

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

- Agenda item 1: Economic situation of airports, air navigation service providers and their financial relationship with air carriers and other users**
- Agenda item 2: Organizational issues**

ORGANIZATIONAL ASPECTS OF THE PROVISION OF AIRPORTS AND AIR NAVIGATION SERVICES

(Presented by the Secretariat)

SUMMARY

This paper refers to organizational forms under which airports and air navigation services are operated; private involvement in airport operations; new trends emerging in the management of airports and air navigation services and existing ICAO guidance on this subject. Suggested action by the Conference is at paragraph 6.1.

1. Background

1.1 In the years since the 1991 Conference on Airport and Route Facility Management (CARFM) the pace of change in the forms under which airports and air navigation services operate has accelerated. This has led to a wider range of ownership and control structures than existed before. So as to obtain the most recent information available on these issues prior to the present Conference States were requested to provide information relevant thereto in the pre-Conference questionnaire (circulated under State letter SR 167/1-99/80, dated 6 August 1999).*

*While the body and appendices to this paper summarize the responses received essentially in global terms, an addendum will be circulated subsequently containing data as provided for each responding State.

2. States' practices related to airport management

2.1 Appendix A shows by region that the prevailing organizational form for the 82 States responding to the questionnaire (covering 303 airports) was the government owned autonomous airport entity (47 States). Second most common was Department of Civil Aviation (22 States), followed by ministry or other national government department (17 States), regional or municipal government (11 States), and private interests operating the airport under a concession or leasing arrangement (9 States). The least common form was the privately-owned airport entity (7 States). (The total number of States quoted exceeds 82 because of different responses for different airports in some States). The survey also indicated that in the future the organizational forms that were expected to grow most were private interests operating the airport under a concession or leasing arrangement, and the privately-owned airport entities.

2.2 Compared to the survey conducted prior to the 1991 CARFM, the number of States where airports are organized as government owned autonomous authorities has increased notably, as has the number of States where airports are managed by privately owned entities.

2.3 With regard to ownership of airports, 57 States reported on their current situation and 32 States on their future plans. From the survey it appears that 21 major airports in the world (in 7 States located in Europe and Asia/Pacific) are currently owned by private interests either completely (11 airports) or in part (three airports where private interests have a majority holding and seven airports where private interests have a minority holding). The large majority of airports remain under government or public ownership either wholly or through a majority holding. As to the future, tentative indications are that private involvements in ownership will increase most in Europe, although plans to that effect are also under active consideration in the Caribbean, Central and South America and the Asia/Pacific region.

2.4 The survey also sought to establish where private domestic and/or foreign interests own and/or operate major airport areas or services. The response showed that while the number of privately- owned airport authorities remains somewhat limited at present, there were two major airport areas or services, as indicated by region in Appendix B, where private interests were involved in ownership and/or operation to a noticeable extent. These areas were, in descending order, ground handling (64 States) and cargo terminals (59 States) confirming trends clearly established at the time of the 1991 CARFM Conference. This pattern of distribution also broadly applies at the regional level. Private involvement has become increasingly important in the ownership/operation of passenger terminals (41 States) and security services (40 States). Air traffic control (including communications) was provided at the airport level by private interests wholly or in part in 34 States. Where private interests were involved they were principally domestic although in the cases of ground handling and cargo terminals mixed domestic and foreign interests were involved, primarily in Europe. Involvement by foreign interests alone was rare or non-existent.

3. States' practices related to air navigation services management

3.1 The survey response with regard to ownership and operation of air navigation services is summarized by region in Appendix C. States in some instances have given several responses to the same question. Comparisons with the situation as it was at the time of the 1991 CARFM Conference was not possible since no specific survey on organizational aspects of air navigation services was conducted at that time.

3.2 Out of the 81 States providing information on the overall structure under which air traffic services (ATS) were provided, the most commonly quoted form reported by States was the government-owned autonomous entity (37 States), followed by Directorate of Civil Aviation (32 States). Much less common were ministry or other national government department (12 States). The other alternatives were rare, with five States reporting international agencies, two States privately owned entities and one State reporting another State providing ATS on its behalf. (The accumulated total of States by form of structure exceeds the total number of States reporting because of multiple responses in a few instances). These results should be interpreted cautiously since, for example, a number of States where ATS are known to be provided by an international operating agency have not responded (mainly in Africa and Central America, where such agencies are active), which gives a misleading impression of the relevance of these agencies in global terms. But the main conclusion to be drawn is the importance, in relative as well as in absolute terms, of autonomous bodies; and with eight States planning government-owned autonomous bodies, and four States planning private or public/private bodies, autonomous bodies will soon become the prevailing organizational structure under which ATS is provided.

