3) presented a study on the financial situation of airports and air navigation services, based on data for the year 1998, with comparisons with 1989 where relevant and possible. The analysis of airport financial data covered 271 airports or groups of airports in 88 States, covering 86 per cent of international passenger traffic but only about a quarter of the 1 178 airports open to international traffic in 1998. The analysis showed that there has been a clear improvement in the financial situation of airports over the last decade. In 1998, for three quarters of the airports covered by the analysis income exceeded expenses. However, the extent of cost recovery may have been overstated because the expense data were incomplete in many instances, for example with regard to depreciation and other capital costs. Also, expenses for areas such as approach and aerodrome control and meteorological services were frequently not reported. Taking that into account, it could be assumed that the majority of international airports for which no data were reported and which generally have low volumes of traffic, still operate at a loss. From the analysis there was some evidence that airports operated by autonomous entities had lower expenses per traffic unit than other airports of comparable size.

As regards air navigation services data were provided by 71 States. The analysis indicated that the financial situation of air navigation services has shown considerable improvement in the last decade. In 1998, income equalled or exceeded expenses in 49 of the 62 States reporting both income and expense data. This was primarily explained by the growing emphasis by States to recover their costs for air navigation services and an increase in the number of States levying approach and aerodrome control charges. However, major cost components such as depreciation or amortization and meteorological services were frequently not included. Bearing this in mind it may be assumed that the majority of States for which no data were reported and which generally have low volumes of traffic, do not recover the full costs of providing air navigation services.

Regarding the impact of airport and air navigation services charges on the financial situation of the world's scheduled airlines, landing and associated airport charges as a proportion of total operating expenses rose steadily from 3.7 per cent in 1989 to 4.5 per cent in 1995 and subsequently declined to 3.9 per cent in 1998 while en route charges increased from 1.5 per cent in 1989 to 2.8 per cent in 1995 and thereafter stabilized, being 2.6 per cent in 1998.

Secretariat (WP/58) presented for information advance data from the next edition of an annual circular entitled *The World of Civil Aviation*, a compilation of the main events in civil aviation in 1999 and passenger traffic forecasts through to 2002.

Secretariat (WP/13) introduced longer term traffic forecasts indicating, *inter alia*, that air transport is projected to increase by a factor of 2.7 during the period 1997-2020 in terms of passenger-kilometres, resulting in a doubling of aircraft movements and number of aircraft with consequent implications for the provision and management of capacity.

Georgia (WP/105) presented for information the trends of development of air traffic in Georgian airspace.

Listed for reference purposes under this item for later substantive consideration were working papers presented by the Secretariat (WP/18) addressed under item 2; International Business Aviation Council (IBAC) (WPs 36 and 37) and International Transport Workers' Federation (ITF) (WPs 34 and 35) all addressed under item 4; and Airports Council International (ACI)/International Air Transport Association (IATA) (WP/24) addressed under item 5.2.

1.2 **Discussion**

1.2.1 The Conference agreed that the study by the Secretariat would provide valuable background and reference during the consideration of subsequent agenda items. The study also had value in its own right and the Secretariat should continue to monitor and analyse the economic situation of airports and air navigation services providers as and when required and in the light of the various comments of delegates regarding the need for study of some aspects in greater depth.

— — — — —

Agenda Item 2: Organizational issues**GLOBAL SURVEY****2.1 Documentation**

Secretariat (WP/18 and Addendum No. 1) reviewed the current state of organizational arrangements, including the extent of private involvement in the provision of airports and air navigation services, and new trends emerging in the management of these facilities and services. After noting the development of autonomous entities to manage airports and, to a lesser extent, air navigation services, the paper described the nature and extent of ICAO's guidance on the subject, and suggested strengthening the text on exploring the possibility of establishing autonomous authorities contained in the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082/5).

2.2 Discussion

2.2.1 The Conference noted the information provided by the Secretariat in its WP/18 and Addendum No. 1, which with a few minor changes would form part of a circular containing selected Conference documentation that would subsequently be circulated to States.

2.2.2 While it was recognized that autonomy of providers may not be appropriate in all circumstances, many delegates expressed support for the proposal to strengthen the text in ICAO's guidance on this matter. However, some were of the opinion that it was of major importance to ascertain, prior to granting autonomy to an operating entity, that there would be improvements in safety and efficiency and also that local circumstances be taken into consideration.

2.2.3 Moreover, it was thought that a distinction needed to be made between privatization and autonomy, a subject which would be taken up later.

2.2.4 The Conference agreed with the action suggested in WP/18 noting that only a minor change was being proposed for paragraphs 6 and 27 of the Council Statements in Doc 9082/5, and accordingly adopted the following recommendation:

RECOMMENDATION 2/1**THE CONFERENCE**

RECOMMENDS that the introductory text in the Council Statements, namely paragraphs 6 and 27, should be less conditional in tone in order to recommend that States explore the possibility of establishing autonomous entities to operate airports and air navigation services when this is in the best interest of both providers and users.

COMMERCIALIZATION**2.3 Documentation**

Secretariat (WP/6) presented the results of a study conducted by ICAO to assist States regarding privatization of airports and air navigation services. The study clarified the concept and terminology of privatization, analyzed developments taking place in ownership and management of airports and air navigation services providers, described some options available to States, discussed the major issues to be considered in any privatization process and emphasized the retained responsibility of States in the areas of safety, security and economics (particularly as regards equity in charging).

Australia (WP/59) provided information on its reforms in ownership and management of aviation infrastructure, including experience with privatization of major airports.

Chile (WP/90) described its experience in the granting of concessions for the management of airports with involvement of the private sector. Chile invited ICAO to develop guidance to help States cope with this process.

Egypt (WP/86) described the measures taken by its Government for the development and privatization of Egyptian airports through contracts with investors, using the Build, Operate and Transfer method or through the application of market-based operations by airport administrations. This paper also reviewed air traffic growth at Egyptian airports and the measures taken to address the problem of airport congestion. Egypt (WP/102) also described the organizational and legal background to the construction of Marsa Alam International Airport.

Switzerland (WP/67) described the organization of its airports and air navigation services provider (Swisscontrol), as well as their modes of financing.

United States (WP/41) set out its experience with airport management and regulation, including limited privatization, as well as its views on privatization. The paper supported flexibility in management, operation and ownership types, emphasized the need for States to

retain oversight of safety and security in operations, and invited the Conference to consider the development of guidance for States when privatizing airports.

Arab Civil Aviation Commission (ACAC) (WP/93) provided information on airport management in certain ACAC member States.

Latin American Civil Aviation Commission (LACAC) (WP/89) presented the work it had carried out on the subject of privatization of airports. LACAC invited the Conference to draw the attention of States to its list of elements for consideration when developing the airport privatization process.

Airports Council International (ACI) (WP/49) invited the Conference to agree that airport operators should have the flexibility to adopt ownership and management structures which permit the highest levels of service to all users and the best access to private capital to improve and expand their facilities; such structures may include forms of privatization. ACI (WP/53) also commented on a number of points made in IATA's WP/26 (see below). Finally, ACI (WP/68) highlighted that airport operators were commercial enterprises that could manage either a single airport, or an airport system or network, with efficiency and cost-effectiveness; moreover, airport networks and airport alliances could bring economies of scale and high standards of service.

International Council of Aircraft Owner and Pilot Associations (IAOPA) (WP/64) presented its view that there must be an equitable place for general aviation and aerial work interests in any aviation service privatization scheme, notably as regards charges and regulatory oversight.

International Air Transport Association (IATA) (WP/26), while generally favouring the commercialization of airports and air navigation services, expressed concerns that commercialization could often lead to increases in the cost base for charging purposes and thus to higher charges. Accordingly, IATA felt there was a need for proper consultation and transparency and for independent economic oversight. IATA (WP/33) also invited the Conference to agree with its position in favour of cost-related and location-specific charges and against cross-subsidization. IATA stated it did not object to airport partnerships or alliances between airports as long as this brings economies of scale to the industry from which the airlines will benefit through lower charges. Finally, IATA (WP/104) provided background information and the text of the "Santiago Statement" (consistent with the elements for consideration in the privatization process presented by LACAC above). The Conference was invited to review the Statement in its discussions and consider its adoption as part of its conclusions.

2.4 Discussion

2.4.1 With regard to the findings and conclusions of the Secretariat study, summarized in WP/6, the Conference endorsed the position that there is no single best option for States to follow in managing airports and air navigation services, of which there were many forms, including privatization. The Conference also agreed that in any commercialization or privatization process, States should ensure that they retain the ultimate responsibility for service provision and in the areas of safety, security and, taking into account the monopolistic nature of service providers, economic regulation. A number of comments were directed at improving the content of the Secretariat study as well as certain of the definitions in the appended Glossary of Terms (in particular those covering autonomy, civil aviation authority and private entity). These comments would be taken into account in the finalization of a fuller version of the study, to be distributed by ICAO at a later date. The Conference noted that some revisions would also be made to the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3) as a consequence of the findings and conclusions in the study.

2.4.2 There was considerable discussion and differences of opinion on the issues of networking of airports and cross-subsidization between airports, in particular the latter. Various benefits of and objections to cross-subsidization within airport systems were brought out in the discussion. Nevertheless it was generally recognized that States would decide according to their own circumstances on the issue of airport networks or systems. However, while subsidization and cross-subsidization existed, the principle of full transparency should be applied. In view of the different kinds of networking it was agreed to recommend that ICAO should further analyze and define the concept.

2.4.3 With respect to the list of principles on the privatization process presented by LACAC in WP/89 and IATA in WP/104, the thrust was generally endorsed, but a number of reservations were expressed on some aspects. The Conference felt that any guidance on the subject that might be developed by ICAO should take these reservations into account and should not be overly prescriptive.

