

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

(Montreal, 19 - 28 June 2000)

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

#### SEARCH AND RESCUE COST ALLOCATION

(Presented by the Secretariat)

##### SUMMARY

This paper reports on a study on the implications of the inclusion of the costs of search and rescue services provided by other than civil establishments in the cost basis for air navigation services charges. Suggested action by the Conference is at paragraph 5.1.

#### 1. Background

1.1 Recovery of the costs to States of providing search and rescue services is addressed in the *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082/5)\* under: "Other ancillary aviation services" in *Appendix 2 – Guide to the facilities and services to be taken into account by providing authorities in determining the total costs of air navigation services*. The inclusion is as follows: "All that part of the services allocable to civil aviation of any permanent civil establishment of equipment and personnel maintained for the purposes of providing such services as search and rescue, accident investigation, aeronautical charts and information services." The influence of this principle is that costs attributable to search and rescue missions or services provided by the military should not be charged to international civil aviation.

1.2 In 1996 the Air Navigation Services Economics Panel recommended that this policy guidance be amended to allow for costs of search and rescue (SAR) services performed by establishments other than permanent civil establishments to be included in the cost basis for air navigation services charges

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

(Recommendation ANSEP/3-1). However, the Panel listed the following three principles that should be followed in that regard:

- ! Only the aeronautical facilities and services included in the ICAO Regional Air Navigation Plans should be accounted for (consistent with para 34 ii) of Doc 9082).
- ! Cost allocation attributable to the different users other than civil aviation (military, agriculture, land and maritime transport, tourism, etc.) as well as civil aviation should therefore precede any cost recovery from civil aviation.
- ! These operations must be performed with the precision and transparency required and users should be provided with relevant information, in particular with regard to the costs of the facilities and services provided.

1.3 In considering this ANSEP recommendation, the Council noted that it would appear to represent a fairly fundamental departure from long-standing ICAO cost recovery policy guidance and could have wide-reaching effects on the level of costs being recovered through charges. The Council therefore did not approve the Panel's recommendation but agreed that the Secretariat should undertake a study on the implications concerned.

## 2. **Basis for consideration**

2.1 In the exchange in the Panel and the Council on this subject, it was pointed out that air traffic services (ATS), communication services (COM) and meteorological (MET) services are in some instances provided partly or completely using military facilities, equipment and personnel with the associated costs included in the cost basis for air navigation services charges. This practice was in conformity with the international cost recovery policy advocated in the Council Statements in Doc 9082/5. However, because of the qualification in Appendix 2 to the Council Statements in defining "other ancillary aviation services", the same practice should not be applied with regard to military personnel and equipment used for SAR purposes, even in circumstances where the same equipment was also used for purposes where the costs are chargeable (for example military aircraft used to calibrate communications equipment and also for search and rescue missions). Such a practice, in the opinion of some, was inequitable, and could also prevent cost-efficient use of facilities.

2.2 In the case of SAR, it was noted that there are major differences *vis à vis* the major facility and service categories of ATS, COM and MET in that a primary purpose of the latter three was to serve civilian aeronautical functions while most SAR facilities and services principally serve other functions and are in most circumstances provided by the military establishment. The facilities concerned include, for example, long and medium-range aircraft, helicopters, patrol boats and other vessels, mountain rescue units etc., all of which were principally oriented towards other purposes than serving civil aviation. In fact it was suggested that if these were not already available and in use for their main purposes, SAR requirements for aviation might be met by employing different and less costly alternatives.

2.3 Another area where SAR services differed from ATS, COM and MET services provided for civil aviation was that the latter are in continuous use while SAR facilities are only used for a fraction of the time they are available. Consequently the "stand-by" portion of the costs of their provision is very high compared to the cost portion attributable to their actual use. ICAO cost recovery policy guidance, however, does not make a distinction between these two cost portions when addressing the cost basis for air navigation

services charges. This policy guidance states that the costs to be taken into account should be those assessed in relation to the facilities and services provided for and implemented under the ICAO Regional Air Navigation Plan(s) (Doc 9082/5, paragraph 34 ii).

2.4 The proposed amendment to the Council Statements would make it acceptable for States to include the costs of all the military facilities, equipment and personnel used to provide the SAR services listed in the regional plans. Information provided by States in the past indicated that costs of SAR services which have as a rule accounted for a minor share, normally zero to one percent, of total air navigation services costs could in some instances increase dramatically and become the major or even dominating cost item with consequential effects on charges. A related issue was how transparency equal to that required for civil facilities would be ensured with regard to costs of operational military facilities attributed to search and rescue.