3.3 With regard to the collection of air navigation services charges in the 81 responding States (also Appendix C), a majority (56 States) collects the charges themselves, while a relatively large number (37 States) have contracted their collection to a third party (primarily an international agency, and in few instances another State). This is particularly noticeable with regard to Europe, where the EUROCONTROL agency collects en-route air navigation services charges for the majority of the States, some of which, however, also collect terminal (approach and aerodrome control) charges themselves.

3.4 Approach and aerodrome control services, as indicated in Appendix D, were provided in a majority of the responding 81 States by the same organization which provides air traffic services (ATS) en route. In about one third of the States surveyed, these services were provided by the airport administration, especially in the Asia/Pacific region.

3.5 Appendix E shows with regard to 81 responding States that aeronautical telecommunications services (COM) and aeronautical information services (AIS) in a large majority of the States (77 States) and meteorological services (MET) in a minority of States (29 States) were provided by the same organization as that which provided ATS. Search and rescue services (SAR) in 51 States were provided by the ATS provider. The only region where SAR services were not reported by the majority of States to be provided by the ATS provider was Europe.

4. **Trends**

4.1 Signs of globalization in airport management are emerging, with transnational ownership and/or operation becoming more widespread, as a greater number of States are seeking to transfer their airports from direct government management and control to autonomous entities or private enterprise. With the expanding number of privatized airports and the increased prospects of their profitability, interest is mounting and competition increasing within private industry to assume the leading role in airport operations globally. As a consequence major airport management companies, most of them associated with prominent airports in developed regions, are applying for, and in many cases, obtaining management contracts for individual airports or groups of airports in States that are located in other regions.

4.2 Another new trend is the emergence of airport networks, spurred on not only by the globalization trend but also by cooperative accords between airports. The development of airport alliances may

follow; insofar as the users (airlines, passengers, shippers, etc.) are concerned the potential benefits to them of airport alliances remain to be clearly demonstrated.

5. ICAO guidance

5.1 The *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services* (Doc 9082/5)** only briefly address organizational aspects in the two introductory texts which essentially suggest governments may wish to explore the possibility of establishing autonomous authorities to operate airports and/or air navigation services “where this is in the best interest of providers and users” (paragraph 6 and 27 refer); and with regard to air navigation services encourage international cooperative ventures where this is beneficial for the providers and users concerned (paragraphs 27 and 28 refer).

5.2 Considering the financial benefits that have generally been reaped from assigning the operation of airports and/or air navigation services to financially autonomous bodies, it may be timely for the text in the Council Statements in Doc 9082/5 in paragraphs 6 and 27 to be less conditional in tone.

5.3 Detailed and supplementary guidance on organizational structures is provided in the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3). Also, a summary of a *Study on Privatization in the Provision of Airports and Air Navigation Services* is being presented to the Conference in ANSCConf-WP/6, the intent being for a full version of the study to be published subsequently as an ICAO circular. Similarly of relevance in the context of this paper is economic regulation of airports and providers of air navigation services which is the subject of ANSCConf-WP/9.

6. Action by the Conference

6.1 The Conference is invited to note this paper and recommend to the Council that the Council Statements in Doc 9082 be strengthened along the lines suggested in paragraph 5.2 above.

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

APPENDIX A

Ownership and Operation of Airports

Region	Govt owned autonomous entity	Directorate of Civil Aviation	Ministry or other govt department	Regional or municipal government	Concession or leasing arrangement	Privately owned airport entity	Other
Asia/Pacific (14 States)							
Current	10	5	3	2	1	3	2
Planned	3	2	1	0	2	3	3
Middle East (8 States)							
Current	2	5	1	0	0	0	0
Planned	3	0	1	0	0	0	0
Africa (20 States)							
Current	13	5	3	0	2	1	2
Planned	3	0	0	0	2	1	0
Europe (30 States)							
Current	19	5	8	7	3	3	2
Planned	5	1	5	3	9	6	2
North America (2 States)							
Current	0	0	0	1	1	0	0
Planned	0	0	0	1	0	0	0
Caribbean/Central/South America (8 States)							
Current	3	2	2	1	2	0	0
Planned	1	1	0	0	3	1	0
Total (82 States*)							
Current	47	22	17	11	9	7	6
Planned	15	4	7	4	16	11	5