2.4.4 To give effect to its conclusions, the Conference agreed to the following recommendations:

RECOMMENDATION 2/2

THE CONFERENCE

RECOMMENDS that States, when considering the commercialization or privatization of airports and air navigation services providers, bear in mind that the State is ultimately responsible for safety, security, and, in view of the monopolistic nature of airports and air navigation services, economic oversight of their operations.

RECOMMENDATION 2/3**THE CONFERENCE**

RECOMMENDS that ICAO, further develop guidance for States that wish to commercialize their airports or air navigation services. In this context it should address the concepts of airport systems and networks.

INTERNATIONAL COOPERATIVE AND JOINT VENTURES**2.5 Documentation**

Secretariat (WP/5) reviewed the need for and scope of international cooperation in the air navigation services field. It noted that major CNS/ATM systems components were typical examples of facilities and services where international cooperation would be required and that the implementation of such components would make it possible to merge many flight information regions into larger air traffic management regions, consequently reducing the number of area control centres. The paper also indicated other potential areas of cooperation such as planning, research and development, training, technical support, meteorological services for air navigation and aeronautical information services. The paper described different forms of international cooperative ventures and the assistance that could be provided by ICAO. The paper invited the Conference to consider the role of ICAO in assisting States in the establishment and operation of joint ventures to provide air navigation services and to recommend to the Council that the text in the Council Statements in Doc 9082/5 be expanded to give more emphasis to the importance and potential value of such joint ventures, and to identifying their most common forms. The Secretariat (WP/7) also presented a description of the present system of joint financing arrangements for air navigation facilities and services and discussed possible uses of this concept for other applications including implementation of elements of CNS/ATM.

Secretariat (WP/22) examined the benefits of joint billing and collection of air navigation services charges, the various mechanisms in place and the assistance that ICAO could provide. It recommended that States participate in such schemes whenever this would be advantageous to them, and proposed to expand the relevant text in the Council Statements to that effect.

2.6 Discussion

2.6.1 Some delegates expressed concern as to the validity of ICAO's role in providing assistance to establish and operate joint ventures and, in particular, the recovery of costs of assistance by ICAO through charges for air navigation services. However, following explanations as to the nature of this role and the reasons for the cost recovery views were expressed that the cost of providing such assistance could be recovered from users but not be paid for from ICAO's regular programme budget especially since the service provided would generally be limited to a group of States and not ICAO's member States at large. It was also recognized that the role of ICAO is to assist States with these matters. It was suggested that commercial alliances merited consideration as another option in international cooperation ventures. The establishment, with ICAO assistance, of a joint upper airspace management unit by the three States of the East African Cooperation was also cited as an example of international cooperation.

2.6.2 On the issue of joint billing and collection of air navigation services charges, it was agreed that the conditions might vary between States, and that only the States were in a position to consider when participation in joint billing and collection services would be advantageous to them. Furthermore, when contemplating using a charges collection agency, States explore different options and take into account the guidelines provided in WP/22, in order to protect their interests. With regard to the assistance ICAO could provide to States, it was emphasized that this was limited to the establishment of services, not their provision, which was the responsibility of the States individually or collectively. Some concern was expressed over the practicality of participating in joint charges collection services when the provision of air navigation services is delegated to a private company.

2.6.3 Regarding its ATC enhancement and financing service, IATA explained that although there is a clause on confidentiality of data in their agreements with States, the scheme is transparent to the State concerned and is directed towards financing aviation infrastructure in those States. The administrative fee in the contract could be compared by the State with that of other collection schemes whose fees are in the public domain. IATA pointed out that the cost of the service is built into the charges it collects from users.

2.6.4 To give effect to its discussions on international cooperative ventures and joint billing and collection, the Conference agreed on the following recommendations:

RECOMMENDATION 2/4**THE CONFERENCE**

RECOMMENDS that ICAO include in the Council Statements in Doc 9082 and other relevant guidance material, text to encourage international cooperation in the provision and operation of air navigation services, where appropriate.

RECOMMENDATION 2/5**THE CONFERENCE****RECOMMENDS that**

- a) States or their delegated service providers consider participating in joint charges collection agencies whenever this is advantageous, taking into account the following:
 - 1) the importance of they themselves controlling the collection of their charges;
 - 2) the need for careful study of the terms under which the collection service is to be provided;
 - 3) identification and description of the costs of the services for which they are being charged; and
 - 4) that any administrative fee is included in the charge; and
- b) the Council expand the relevant text in Doc 9082 accordingly.

MONITORING PERFORMANCE AND PRODUCTIVITY**2.7 Documentation**

United States (WP/39) proposed that a set of data measuring performance and efficiency be collected by air traffic service providers and used to assess the value of service provided and help support investment decisions.

IATA (WP/29) requested that there be a commitment to the principles of cost efficiency and productivity improvement in the establishment of airports and air navigation services charges. **IATA** (WP/85) also stressed a need for airports and air navigation services providers to adopt service level agreements, especially in light of airport and air navigation services commercialization/privatization trends.

EUROCONTROL (WP/66) described the performance review system used for reviewing air traffic management performance in Europe.

Listed for reference purposes was a working paper presented by 38 member States of the European Civil Aviation Conference (ECAC) (WP/69) on the management of airports as commercial entities, which would be substantially addressed under item 5.2.

2.8 Discussion

2.8.1 There was widespread support for the proposed application of performance measurement in air traffic management systems for both en route and airport services, with parameters covering safety, delay, predictability, flexibility, efficiency, availability, access, and cost of service. A number of delegates proposed the addition of environmental performance parameters to this list. It was recognized that there were various forms of performance measurement and some practical problems may apply with some of the parameters. Performance targets would have to be discussed with the users.

2.8.2 The proposal in WP/29 to recommend establishment of a principle of efficiency and productivity improvements for airports and air navigation services providers was supported by a majority of delegates. However, a number of delegates did not feel such a principle should be a condition for the establishment of charges. Some delegates pointed out that in setting targets for efficiency and productivity, in order to improve the financial situation of airports and air navigation services, safety and security should not be overlooked. Concerns were expressed about the establishment of efficiency targets for individual airports within an airport network.

2.8.3 The concept of service level agreements for airports and air traffic service providers was recognised as a natural component in an environment of increased commercialisation. It was felt that such agreements should be mutual between different providers and users but should be voluntary only.

2.8.4 To give effect to its discussion on air traffic service performance measurement, the Conference agreed on the following recommendation:

RECOMMENDATION 2/6

THE CONFERENCE

RECOMMENDS

- a) that States, at their option, encourage their airports and air navigation services providers to:
 - 1) develop and collect data on performance in the provision of their services (such as aspects related to safety, delay, predictability, flexibility, efficiency, availability, access, environment, and cost of service);
 - 2) use these parameters to evaluate and improve the quality of services provided;
 - 3) take these parameters into account to help support their investment decisions;
 - 4) undertake consultations with users to achieve mutual understanding and consensus;
and

- 5) develop and maintain costing systems that permit users and providers to understand the true costs of providing services; and
- b) that the Council include the above concept in ICAO policy guidance.

Agenda Item 3: Funding issues**3.1 Documentation**

Secretariat (WP/8) presented a review of sources of financing for airports and air navigation services and of new trends in infrastructure funding. The Secretariat estimated that investment requirements for airport and air navigation services between now and the year 2010 would exceed US\$300 billion. The results of a survey of States' practices for financing airport and air navigation services, based on a pre-Conference questionnaire, indicated that self-financing had replaced government financing as the most frequently quoted source, when compared with a similar survey in 1991. The increased use of self-financing and borrowing from the private sector were clearly linked to the growing number of autonomous entities managing airports and air navigation services. One of the results of increasing autonomy was a need for greater accountability. Against this background, the Secretariat proposed that existing guidance on practical aspects of infrastructure financing in the pertinent ICAO Manuals be reviewed and updated to reflect the most current trends and how providers of airports and air navigation services might benefit from them.

Switzerland (WP/67) described the organizational and financial aspects of Swiss airports and air navigation services.

IATA (WP/32) expressed the view that proper cost recovery mechanisms are essential to States in securing financing for CNS/ATM implementation. IATA called for an ICAO programme to assist States in determining the true costs of operating air navigation services, and for more regional cooperation in financing CNS/ATM implementation.

Listed for reference purposes under this item for later substantive consideration under item 5.2 were working papers presented by the Secretariat (WP/15), the United States (WP/103) and ACI (WPs/ 52 and 55).

3.2 Discussion

3.2.1 The Conference considered the information provided by the Secretariat and endorsed the proposal that the existing guidance material on infrastructure financing should be updated. It was recognized that any new guidance should be flexible, taking into account that each State takes its own decisions in the light of its own circumstances.

3.2.2 Some delegates made suggestions as to where improvements were needed in the existing guidance material. These included guidance on ensuring that all direct and indirect operating costs are included in the cost basis for charges; on paying more attention to the issue of return on capital investment; on justifying capital improvements through proper cost/benefit analyses; on development financing; on funding by municipal governments; and on smaller airports becoming part of a network in order to obtain financing more easily.

3.2.3 The problems faced by some States in obtaining financing for infrastructure development gave rise to general comments, and concerns were expressed that many airports may not be able to generate the necessary revenues to sustain their development. It was suggested that there was a need for the international aviation community to develop a collective responsibility for financing infrastructure development - particularly in connection with implementation of CNS/ATM systems - either through the International Financial Facility for Aviation Safety (IFFAS) concept, which is currently under consideration by the ICAO Council, or through some other mechanism.