2.5 While the focus of attention in this instance had been SAR services provided by other than permanent civil establishments, the qualification referring to any permanent civil establishment in Appendix 2 to the Council Statements also applied to other services, including accident investigation and information services.

### 3. **Result of study**

3.1 The study referred to in paragraph 1.3 above was undertaken by the Secretariat and principally based on responses to a questionnaire circulated to States seeking background information on search and rescue cost recovery policy and practices (State letter EC 2/86-99/98, dated 3 September 1995). The response has been disappointing. Only 33 States\*\* replied. The majority, 21 States, responded that they are **not** in favour of the costs of search and rescue services provided for international civil aviation by establishments other than permanent civil establishments, such as the military, being included in the cost basis for air navigation services charges. On the other hand 11 States advised that they would favour such practice and that the policy guidance in the Council Statements should be amended accordingly. Ten States were in favour of cost recovery being sought from all categories of users (civil aviation, maritime activities, land based activities etc), while 14 States were not. A few States were of the opinion that SAR is a public service where the Government provides the funds necessary.

3.2 Only 14 States reported costs attributable to SAR services, of which nine States reported costs for other than permanent civil establishments (including the military). In two of those nine States all the SAR costs reported were incurred on behalf of other users than civil aviation. Seven States identified costs attributable to civil aviation incurred by other than permanent civil establishments with the annual costs reported varying between States from nine thousand USD to 45 million USD. These costs, it should be added, are not directly related to the relative volumes of traffic served by the States concerned. Such a small number of reporting States prevents any realistic assessment to be made of the magnitude of the overall costs involved if costs of SAR services provided by other than civil establishments were to be included in the cost basis for charges.

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\*\*Bahrain, Barbados, Belarus, Belize, Botswana, Brazil, Burundi, Canada, Hong Kong (China), Czech Republic, Ecuador, France, Gambia, Germany, Greece, Kyrgyzstan, Mexico, Morocco, New Zealand, Norway, Pakistan, Poland, Republic of Korea, Russian Federation, Saudi Arabia, Slovakia, South Africa, Spain, Switzerland, Thailand, United Arab Emirates, United Kingdom and Uzbekistan.

3.3 The data received were also too limited in terms of number of States and coverage to allow for any assessment of the overall costs of providing SAR services including and/or excluding costs of other than permanent civil establishments. Additional cost data (but very limited with regard to SAR cost) were provided in replies to the pre-ANSCConf 2000 questionnaire (circulated under State Letter SR 167/1-99/80, dated 6 August 1999). Through this, 13 additional States have indicated the estimated share (in percentage or absolute figure) of the total expenses of air navigation services which are allocable to SAR services. Combining the cost data from the two surveys indicates that SAR costs (for permanent civil establishments) aside from a few disproportionally high shares (20 or 30 per cent) as a percentage of total air navigation services costs tend to fall in the range of 0 to 3 per cent which in order of magnitude is in conformity with earlier studies. Annual costs vary between States from 200 thousand to two million USD, which shows much less fluctuation between States than did the costs reported for SAR services performed by other than permanent civil establishments. The small size of the sample in both cases should, however, be noted.

#### 4. **Conclusions**

4.1 Two observations on the basis of the survey are, that a relatively limited number of States replied and that the majority of the States that did reply were not in favour of the costs of SAR services for international civil aviation provided by establishments other than permanent civil establishments being included in the cost basis for air navigation services charges. Considering these factors there seems to be a lack of support for and apparently no widespread interest in changing to the policy guidance in Appendix 2 of Doc 9082/5. Strong objections voiced by the International Air Transport Association (IATA) and the International Council of Aircraft Owner and Pilot Associations (IAOPA) give further support to this opinion.

4.2 The impact on user charges if the segment “Other ancillary air navigation services” in Appendix 2 of Doc 9082/5 were to be amended along the lines proposed in paragraph 1.2, cannot be assessed for lack of data but could be assumed to vary substantially between States. Relevant in this context is also the concern with regard to transparency. The military would be expected to provide detailed information about the costs and utilization of its manpower, aircraft, vessels, etc. used for civil aviation SAR purposes as well as for other than civil aviation purposes, including military functions. This data may be deemed confidential in many States.

4.3 Furthermore, the proposed amendment if approved might open up the issue under “Other ancillary air navigation services” in Appendix 2 of Doc 9082/5 as to whether the approach to cost recovery should change for the other services quoted together with search and rescue, that is accident investigation, aeronautical charts and information services.

#### 5. **Action by the Conference**

5.1 The Conference is invited to note this paper and advise the Council whether or not there are sufficient grounds for the existing text in the segment “Other ancillary aviation services” in Appendix 2 of the Council Statements in Doc 9082/5, to be amended along the lines suggested in paragraph 1.2 above.