* Based on information received from the following States:

Asia/Pacific: Australia, Bangladesh, Brunei Darussalam, China (Hong Kong SAR), Japan, Maldives, New Zealand, Singapore, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Uzbekistan, and Viet Nam;

Middle East: Bahrain, Iran (Islamic Rep. of), Jordan, Kuwait, Lebanon, Oman, Qatar, and Saudi Arabia;

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

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

North America: Canada and the United States;

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

APPENDIX B

Major Areas or Services Owned or Operated by Private Interests

Region	Passenger Terminal	Cargo Terminal	Ground Handling	Air Traffic Control	Security services	Other
Asia/Pacific (14 States)						
Domestic	8	11	8	8	11	1
Foreign		1				
Mixed	2	2	4			
Middle East (8 States)						
Domestic	4	6	7	3	3	1
Foreign						
Mixed						
Africa (20 States)						
Domestic	7	9	10	5	6	2
Foreign		1				1
Mixed	1	3	3	2	1	
Europe (30 States)						
Domestic	13	13	10	11	11	2
Foreign			1			
Mixed		6	12	1	2	2
North America (2 States)						
Domestic	1	1	2	1	1	
Foreign						
Mixed						
Caribbean/Central/South America (8 States)						
Domestic	3	3	5	3	3	1
Foreign	1	1	1		1	
Mixed	1	1	1		1	
Total (82 States*)						
Domestic	36	43	42	31	35	7
Foreign	1	4	2		1	1
Mixed	4	12	20	3	4	2

* Based on information provided by the same States as those listed under Appendix A.

APPENDIX C

Ownership and Operation of Air Navigation Services

Region	Ownership and Operation						Charges Collection	
	Govt owned autonomous entity	Directorate of Civil Aviation	Ministry or other govt department	International operating agency	Privately owned entity	Other	Collects itself	Collected by another body/agency
Asia/Pacific (14 States)								
Current	8	7	2	0	0	0	10	2
Planned	4	1	2	0	0	0		
Middle East (8 States)								
Current	0	6	1	0	0	1	6	2
Planned	2	0	0	0	0	0		
Africa (19 States)								
Current	8	9	2	2	0	0	15	5
Planned	4	1	0	0	0	0		
Europe (29 States)								
Current	17	8	3	0	0	2	15	25
Planned	7	2	4	0	2	1		
North America (2 States)								
Current	0	0	1	0	1	0	1	0
Planned	0	0	0	0	0	1		
Caribbean/Central/South America (9 States)								
Current	4	2	3	3	1	0	9	3
Planned	0	0	1	0	0	0		
Total (81 States*)								
Current	37	32	12	5	2	3	56	37
Planned	17	4	7	0	2	2		

* Based on information received from the following States:

Asia/Pacific: Australia, Bangladesh, Brunei Darussalam, China (Hong Kong SAR), Maldives, New Zealand, Pakistan, Singapore, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Uzbekistan, and Viet Nam;

Middle East: Bahrain, Iran (Islamic Rep. of), Jordan, Kuwait, Lebanon, Oman, Qatar, and Saudi Arabia;

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

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

North America: Canada and the United States;

Caribbean/Central and South America: Barbados, Bolivia, Brazil, Costa Rica, Ecuador, Grenada, Jamaica, Mexico, and St. Vincent and the Grenadines.

APPENDIX D

Provision of Approach and Aerodrome Control Services

Region	Airport administration itself	Organization providing ATS en route	Other
Asia/Pacific (14 States)	7	9	0
Middle East (8 States)	3	3	2
Africa (19 States)	8	12	2
Europe (29 States)	7	25	1
North America (2 States)	0	2	0
Caribbean/Central/ South America (9 States)	4	5	1
Total (81 States*)	29	56	6

* Based on information provided by the same States as those listed under Appendix C.

APPENDIX E

Provision of Other Air Navigation Services by the ATS Provider

Region	COM*	MET*	SAR*	AIS*
Asia/Pacific (14 States)	13	2	11	14
Middle East (8 States)	8	5	8	8
Africa (19 States)	19	5	15	19
Europe (29 States)	27	9	11	28
North America (2 States)	2	2	1	2
Caribbean/Central/ South America (9 States)	8	6	5	6
Total (81 States**)	77	29	51	77

- * COM: Aeronautical telecommunication service
- MET: Meteorological services for air navigation
- SAR: Search and rescue
- AIS: Aeronautical information service

** Based on information provided by the same States as those listed under Appendix C.

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