3.2.4 The Conference agreed that ICAO should consider the feasibility of further assisting States in determining the true costs of operating their air navigation services in order to facilitate both cost-recovery and the financing of implementation of new services such as CNS/ATM.

3.2.5 In the light of its discussions, the Conference adopted the following two recommendations:

RECOMMENDATION 3/1

THE CONFERENCE

RECOMMENDS that the Council revise and update as required the guidance on infrastructure financing contained in the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3).

RECOMMENDATION 3/2

THE CONFERENCE

RECOMMENDS that the Council consider the feasibility of providing assistance to States, where requested, in determining the true costs of operating their air navigation services, in order to facilitate both cost-recovery and the financing of implementation of new services such as CNS/ATM.

— END —

Agenda Item 4: Determinants of the economic regulation of airports and air navigation services**DISPUTE RESOLUTION****4.1 Documentation**

Secretariat (WP/12) pointed to the rapid growth in financial and organizational autonomy in the provision of airports and air navigation services, which could increase disputes between users and providers, particularly regarding charges. The paper suggested that ICAO policy be amplified and strengthened, with emphasis to be placed on guidance aimed at preempting disputes rather than dispute resolution.

Switzerland (WP/46) described the methods applied in Switzerland in the process of modifications of charges for airports and air navigation services and underlined the importance of user consultations.

IATA (WP/26) expressed concern that the privatization of airports and air navigation services could lead to increases in the cost base for charging purposes and thus to higher charges. It also pointed to the need for proper consultation and transparency and for independent economic oversight for the commercialization of airport and air navigation services, together with a neutral dispute settlement mechanism.

Listed for reference purposes under this item for later substantive consideration was a working paper presented by the United Kingdom (WP/91) addressed under item 5.2.

4.2 Discussion

4.2.1 Some delegates considered that the suggestion in WP/12 for inclusion in the Council Statements in Doc 9082 of a requirement for autonomous entities to follow all relevant ICAO policies and practices as a condition of establishment and operation was too strong and that it should be more permissive in tone. The Conference agreed that the text be amended to reflect the mandatory nature of the obligations that States retain under the Chicago Convention but the less mandatory nature of other ICAO recommended policies and practices.

4.2.2 There was widespread endorsement of the need identified in WP/12 for the functional provision of a neutral party at the local level to preempt and resolve disputes before they enter the international arena. The Conference agreed that the concept of such a “first resort” mechanism for dealing with complaints should be included in the Council Statements in Doc 9082 and as guidance in the *Airport Economics Manual* (Doc 9562) and the *Air Navigation Services Economics Manual* (Doc 9161) respectively.

4.2.3 To give effect to its conclusions, the Conference agreed to the following recommendations:

RECOMMENDATION 4/1

THE CONFERENCE

RECOMMENDS that ICAO include in the Council Statements in Doc 9082 advice to the effect that where an autonomous body or entity is established, whether by a government or private interests, to operate an airport(s) and/or air navigation services, the State should stipulate as a condition for its approval of the new body or entity that it observe all relevant obligations of the State specified in the Convention on International Civil Aviation. The observance by autonomous bodies or entities of other ICAO policies and practices, such as those contained in Doc 9082, should be recommended or required, as necessary, by States.

RECOMMENDATION 4/2

THE CONFERENCE

RECOMMENDS that the concept of a “first resort” mechanism for dealing with complaints be included in the Council Statements in Doc 9082 and other guidance material, as appropriate.

INTERESTS OF GENERAL AVIATION

4.3 Documentation

International Council of Aircraft Owner and Pilot Association (IAOPA) (WP/62) stated that air navigation services systems are basically designed for air carriers and that since general aviation and aerial work activities are marginal users of these systems; IAOPA felt that charges for air navigation services should reflect this and proposed an amendment accordingly to the Council Statements in Doc 9082.

International Business Aviation Council (IBAC) (WP/36) referred to the special characteristics of business aviation and suggested that ICAO undertake a study of the measures which can be taken to ensure that business aviation can establish, maintain and preferably expand its access to airports. IBAC (WP/37) also invited the Conference to recognise that business aviation is a marginal user of air navigation services, and to encourage the development of a sound and equitable financial relationship between providers of air navigation services and business aviation users reflecting this marginal use.

Listed for reference purposes under this item for later substantive consideration were working papers presented by IAOPA WP/63 addressed under item 5.2 and WP/61 addressed under item 5.2.1.

4.4 Discussion

4.4.1 The proposal in WP/62 for a change to the Council Statements in Doc 9082 was not endorsed. It was questioned whether there were any significant differences between general aviation and other users for provision of air navigation services or runway occupancy at airports. The view was expressed that users should be charged for services received and it was at the discretion of States to decide to subsidise certain user groups.

4.4.2 The Conference agreed that a study concerning general and business aviation's access to airports, as suggested in WP/36 should be undertaken, subject to the availability of resources.

4.4.3 In the light of its discussions, the Conference adopted the following recommendation:

RECOMMENDATION 4/3

THE CONFERENCE

RECOMMENDS that ICAO undertake a study of the measures which can be taken to ensure that general and business aviation can establish, maintain and preferably expand its access to airports, as appropriate.

ECONOMIC REGULATION

4.5 Documentation

Secretariat (WP/9) dealt with economic regulation in the provision of airports and air navigation services and analyzed the results of a survey of States as to their practices in this area. The paper also addressed what purposes economic regulation should serve and discussed the functioning of a regulatory mechanism. Bearing in mind the fundamental changes in the organizational form under which the majority of international airports and air navigation services are provided, the Secretariat suggested additional guidance be provided by ICAO in the area of economic regulation of airports and air navigation services, to be included in the Council Statements in Doc 9082 as well as in appropriate ICAO Manuals or other documents. The paper also invited the Conference to 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.

Australia (WP/59) described the management of aviation infrastructure in Australia, aspects of related regulatory arrangements and future plans for air navigation services.

Malaysia (WP/92) submitted that airport costs have continued to rise, possibly because of expansion of infrastructure, and that the costs of non-aviation development projects should not be charged to aviation users. The paper invited the Conference to urge States to monitor and regulate the airport fee structure accordingly.

New Zealand (WP/109) commented on the application of general competition laws to airports and air navigation services and invited the Conference to endorse the use of general competition law as the basis of the regulation of these services, with sector-specific measures being used to support it.

United States (WP/41) referred to the developments occurring in airport ownership and operation under various forms, and proposed that the Conference agree that States retain appropriate oversight of airports to ensure safety and security of operations, promotion of competition, and fair access to users at rates and charges consistent with current ICAO guidance contained in the Council Statements in Doc 9082 and the *Airport Economics Manual*.

EUROCONTROL (WP/88) discussed the principles of economic regulation of air navigation service provision and suggested the addition of text to the Council Statements in Doc 9082 to reflect the application of economic regulation in cases where States entrust air navigation services to a service provider which adopts a commercial approach to the setting of charges. EUROCONTROL also suggested certain objectives for any system of economic regulation.

European Civil Aviation Conference (ECAC) States (WP/69) proposed a new text to be added to the Council Statement on airport charges in Doc 9082 to introduce principles of best commercial practice. ECAC States (WP/70) also suggested the inclusion in the Council Statements in Doc 9082 of text on regulation of airport charges where there is a risk that an airport or airport system may exploit significant market power to the disadvantage of airport users.

European Commission (WP/74) cited current development trends in the airport industry and emphasised the need for charging regulation and fair and efficient charging. The Commission (WP/76) also provided information on the European regulatory framework and the effect of the European Single Market.

International Labour Organization (ILO) (WP/95) suggested that the Conference recommends to ICAO member States to meet their obligations under the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up; and to promote tripartite consultations and continuous social dialogue in the process of restructuring of airports and air navigation services.

Airports Council International (ACI) (WP/51) stated that airport regulation should only be necessary where the airport has considerable market power and where national and international consumer and trade laws are not sufficient to protect airlines and passengers. ACI invited the Conference to agree that regulation of airports should not be required in cases where abuses of market power do not exist, or where national or supra-national competition law already provide adequate protection for airlines and other airport users; and where regulation is deemed necessary, it should be structured so as not to create disincentives for needed investment or be unnecessarily bureaucratic and costly for the airport operator. ACI

(WP/49) also cited the need for airport operators to have the flexibility to adopt ownership and management structures which permit the highest levels of service.

International Air Transport Association (IATA) (WPs 27 and 28) pointed out that economic regulation can be an effective tool in improving the efficiency of airports and air navigation services and in countering potential abuse in setting charges, and proposed that ICAO guidance material appropriately include guidance for such regulation.

International Transport Workers Federation (ITF) (WP/34) suggested that the governments of ICAO member States should examine the effects of privatization and restructuring in airport services, retain government responsibilities for economic regulation and ensure that safety and security standards are not jeopardized. ITF (WP/35) also called on ICAO to examine effects on safety and efficiency of corporatisation and privatization, guarantee that governments set and enforce highest standards, ensure safety and security standards are not jeopardized, strengthen and introduce licensing requirements, establish minimum training standards for ATC staff and introduce licensing arrangements for ANS providers.

Listed for reference purposes under this item for later substantive consideration were working papers presented by the Secretariat (WPs 15 and 19), ACI (WPs 52 and 55) and IATA (WP/81) all addressed under agenda item 5.2.

4.6 Discussion

4.6.1 On the broad issue of regulatory oversight the Conference accepted the view that States retain appropriate oversight of airports to ensure safety and security of operations, promotion of competition and fair access to users at rates and charges consistent with current ICAO guidance in the Council Statements in Doc 9082. The Conference noted that economic regulation can be an effective tool in cost efficiency of improving airports and air navigation services and in countering potential abuse.

