

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

(Montreal, 19 - 28 June 2000)

**DRAFT REPORT ON AGENDA ITEM 5.2** (final part)

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**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 equipage 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 the “requirements-driven” method.

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## 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 as the cornerstone of a productive working relationship between airports and their users.

**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;
- 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 in the absence of a 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

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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 required, directly related to, or ultimately beneficial for civil aviation operations.

**ENVIRONMENTAL CHARGES**

Draft

**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.

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