4.6.2 The Conference considered a suggestion in WP/9 that States may wish to establish an independent regulatory authority for the economic regulation of airports and air navigation services. It was recognized that the context for this suggestion was situations where autonomous service providers are established or where monopolistic services exist; it may not be necessary where generic competition law, for example, was already being applied to autonomous or commercialized service providers.

4.6.3 A number of comments were made about the purpose of the regulatory oversight being contemplated for an independent authority as well the particular objectives that might underpin that authority. It was felt that the purpose of the regulatory oversight should be wider than the “financial practices” indicated in WP/9. As regards the objectives the Conference agreed that the list in WP/9 could, along with others discussed at the Conference, serve as the basis for an illustrative set of principles that could be incorporated in ICAO guidance.

4.6.4 While agreeing to this additional guidance the Conference nevertheless recognized that States would choose their own regulatory regimes and mechanisms according to their particular needs and

circumstances. The view was expressed that in choosing to establish an independent authority States might give consideration to the costs of regulation and the need for regulatory simplicity.

4.6.5 Turning to proposals in WP/69 to incorporate in ICAO guidance some principles of best commercial practice, the Conference accepted those in the form of an optional list for use by States, when considered to be appropriate.

4.6.6 The Conference noted the views of the ILO in WP/95 that governments meet their obligations under the ILO Declaration on Fundamental Principles and Rights at Work and that consultations be promoted in the process of restructuring airports and air navigation services. The Conference agreed that the ITF's elements regarding the concerns of employees, listed in WPs 34 and 35, might be taken into account and could be a positive contribution in the restructuring of airports and air navigation services.

4.6.7 With regard to the question in WP/9 of extending ICAO's role and guidance pursuant to Article 15 in the case of airspace over the high seas the Conference did not feel prepared to address that issue at the present juncture.

4.6.8 To give effect to its conclusions, the Conference agreed to the following recommendations:

RECOMMENDATION 4/4

THE CONFERENCE

RECOMMENDS that, in order to assist States that may wish to establish an independent mechanism for the economic regulation of airports and air navigation services, ICAO include guidelines on the establishment of such a mechanism in the Council Statements in Doc 9082 and other relevant guidance material. Such a mechanism would oversee economic, commercial and financial practices and its objectives could be drawn or adapted from, but need not be limited to, the following:

- a) ensure there is no overcharging or other anti-competitive practices or abuse of dominant position;
- b) ensure non-discrimination in the application of charges;
- c) ensure transparency as well as the availability and presentation of all financial data required to determine the basis for charges;
- d) assess and encourage efficiency and efficacy in the operation of providers;
- e) establish and review standards, quality and level of services provided;
- f) monitor and encourage investments to meet future demand; and
- g) ensure user views are adequately taken into account.

RECOMMENDATION 4/5**THE CONFERENCE**

RECOMMENDS that ICAO include in the Council Statements in Doc 9082 and other relevant guidance material, as appropriate, guidance on principles of best commercial practice for airports and air navigation services in order to promote transparency, efficiency and cost effectiveness in the provision of an appropriate quality of services and facilities. Such guidance could cover, inter alia:

- a) quality and timeliness of services;
- b) assessment of investment proposals;
- c) consultation process;
- d) accounting practices and transparency;
- e) subsidization;
- f) development plans; and
- g) treatment of users.

GROUND HANDLING**4.7 Documentation**

Secretariat (WP/10) presented information on regulatory practices concerning ground handling at airports and identified existing ICAO policy guidance on this subject. The Conference was invited to consider whether the policy guidance with respect to ground handling in the Council Statements in Doc 9082, which addresses ground handling in connection with the importance to airports of revenues from concessions, is adequate.

4.8 Discussion

4.8.1 Some concerns were expressed concerning the possible inclusion of ground handling in the GATS Annex on Air Transport Services, as indicated in WP/10, in view of the need to take into account potential safety aspects, a study of which was under way in ICAO.

4.8.2 There were no substantive proposals to develop new ICAO policy guidance on ground handling and a suggestion for inclusion of guidance to the effect that general aviation should be allowed to undertake its own ground handling, did not attract support. In these circumstances, the Conference agreed that the

guidance on ground handling in Doc 9082 is adequate, but that it would be useful to include a cross-reference to the relevant ICAO document (Doc 9587) containing a model clause on ground handling for optional application in air services agreements.

CAPACITY MANAGEMENT

4.9 Documentation

Secretariat (WP/11) presented the results of a survey of States' practices for managing capacity constraints at their airports and in their airspace, based on a pre-Conference questionnaire. The survey indicated that congestion had become a worldwide problem and that, while there was some potential for increasing capacity and improving its utilization, economic instruments for capacity management would become increasingly important, with implications in the international arena. The paper also presented a recently completed *Study on the Allocation of Flight Departure and Arrival Slots at International Airports* (Appendix B to WP/11), for review by the Conference prior to its issue as an ICAO Circular. More specifically, the Conference was invited to consider the need for regulatory improvements suggested in the study, particularly as regards the independence of slot coordinators, and also to consider whether there was a need for any other ICAO guidance regarding capacity management at airports or for airspace.

ACI (WP/56) called on the Conference to take note of the essential role of airport operators in any slot allocation system. ACI also called on States to consult airport operators on the framing of any legal constraints on slot allocation and to recognise that airport operators should be able to set local rules, as well as to participate in the allocation process.

IACA (WP/96) presented its views on the Secretariat study on slot allocation.

4.10 Discussion

4.10.1 Many delegates underlined the importance of the challenge posed by capacity constraints and expressed appreciation for the information provided in the Secretariat's paper, particularly the study on slot allocation.

4.10.2 The Conference considered the need for ICAO guidance, focussing on the regulatory improvements recommended in the slot allocation study.

4.10.3 There was general agreement that any slot allocation process should be fair, non-discriminatory and transparent, and that it should take into account the interests of all stakeholders. The majority of delegates supported the concept of independent slot coordinators (whether in the form of a person or an appointed body). The Conference agreed that there was scope for ICAO to develop guidance material on the procedural aspects of slot allocation.

4.10.4 A number of delegates advised against a suggestion that priority might be given to long-haul flights when allocating slots given the wide variety of circumstances surrounding slot allocation. A similar view was also expressed with regard to giving priority to international operations or to air carriers from developing countries. While such criteria could have merit in some situations, they were not generally applicable. More generally, the Conference agreed that it would be inappropriate for ICAO to become involved in the setting of priorities for slot allocation, since different States or regions may have different priorities and it was unlikely that a consensus would emerge. At the same time, it was noted that slot allocation could raise issues regarding denial of market access, discrimination, the principle for “fair and equal” opportunity, and consistency with Article 15 of the Convention on International Civil Aviation.

4.10.5 While the value of slot allocation mechanisms was widely recognized, concerns were expressed regarding the commercial trading of slots because of possible adverse effects on competition and because of unresolved legal issues.

4.10.6 To give effect to its discussion on capacity management, the Conference adopted the following recommendation:

RECOMMENDATION 4/6

THE CONFERENCE

RECOMMENDS

- a) that States whose airports are subject to slot coordination consider the need to ensure the independence of the functions of the slot coordinators in order to achieve a balance between the interests of the various parties concerned; and
- b) that ICAO
 - 1) undertake further work on developing guidance on procedural aspects of slot allocation, with respect to equity and non-discrimination consistent with Article 15 of the Chicago Convention, and including possible mechanisms for dispute resolution; and
 - 2) continue to monitor developments in capacity management of airports, capacity management of airspace and their inter-relationship.

Agenda Item 5.1: Status, structure and form of ICAO policy**5.1.1 Documentation**

Secretariat (WP/4) suggested certain changes to the structure and form of the Council Statements in Doc 9082/5, including changing the title and the separate identification of basic principles of cost recovery, applicable to both airports and air navigation services. An overall layout of the proposed new document was presented as an Appendix to the working paper for consideration by the Conference. The paper also proposed that States should notify ICAO with regard to the application of the basic principles and that ICAO should disseminate this information.

ECAC (WP/71) referred to a 1996 Council Resolution wherein the Council recommended that any environmental levies on air transport which States may want to introduce should be in the form of charges rather than taxes and that the funds collected should be applied in the first instance to mitigating the environmental impact of aircraft engine emissions. The paper recommended that all ICAO policies regarding charges be integrated into a published official ICAO document.

5.1.2 Discussion

5.1.2.1 The Conference viewed the Secretariat suggestions in WP/4 with interest and there was general support for improving the presentation of the policy guidance with a view to streamlining, increased comprehensibility and transparency. The Secretariat clarified that there was no intention to change any substance and the Conference emphasized this as a prerequisite of any changes in presentation.

5.1.2.2 The proposal to change the title of the Council Statements to *ICAO's Policies on Charges for Airports and Air Navigation Services* (retaining the number Doc 9082), *inter alia* aligning it with other policy guidance adopted by the Council on taxation and on the regulation of international air transport, was widely endorsed.

5.1.2.3 A suggestion to merge the introductory texts of the existing separate Council Statements on Airport Charges and on Charges for Air Navigation Services, which cover the same subject areas and the same basic philosophy, was also widely endorsed.

5.1.2.4 The suggestion to present basic principles of cost recovery in a separate new section met with a number of reservations. Delegates were concerned that the singling out of certain elements might imply that some elements were of a greater importance than others, thereby establishing a somewhat subjective hierarchy of provisions. A number of delegates noted that several of the “basic” principles presented as a sample in WP/4 were in the process of being overtaken through action by the Conference and that in practice many of the principles, “basic” or not, would vary in relative importance according to local circumstances. However, the deliberations and recommendations of the Conference illustrated that there was an increasingly large degree of commonality between the principles related to airports and those related to air navigation services, and there

may therefore be scope for streamlining the presentation. At the same time there was a need to bear in mind that providers of airports and of air navigation services, to whom the policy is directly or indirectly addressed, were primarily interested in their respective activities and some separation of related text was therefore advisable.

5.1.2.5 The Conference turned to the Secretariat suggestion that in the interests of promoting implementation and transparency, there was a need for States to notify ICAO with regard to application of at least the basic principles of cost recovery (or possibly the whole text in Doc 9082) and for ICAO to disseminate this information. This could be done through applying a similar procedure to that already followed for the *ICAO Policies on Taxation in the Field of International Air Transport* (i.e. a State letter seeking information on implementation on policies, notably following amendments to the policies, followed by publication of a supplement to the Document) or by using the ICAO Web-site (at least for dissemination purposes). Some delegates foresaw practical difficulties with such a procedure, primarily because of the extent of the guidance in Doc 9082 and the administrative burden concerned.

5.1.2.6 The Conference therefore concluded that, apart from the change of title and merging of the introductory texts, further work was required on the structure and form of Doc 9082 before the above suggestions could be dealt with by the Council.

5.1.2.7 With regard to WP/71 the Conference noted that the Organization's work on environmental levies was continuing within the Committee on Aviation Environmental Protection. That body would be reporting its recommendations to the Council in early 2001 with possible development or change in existing policy, which was interim in nature.

— — — — —

Agenda Item 5.2: Elements for consideration with regard to ICAO policy**COST BASIS FOR CHARGES AND COST ALLOCATION****5.2.1 Documentation**

Switzerland (WP/44) sought to encourage States to apply internationally accepted accounting standards for airports as a means of ensuring effective exploitation of international capital markets for privatized or semi-privatized entities, together with a transparent and uniform platform for the setting of charges. Switzerland suggested that ICAO develop appropriate guidance along these lines.

United States (WP/42) invited the Conference to call upon States to re-examine their cost allocation methodologies as they pertain to ICAO guidance on the allocation of common and fixed costs across service environments or facilities. Service providers should adopt allocations that accurately reflect the actual cost of service provided. The paper also recommended that ICAO conduct a detailed study on how States and other air navigation services providers comply with existing ICAO guidance in identifying and allocating costs. United States (WP/98) also suggested that the guidance in the Council Statements in Doc 9082 be strengthened to discourage discrimination and cross-subsidization among users in general.

European Commission (WP/76) described the regulatory framework for the European Single Market, particularly as it relates to ground handling and the principles of airport charging. The Commission had adopted a directive for compulsory application in the European Union of the principles of non-discrimination, cost-relatedness and transparency contained in the Council Statements in Doc 9082.

EUROCONTROL (WP/45) raised the same issue for air navigation services concerning internationally accepted accounting standards as Switzerland did for airports in WP/44. EUROCONTROL (WP/72) also recommended that ICAO guidance on cost allocation between en route, approach and aerodrome control in the *Manual on Air Navigation Services Economics* (Doc 9161/3) be expanded to reflect recent and possible future developments in air navigation services organization and charging practices.

World Meteorological Organization (WMO) (WP/97) expressed its opposition to IATA's suggestion in WP/78 (see below) to amend the current ICAO guidance on determining aeronautical meteorological costs, noting that it was based on safety considerations and had recently been developed through an ICAO panel in which IATA had participated but had not at that time raised reservations as to the guidance. The WMO indicated with some concern that competition of aeronautical meteorological services under the responsibility of designated meteorological authorities could result in reduction of air navigation safety as well as an increase in costs.

International Air Transport Association (IATA) (WP/78) was concerned that the costs of aeronautical meteorological services had increased significantly and that aviation was burdened with an unduly high share of meteorological services costs. IATA suggested that competition in the provision of these services might reduce costs and should be actively promoted.

5.2.2 Discussion

5.2.2.1 There was broad support for extending ICAO guidelines to promote and facilitate the application of internationally accepted accounting standards for both airports and air navigation services (WPs 44 and 45). Some concern was voiced with regard to promoting only “international” accounting standards since national accounting standards would also need to be observed. Consequently States themselves would decide what accounting standards to use and apply international standards where appropriate. With this qualification, the Conference agreed to accept the proposals in the papers.

5.2.2.2 The Conference readily endorsed the proposals in WP/42. There was also substantial strong support for the principles expressed in WP/98 for non-discrimination and cost-relatedness, but the majority view was that the text proposed to reflect this in the Council Statements in Doc 9082 went beyond the intention of Article 15 of the Chicago Convention. Concerns were expressed also with regard to capacity and environmental issues as well as practical aspects with cost allocation. The Conference accordingly was unable to endorse that proposal.

5.2.2.3 The Conference agreed to endorse the proposal in WP/72 to expand the guidance in the *Manual on Air Navigation Services Economics* (Doc 9161/3) in view of the changes and developments that have taken place in air traffic management such as the influence of complex airspace on the organization of air traffic control management and facilities.

5.2.2.4 Regarding cost recovery of aeronautical meteorological services the Conference agreed to retain the existing guidance on cost determination in Appendix 2 of the Council Statements in Doc 9082. However, the concept in WP/78, essentially calling for the separate identification of meteorological costs in the cost basis for route air navigation services charges, would be taken into consideration by the Council when reviewing the Statements. The Conference agreed that States should encourage a partnership involving ICAO, WMO and IATA to enhance more transparency in the identification of the MET costs and to further encourage designated meteorological authorities and MET service providers to cooperate more closely with IATA and the aviation industry in the establishment of MET costs to be recovered for services under ICAO Annex 3 – *Meteorological Service for International Air Navigation*. One view expressed was that the provision of aeronautical meteorological services on a commercial basis should be encouraged.

5.2.2.5 To give effect to its discussion, the Conference agreed to the following recommendations:

RECOMMENDATION 5.2/1

THE CONFERENCE

RECOMMENDS

- a) that States consider the application where appropriate of internationally accepted accounting standards for airports and providers of air navigation services, which maintain separate accounts; and
- b) that ICAO accordingly expand the guidance contained in the Council Statements in Doc 9082 and the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3).

RECOMMENDATION 5.2/2

THE CONFERENCE

RECOMMENDS that States re-examine the cost allocation methodologies they apply for their airports and air navigation services providers as they pertain to ICAO guidance related to the allocation of common and fixed costs, for example, between different stages of utilization of services such as terminal or en route.

RECOMMENDATION 5.2/3

THE CONFERENCE

RECOMMENDS that ICAO study how States and other providers of air navigation services comply with existing ICAO guidance in identifying and allocating costs.

RECOMMENDATION 5.2/4

THE CONFERENCE

RECOMMENDS that ICAO, in the planned review of the *Manual on Air Navigation Services Economics* (Doc 9161/3), expand the guidance on cost allocation between en route, approach control and aerodrome control to reflect recent developments in air navigation services organization and charging practices.

APPLICATION OF ECONOMIC PRINCIPLES

5.2.3 Documentation

Secretariat (WP/14) referred to the fundamental economic principle in the Council Statements in Doc 9082 that costs should be determined on the basis of sound accounting principles. To allow for more flexibility in the setting of airport and air navigation services charges, notably in cases where capacity problems exist, the paper proposed the insertion of new text in the Council Statements, advising that costs may reflect as required other economic principles provided that these were in conformity with Article 15 of the Chicago Convention and other principles in the Council Statements.

United States (WP/43) questioned whether the application of economic principles including marginal pricing in setting airport and air navigation services charges was consistent with the existing Council Statements. The United States proposed that ICAO guidance on the use of economic pricing for capacity management be expanded in order to avoid possible over-recovery of costs. It also urged consultation with users and a high level of transparency where economic pricing principles were applied in cost allocation. Finally, the United States proposed that the Council examine whether the traditional approach to measuring discrimination and cross-subsidization needed to be revised.

European Commission (WP/74) noted that while fair and efficient charging systems must be based on the principles of non-discrimination, cost-relatedness and transparency, the transformation of management of airports requires an in-depth debate on how to further develop the regulatory framework. In this context it was noted that the concept of social marginal cost pricing (for example, to reflect environmental considerations) can make an important contribution.

Airports Council International (ACI) (WP/54) advocated freedom for airport operators to adopt pricing policies which took into account unique local circumstances. Flexibility in using economic principles in pricing is important and these may include some elements of marginal pricing, such as peak period charges, recognized in the Council Statements. However, when marginal pricing was implemented it should be accompanied by careful cost analysis. An additional sentence was proposed for the *Airport Economics Manual* (Doc 9562).

International Air Transport Association (IATA) (WP/80) opposed the use of marginal pricing in the setting of user charges. In WP/81, IATA also expressed its opposition to the concept of peak pricing, indicating that ICAO should reaffirm the basic charging principles of non-discrimination and cost-relatedness.

5.2.4 Discussion

5.2.4.1 The Conference noted that States should not be obliged to resort to a single theory or principle in setting their airport and air navigation services charges but should choose the approach best suited to their own local circumstances provided it met basic internationally accepted principles. It was also felt that due consideration should be given to demand factors. In addition, it was observed that other economic principles not listed in WP/14 could be envisaged, some of which could have a discriminatory effect if not applied in conformity with Article 15 of the Chicago Convention. Concerns were expressed over the possible abuse of market power that could result from the application of these principles, and over their “open-ended” character.

5.2.4.2 There was wide support for the proposal in WP/14 to insert new text in the Council Statements in Doc 9082, with one modification to the text and its location.

5.2.4.3 With regard to WP/43, there was wide support to endorse the action suggested, also with modifications, including the notion that charges were not only destined to provide a reasonable return on investment, but also to cover costs of providing additional capacity.

5.2.4.4 The action proposed in WP/54 was adopted with some amendments to the text, for insertion in the *Airport Economics Manual* (Doc 9562), the Conference noting the same text which was already contained in the *Manual on Air Navigation Services Economics* (Doc 9161/3) would be amended accordingly.

5.2.4.5 To give effect to its conclusions, the Conference agreed to the following recommendations:

RECOMMENDATION 5.2/5

THE CONFERENCE

RECOMMENDS that the Council insert the following text in the Council Statements in Doc 9082 (in relation to both airport charging systems and air navigation services charging systems):

“Charges should be determined on the basis of sound accounting principles and may reflect as required other economic principles provided that these are in conformity with Article 15 of the *Convention on International Civil Aviation* and other principles in the present document”.

RECOMMENDATION 5.2/6

THE CONFERENCE

RECOMMENDS

- a) that States urge their service providers that adopt economic pricing principles to report details on both the level and allocation of fixed and variable costs, and to consult with users on how marginal costs are estimated and used in setting charges; and

b) that ICAO:

- 1) supplement guidance in the *Manual on Air Navigation Services Economics* (Doc 9161/3) and the *Airport Economics Manual* (Doc 9562) aimed at ensuring that the use of economic pricing for capacity management does not result in over-recovery of costs while at the same time providing for a reasonable return on investment; and
- 2) examine whether the traditional approach to measuring discrimination and cross-subsidization needs to be revised given the increased interest in applying economic principles in setting charges.

RECOMMENDATION 5.2/7

THE CONFERENCE

RECOMMENDS that ICAO modify the present paragraph 5.6 of the *Airport Economics Manual* (Doc 9562) to read as follows, and align paragraph 5.7 of the *Manual on Air Navigation Services Economics* (Doc 9161/3) correspondingly:

“The application of economic principles to setting charges which are consistent with the Council Statements in Doc 9082 should emphasize the need to recover costs in an efficient and equitable manner from the users of airport services. Within an economic context, charges should be set to recover costs, provide a reasonable return on investment, where appropriate, and to provide additional capacity when justified.”

PRE-FUNDING

5.2.5 Documentation

Secretariat (WP/15) addressed the issue of pre-funding projects through charges, a practice that some airports had introduced in recent years. While recalling the fundamental principles of cost recovery, according to which charges should not be levied for any facilities or services until they had been implemented, and that reserves being built from an excess of revenues over expenses could contain an element of pre-funding, the Secretariat considered that in very specific circumstances pre-funding through charges could perhaps be justified if strict safeguards against abuse were in place.

ECAC States (WP/69) outlined the principles of best commercial practice that airports should follow. In so doing, one consideration airports should have regard to, was that pre-funding, in the form of increased charges or any appropriate and agreed method, may be necessary to deliver long-term large scale investment.

ACI (WPs 52 and 55) was of the view that controlled pre-financing may form part of an efficient airport management plan, and may be used, where appropriate, as one alternative means of financing airport investment projects subject to the provision of safeguards for users.

IATA (WP/31) was of the opinion that the cost of large projects should be financed through external financing, which should only be included in the cost base for charging purposes once the facilities in question were operational.

IBAC (WP/38) explained that individual business aviation users of airports and air navigation services were, by and large, not “regular” users of these facilities and services and that it would be appropriate to make some distinction between regular and other users in the context of pre-funding.

5.2.6 **Discussion**

5.2.6.1 The Conference agreed that in the Council Statements in Doc 9082 the principles of cost relatedness for airport charges, and of the protection of users from being charged for facilities they do not used, should be retained. Nevertheless in light of the costs of infrastructure development and the rapidly growing organizational and financial autonomy of service providers the Conference felt that the concept of pre-funding in very limited circumstances in the case of large-scale projects merited consideration.

5.2.6.2 A number of comments were made on the application and process of such pre-funding. Some delegates, for example, expressed reservations with regard to the principle of pre-funding projects through charges, noting that the element of pre-funding was already recognized in the Council Statements in Doc 9082/5. Consequently, should the concept of pre-funding through charges be accepted, it should be an exception to the normal rule. Also, pre-funding should be considered in the context of all the revenues that an airport receives, including non-aeronautical revenues. It was also felt that it was not appropriate to apply pre-funding as the sole source for financing the totality of a project, but that a combination of different sources should be used.

5.2.6.3 In conclusion, there was widespread support for the concept of considering pre-funding in the context of economic regulation, that is subject to a degree of control, and accompanied by safeguards including those described in WPs 15 and 69. The Conference agreed that the elements proposed in both papers should be combined, noting that emphasis should be placed on consultation with users and transparency, as also expressed in WPs 52 and 55.

5.2.6.4 In light of its deliberations, the Conference adopted the following recommendation:

RECOMMENDATION 5.2/8**THE CONFERENCE**

RECOMMENDS that the Council in its review of ICAO guidance on the issue of pre-funding of projects through charges should:

- a) retain the principles of cost-relatedness for charges and of the protection of users from being charged for facilities that do not exist or are not provided (currently or in the future);
- b) indicate that pre-funding of projects, including from non-aeronautical revenues, may be accepted in specific circumstances where this is the most appropriate means of financing long-term, large-scale investment, provided that strict safeguards are in place, including the following:
 - 1) effective and transparent economic regulation of user charges and the related provision of services, including performance auditing and “bench marking” (comparison of productivity criteria against other similar enterprises);
 - 2) comprehensive and transparent accounting, with assurances that all aviation user charges are, and will remain, earmarked for aviation services or projects;
 - 3) advance, transparent and substantive consultation and, to the greatest extent possible, agreement with users regarding significant projects; and
 - 4) application for a limited period of time with users benefiting from lower charges and from smoother transition in changes to charges than would otherwise have been the case once new facilities or infrastructure are in place.

SEARCH AND RESCUE (SAR)**5.2.7 Documentation**

Secretariat (WP/16) referred to Appendix 2 of the Council Statements in Doc 9082 where recovery of the costs to States of providing search and rescue (SAR) services is addressed under “Other ancillary aviation services”, and the 1996 recommendation by the Air Navigation Services Economics Panel that this policy guidance be amended to allow for costs of SAR services performed by establishments other than permanent civil establishments, such as the military, to be included in the cost basis for air navigation services charges. The Council had not approved the Panel’s recommendation pending a Secretariat study of the implications concerned.

This study had been based on responses to a questionnaire circulated to States seeking background information on search and rescue cost recovery policy and practices. A limited number of States (33) had replied to the questionnaire, the majority (21) of which had stated that they were not in favour of applying the Panel's recommendation. In this context, the Conference was invited to advise the Council whether or not there were sufficient grounds for the existing text in the segment "Other ancillary aviation services" in Appendix 2 of the Council Statements, to be amended.

AFCAC States (WP/100), concerned at inadequacies in search and rescue, proposed a regional approach, with funding through user charges or a proposed international aeronautical fund presently under study by the Council.

IAOPA (WP/63) suggested that language in the Council Statements in Doc 9082 should be strengthened to reflect that certain essential services provided to a State's citizens, including SAR services, also should be provided to international civil aviation.

IATA (WP/84) suggested that more appropriate guidance should be developed by ICAO for the allocation of SAR costs to aeronautical users, notably not based "on ability to pay".

IBAC (WP/38) submitted that costs of SAR should be borne by the society as a whole and that, in particular, civil aviation should not be allocated costs for facilities and services provided by the military.

5.2.8 Discussion

5.2.8.1 Some delegates pointed out that it was very difficult to arrive at any conclusion for global application based on the limited number of States that had replied to the survey as to whether States were in favour of costs of SAR services provided by establishments other than permanent civil establishments being included in the cost basis for charges. The Conference agreed that there was a need for follow-up of the Secretariat study, and information from many States that had not responded to the survey in the first instance.

5.2.8.2 The Secretariat drew attention to the wider perspective of SAR activities as part of humanitarian undertakings by States as part of their emergency response requirement for which there is no charge. It was noted that in the *International Convention on Maritime Search and Rescue* there is an obligation to render assistance to anybody in distress and that there was no cost recovery mechanism established for maritime SAR.

5.2.8.3 While some delegates took the view that SAR services are an obligation of States to provide free of charge, others expressed concern about the difficulties faced by many less developed States in funding investments in SAR facilities and services. The establishment of mechanisms at the regional or sub-regional level could contribute to reduce the existing shortcomings in this field and would enhance safety. In this context it was suggested that existing aviation training institutions should be taken into account. The Conference accordingly endorsed the proposals in WP/100 in general terms, but without reference to an "international aeronautical fund" as this issue is currently under consideration by the Council in a specific context.

5.2.8.4 To give effect to its discussion, the Conference agreed to the following recommendations:

RECOMMENDATION 5.2/9

THE CONFERENCE

RECOMMENDS that ICAO undertake further study as to the position of States and the implications of amending ICAO policy with regard to recovery of costs for civil aviation related search and rescue services provided by other than permanent civil establishments.

RECOMMENDATION 5.2/10

THE CONFERENCE

RECOMMENDS that ICAO

- a) develop guidance on the establishment of organizations at the regional level for search and rescue activities; and
- b) conduct a study on the establishment of regional or sub-regional search and rescue mechanisms and how they might be funded as regards civil aviation.

Agenda Item 5.2: Elements for consideration with regard to ICAO policy

ECONOMIC ASPECTS OF CNS/ATM OPERATION

5.2.9 **Documentation**

Secretariat (WP/19) affirmed that the policy and guidance developed by ICAO on organizational and cost recovery aspects of air navigation services applies to CNS/ATM systems. The paper emphasized the importance of a sound financial management system for successful cost recovery and obtaining financing, noting that there was strong demand from States for additional guidance in such areas as cost/benefit analysis, development of business cases, financing, cost recovery and establishment of joint cooperative ventures. The Secretariat (WP/20) also presented a progress report on a study by ICAO on the allocation of GNSS costs. This paper discussed future work in this area, which included collaboration with EUROCONTROL (see WP/65 below), noting that ICAO serves the global community and therefore would ultimately develop guidance which could be applied worldwide. It was noted that a broad based coalition of civil aviation interests and non-aeronautical users would need to be established if acceptable and equitable cost shares for each major user group are

to be estimated. One suggestion was that the core system costs of GNSS could be allocated to States on the basis of their gross national product (GNP).

United States (WP/103) declared that it would continue to provide GPS signals free from any direct user charge. The paper invited the Conference to: examine the economic benefits of a GNSS developed and implemented free from any direct user charges; consider the safety implications associated with direct charges for GNSS; call upon States that plan to develop components for GNSS to apply an open architecture in order to avoid requirements for dual equipment of aircraft; examine the concerns related to GNSS cost allocation and recovery; and examine whether existing ICAO guidance is sufficiently precise for GNSS cost recovery.

European Commission (WP/75) indicated certain principles related to regional cooperation and integration in provision of a sound air traffic management system, for example the establishment of collective funding mechanisms, the revision of charging principles according to a service-oriented structure facilitating cross-border application, and introduction of economic incentives to reward aircraft capabilities in using efficiently scarce resources.

EUROCONTROL (WP/65) submitted a “requirements-driven” method for allocation of GNSS costs between civil aviation and other user categories, as well as between States and phases of flight (en route vs. approach/aerodrome), which could be applied worldwide. This method incorporated the number of users, the users’ requirements by phase of operation or application, and the incremental costs to provide varying levels of service. It was recommended that ICAO in its own study on the allocation of GNSS costs take the work carried out by EUROCONTROL into account.

International Air Transport Association (IATA) (WP/25) called for the Conference to confirm that all basic ICAO charging principles, including non-discrimination, cost relatedness, financial transparency and consultation with users, should be adhered to in the implementation of CNS/ATM.

International Business Aviation Council (IBAC) (WP/38) stressed that aviation should only pay a fraction of the total GNSS costs, in proportion to actual use compared with society as a whole, and that aviation user costs should be lower than what they would be if the existing ground based navigation systems were to be continued.

5.2.10 Discussion

5.2.10.1 Broad support was expressed for the conclusions in WP/19, giving emphasis to the need for more practical guidance and assistance by ICAO to States. The Conference also reaffirmed that all basic ICAO charging principles should be adhered to in the implementation of CNS/ATM.

5.2.10.2 As regards GNSS costs, the Conference concluded that it would be premature to decide on allocation methods and requested ICAO to continue its efforts in this area with a more comprehensive study, for which a broad based coalition of civil aviation interests and non-aeronautical users would need to be established in order to estimate acceptable and equitable cost allocation shares for each major user group. The

“requirements-driven” approach initiated in Europe (WP/65) was endorsed as one method which should be taken into account in the further work. The idea presented in WP/20 to allocate core GNSS costs to all States on the basis of their gross national product was questioned by some delegates. Delegates from the two States providing basic GNSS signals declared that their States would continue to provide the signals free of charge for the foreseeable future.

5.2.10.3 To give effect to its conclusions, the Conference agreed to the following recommendation:

RECOMMENDATION 5.2/11

THE CONFERENCE

RECOMMENDS that ICAO continue and extend the scope of study of the allocation of GNSS costs among user groups, in coalition with non-aeronautical users and taking into account all possible methods for the allocation of costs, including the “requirements driven method.”

CONSULTATION WITH USERS

5.2.11 Documentation

Secretariat (WP/12), in a paper presented earlier in the context of dispute resolution, drew attention to the guidance on consultation with users in the Council Statements in Doc 9082.

Switzerland (WP/46) described the methods applied in Switzerland in the process of modifications of charges for airports and air navigation services and underlined the importance of user consultations.

United Kingdom (WP/91) stressed the importance of timely and substantive consultations with airport users both during the setting of airport charges and when devising development plans. Revised text was suggested to strengthen the guidance in the Council Statements and to give the users the right to appeal to a body independent of the airport authority failing an agreement between the providers and the users on charges. It was also suggested to extend the advance notice period in case of revision of charges or imposition of new charges at ban airports to four months from the present two months in Doc 9082.

ACI (WP/47) asserted consultations are the cornerstone of a productive working relationship between airports and their users and expressed satisfaction with the guidance in Doc 9082.

IATA (WP/79) similarly underlined the significance of the consultation process between airports or air navigation services providers and their respective user communities.

5.2.12 Discussion

5.2.12.1 The Conference stressed the importance of building up a productive relationship between providers and users through consultations and agreed that relevant texts on consultations with users in the Council Statements in Doc 9082 should be strengthened along the lines proposed in WP/91. However, some concerns were expressed concerning setting a precise time frame for consultation in ICAO guidance as the situations differed from one State to another; the Conference was of the view that the Statements should be more permissive than prescriptive on this matter.

5.2.12.2 As to the suggestion to give the users the right to appeal to a body independent of the airport failing an agreement between the providers and the users on charges, the Conference agreed that this should be studied further by ICAO. A view was expressed as to a need for additional guidance on consultation where there was no regulatory regime in the State concerned. A further view was that the term “users” in the consultation process should be understood as including air travellers.

5.2.12.3 To give effect to its conclusions, the Conference agreed to the following recommendation:

RECOMMENDATION 5.2/12**THE CONFERENCE**

RECOMMENDS that ICAO:

- a) strengthen the text on consultation with users in the Council Statements in Doc 9082; and
- b) study and develop for inclusion in the Council Statements the concept of giving users the right to appeal to an independent body, where available, failing agreement with providers, and further guidance on the appeals process to be used consistent with the regulatory regime in the State concerned.

PROLIFERATION OF CHARGES AND REVENUE DIVERSION**5.2.13 Documentation**

ACI and IATA (WP/24) jointly sought to encourage States to permit the imposition of charges only for services and functions which are required, directly related to, and beneficial to civil aviation, and not to impose charges for functions which are primarily the responsibility of governments.

IATA (WP/77) felt that the diversion of funds adds unnecessarily to the cost burden of an airport or air navigation services provider, a burden which ultimately is passed on to the users, and suggested that ICAO guidance explicitly state that revenues generated by an airport or air navigation services provider should remain with the provider concerned.

5.2.14 **Discussion**

5.2.14.1 The Conference agreed to endorse the position that States be encouraged to limit the imposition of charges as proposed in WP/24. However, the Conference did not endorse the idea that States should refrain from imposing charges for functions which are primarily the responsibility of government such as security, immigration and customs. The view was expressed that these functions are carried out by governments for the benefit of airlines, airports and the travelling public and that it is reasonable and equitable to recover the costs involved.

5.2.14.2 Turning to WP/77 many delegates expressed difficulties in accepting some of the views expressed in the paper without further study, and in particular the suggestion that revenues generated by an airport or air navigation services provider should necessarily remain with that individual provider. The Conference noted, however, that the subject of revenue distribution within provider systems or networks would be discussed further in the development of guidance for States that wish to commercialize their airports or air navigation services as envisaged in the Conference's Recommendation 2/3.

5.2.14.3 To give effect to its conclusions, the Conference agreed to the following recommendation:

RECOMMENDATION 5.2/13

THE CONFERENCE

RECOMMENDS that ICAO encourage States to permit the imposition of charges only for services and functions which are provided for, directly related to, or ultimately beneficial for civil aviation operations.

ENVIRONMENTAL CHARGES

5.2.15 Documentation

Netherlands (WP/87) felt that the Council Statements in Doc 9082 were somewhat restrictive regarding external costs of aircraft noise and that the use of economic pricing through noise-related charges may offer an effective solution for reducing noise impact around airports.

United States (WP/40) recalled that the appropriate forum in ICAO for discussing environmental charges was the Council's Committee on Aviation Environmental Protection (CAEP) whose work was under way on a number of options, with conclusions to be considered at the next ordinary session of the ICAO Assembly.

5.2.16 Discussion

5.2.16.1 The Conference readily agreed that substantive discussions on environmental charges should take place in the Council's Committee on Aviation Environmental Protection (CAEP), the body to which the Council had assigned such functions. The Conference noted that CAEP's recommendations on possible market-based options to address the impact of aircraft engine emissions were expected in January 2001, for subsequent submission to the Council and subsequent consideration by the next ordinary session of the ICAO Assembly in September/October 2001. Consequently, any issues concerning environmental market-based options or other environmental charges that may be raised at the present Conference would be referred to the ICAO Council for possible transmission to CAEP.

— — — — —

Agenda Item 5.2.1: Airport charging principles**SINGLE TILL****5.2.1.1 Documentation**

Secretariat (WP/17) stressed the importance of non-aeronautical revenues both for the financial viability of an airport and as one means of keeping charges on air traffic as low as possible. As non-aeronautical revenues can only be generated at an airport because of the market created by the aircraft operators, it would be equitable that the principal users, that is the air carriers and their passengers, benefit from non-aeronautical as well as aeronautical activities. The paper therefore suggested that the substance of related text in the Council Statements in Doc 9082 be reaffirmed. The paper also suggested that the “single till” concept of pooling airport revenues and costs from all revenue-generating activities when charges are set apply equally in the context of air navigation services.

ACI (Wps 48 and 50) pointed out that using revenues from airport commercial activities to reduce aeronautical charges creates an exceptional cross-subsidy for air carriers. ACI’s view was that this reduced short-term costs at the expense of longer term investment, reduced the ability and incentive of airports to develop improved commercial facilities and in the longer term reduced commercial revenues. ACI therefore sought adoption of a more flexible policy allowing for airport operators to retain and use commercial revenues as and when needed to help fund airport improvements, the setting of user charges and the provision of appropriate rewards to the owner of the airport and suggested that the Conference amend Doc 9082 accordingly.

IATA (WP/30) was of the opinion that non-core activities within an airport perimeter, which can only develop due to aviation activities, should benefit its primary users, the air carriers, in terms of reducing the cost base for charging purpose.

IATA (WP/82) also considered that discounts or rebates on charges were only acceptable if they comply with certain principles including *inter alia* that they are available to all operators and that they do not distort competition.

IATA (WP/83) stressed that airports should refrain from imposing non cost-related levies on aeronautical activities directly associated with the operation of air transport services as it considered that such levies would increase the cost of airline operations at an airport and could have discriminatory effects.

5.2.1.2 Discussion

5.2.1.2.1 The Conference held a comprehensive and extensive discussion on the concept of the single till. The discussion brought out considerable differences of opinion on the benefits and justification for its application.

5.2.1.2.2 Many delegates supported continued endorsement of the single till concept as it reflects the special role of airports in promoting and developing air transport, serves the purpose of reducing the cost base for charges, motivates airports to develop revenues from non aeronautical activities and provides for capital investment. The existing ICAO policy guidance was felt by some delegates to be sufficiently balanced to accommodate airports' needs. On the other hand there was considerable support for more flexibility in the interpretation and application of the single till in view of the varying situations among airports, the need to adjust to the changing airport environment, including autonomous organizational and financial structures, and investment requirements. Two delegates indicated that the existing policy in the Council Statements in Doc 9082 (paragraph 14 i)) does not accommodate the existing policy positions of their States. They therefore supported the wording proposed by ACI in WP/50.

5.2.1.2.3 Many delegates expressed concern with regard to applying the single till concept in the context of air navigation services as suggested in WP/17.

5.2.1.2.4 In the discussion a number of delegates drew attention to the important role of regulatory authorities and, in some instances, competition laws, where the single till concept is replaced by another method. Reference was also made to the need for transparency and disclosure in accounting systems as well as consultation.

5.2.1.2.5 In light of the differing viewpoints expressed and the need for greater maturity of the issue before consensus could be reached, there was general agreement that further work and analysis were needed on the subject. The Conference therefore agreed to recommend that ICAO conduct a study as a matter of high priority which would take into account all elements, including the Conference documentation and discussion.

5.2.1.2.6 Turning to WP/82 the general view was that in offering any discounts or rebate, the provisions of Article 15 of the Convention on International Civil Aviation related to non-discrimination should be overriding and that the principles suggested in WP/82 when offering discounts could be used, whenever and to the extent appropriate. The Conference also noted the views of IATA in WP/83 on levies on aeronautical activities.

5.2.1.2.7 To give effect to its discussions, the Conference agreed to the following recommendation:

RECOMMENDATION 5.2.1/1**THE CONFERENCE**

RECOMMENDS that ICAO undertake, as a matter of high priority, a study on the application of the "single till" principle for airports as well as air navigation services, with a view to mainly identifying the elements included in it as well as determining whether any amendment is required to the Council Statements in Doc 9082 or there is a need for additional

guidance for States. The study should also focus on economic implications, including return on investment, and the impact on charges, take into account the need for transparency in financial accounting and flexibility to accommodate differing circumstances in different States and service environments as well as regulatory oversight or the application of generic competition law.

PASSENGER SERVICE CHARGES

5.2.1.3 Documentation

Secretariat (WP/60) explained current ICAO policy and practical guidance on passenger service charges (PSC) and presented the results of a survey carried out on the methods used for collecting PSCs at airports. In a majority of States these charges continued to be levied directly on passengers, however the recent emphasis had been to levy PSCs through airlines. In view of the facilitation problems created by the levying of PSCs on passengers, especially at airports facing congestion constraints, the Secretariat suggested a recommendation on the avoidance of the collection of PSCs directly on passengers and, together with changes to the Council Statements in Doc 9082, the development of further practical guidance in the *Airport Economics Manual* (Doc 9562).

5.2.1.4 Discussion

5.2.1.4.1 There was general support for WP/60, especially with regard to the practical value of PSCs and the related necessity of avoiding queueing lines at airports, although some delegates felt that the direct levying of PSCs on passengers was not creating facilitation problems, at least at the airports in their States. With respect to the suggestion in WP/60 for the recovery of PSCs through airlines some delegates expressed concern with regard to the practical implementation and supplemental administrative cost. The Conference noted that Annex 9 – *Facilitation* now contained in a Recommended Practice consistent with the suggestion in WP/60. While the issue was primarily one of facilitation, it also had economic implications and would be worth reemphasizing.

5.2.1.4.2 To give effect to its conclusions the Conference adopted the following recommendation:

RECOMMENDATION 5.2.1/2

THE CONFERENCE

RECOMMENDS that:

- a) States endeavour to ensure that the levying of passenger service charges does not create additional queueing and delays at airports, if appropriate by avoiding the collection of these charges directly and separately from the passenger at the airports; and

- b) the Council delete the following text from the first sentence of paragraph 19 of the Council Statements in Doc 9082/5: "...reaffirms that passenger service charges are not objectionable in principle".

GENERAL AVIATION

5.2.1.5 Documentation

IAOPA (WP/61) explained that general aviation and aerial work activities operate at the margins of airport operations and use only a small portion of airport infrastructure. IAOPA suggested an amendment to the Council Statements in Doc 9082 which would state that airport charges levied on international general aviation should be based on the marginal value of the facilities and services actually used. These charges should be calculated with the supplementary goal of promoting the sound development of international general aviation.

5.2.1.6 Discussion

5.2.1.6.1 The Conference noted that in a related paper (WP/62) considered under Agenda Item 4 IAOPA had proposed that general aviation and aerial work be similarly treated with regard to air navigation services charges as WP/61 proposed with regard to airport charges. The Conference had not endorsed the earlier proposal, but had agreed to recommend a study to enhance airport access for general as well as business aviation (Recommendation 4/3).

— — — — —

Agenda Item 5.2.2: Air navigation services charging principles**5.2.2.1 Documentation**

Secretariat (WP/21) reviewed organizational aspects relating to the provision of approach and aerodrome control services. The paper provided information on States practices in levying charges for approach and aerodrome control. The paper noted that incorporating the cost basis and charges for approach and aerodrome control into the en route charges structure would lead to inequity because traffic flying through the airspace concerned without landing would be charged for the costs of approach and aerodrome control services they do not use.

China (WP/111) presented a review of the financial progress of its air traffic control service.

5.2.2.2 Discussion

5.2.2.2.1 The Conference noted that the Secretariat would be reviewing and updating the guidance relevant to cost recovery for approach and aerodrome control services presently contained in the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3) in the light of the developments that are taking place in the provision and cost recovery of these services. Consistent with WP/21, the Conference reaffirmed the principles addressing approach and aerodrome control charges in the Council Statements in Doc 9082.

Agenda Item 6: Guidance and assistance by ICAO**ICAO ACTIVITIES IN THE FIELD OF ECONOMICS OF AIRPORTS
AND AIR NAVIGATION SERVICES****6.1 Documentation**

Secretariat (WP/23) provided summary descriptions of the guidance material developed by ICAO on the economics and management of airports and air navigation services. In addition to the Council Statements, these include the *Airport Economics Manual* (Doc 9562), the *Manual on Air Navigation Services Economics* (Doc 9161/3), the *Report of the Air Navigation Services Economics Panel on Financial and Related Organizational and Managerial Aspects of Global Navigation Satellite System (GNSS) Provision and Operation* (Doc 9660), *Guidelines for Cost-Benefit Analysis of Communications, Navigation and Surveillance/Air Traffic Management (CNS/ATM) Systems* (Circ. 257), the *Airport Planning Manual* (Doc 9184), the *Manual on Air Traffic Forecasting* (Doc 8991), and the *Digests of Statistics* (Series AT, AF, Doc 9180). The paper also provided an overview of workshops and seminars which include subjects that have a bearing on airport and route facility management, as well as technical support carried out by the Air Transport Bureau, for example, for the regional planning process, the Global Aviation Safety Plan, the SADIS Cost Allocation and Recovery Scheme and technical co-operation.

6.2 Discussion

6.2.1 The Conference noted the information provided in the paper and an opinion that in view of the inter-related tasks of the Airport Economics Panel and the Air Navigation Services Economics Panel, consideration should be given to merge them into a single body.

6.2.2 In the context of future work by the Organization, it was noted that all Conference recommendations for studies and other tasks were contingent upon the availability of resources.

TRAFFIC AND FINANCIAL DATA REQUIREMENTS**6.3 Documentation**

Secretariat (WP/57) underlined the increasing importance of traffic and, particularly, financial data of airports and air navigation services in order for States to exercise the economic oversight of their operations, and the associated need to align the guidance material provided by ICAO on financial control and accounting in conjunction with the related requirements of the ICAO Statistics Programme. The paper also stressed the need for States to participate in the ICAO Statistics Programme.

6.4 **Discussion**

6.4.1 The Conference endorsed the action suggested in WP/57 and adopted the following Recommendation:

RECOMMENDATION 6/1

THE CONFERENCE

RECOMMENDS that

- a) the Council develop the traffic and financial data for airports and air navigation services collected through the ICAO Statistics Programme in alignment with the guidance provided by ICAO on financial control and accounting for these infrastructure components; and
- b) States make every effort to complete and submit the relevant Air Transport Reporting Forms (J and K for finances, I and L for traffic) to ICAO in a timely manner.

—END—