

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

USER CHARGES ASPECTS OF CNS/ATM

(Presented by the International Air Transport Association)

SUMMARY

This paper addresses specific charging issues raised by the implementation of CNS/ATM. In general, all basic ICAO charging principles should still be adhered to in a CNS/ATM environment.

1. Introduction

1.1 General financial implications

1.1.1 It should be emphasised that the goal of CNS investment is an improved ATM that will result in operational efficiencies to the civil aviation community. Investments should be timed so that cost recovery will occur as benefits are received. Systems for sole aviation use should be avoided wherever possible, and costs should be shared by all users. Since there are already systems in place that can provide a global service, no State, group of States or service provider, should mandate that airlines use or pay for duplicate systems.

1.1.2 As a general principle, IATA:

- a) strongly encourages the multinational use of common facilities for the provision and dissemination of data in order to carry out the CNS/ATM function;
- b) supports global or regional co-ordination in research and development to avoid unnecessary duplication of effort with associated costs;
- c) supports competition between service providers; however, there may be circumstances where more than a single system will not be economically viable;

- d) encourages States or providers of CNS/ATM services to carry out cost benefit studies to ensure the most cost effective option and implementation method; airlines must be involved in all cost benefit studies.

2. Funding

2.1 Aspects of CNS/ATM, such as the Global Navigation Satellite System (GNSS) basic signal, which provide benefit to a multitude of users are a public good and costs should be borne by States.

2.2 IATA encourages government assistance in the form of funding, financing, and financing guarantees for those services provided by CNS/ATM that are of benefit to the aviation community, especially when there is an insufficient user base to give an adequate rate of return to the service provider.

2.3 ICAO and IATA policy on forward financing is that major capital investments should not be pre-funded by users. Current income may provide a reasonable return on assets (reflecting the low risk of the investment), before tax and interest charges, to contribute towards necessary capital improvements.

2.4 Interest on funding from external sources should only be included in the cost base as it is incurred. Depreciation on assets should only be included once the asset is operational.

3. Cost Allocation

3.1 IATA agrees that when a CNS/ATM service is operational and providing benefits to the user community the costs of that service, both fixed and variable, are eligible to be included in the cost base of the service provider.

3.2 Those costs of CNS/ATM which are properly allocable to users, both aviation and non-aviation, should be allocated and charged to all in an equitable manner. Individual allocations should add up to the total costs that are being allocated, whether these costs are actually recovered from all user categories or not.

3.3 The airline industry must be consulted on the cost allocation/recovery principles and the criteria to be applied.

4. Cost Recovery Mechanisms

4.1 Institutional arrangements

4.1.1 Existing regional institutional mechanisms of cost recovery should be used where possible. In cases where costs are multi-regional, establishment of an international mechanism should be considered in order to ensure costs are properly allocated to and recovered by members and non-members of regional organisations. Eventually, with full implementation of CNS/ATM, the need for regional mechanisms may become obsolete.

4.2 **Charging structure**

4.2.1 Charging structure should not discourage sound operational practice nor deter research, development, trials and demonstration efforts.

4.2.2 The charging system for CNS/ATM should be non-discriminatory and cost related. Therefore, it is important that the charging system contain the following elements:

- a) a movement related element to cover fixed costs;
- b) a distance related element to cover variable costs;
- c) a weight related element in recognition of the ability to pay.

Any change to the charging system should take into consideration the recognised ICAO principle of gradualism.

4.3 **Transition period**

4.3.1 During the transition period the costs, both fixed and variable, should be included in the cost base of the service provider. The ICAO Regional Plan should be adjusted to reflect the length of the transition period and should identify which ground facilities should be withdrawn and when. The transition period should be as short as possible to obtain maximum economic benefit.

4.3.2 IATA recognises that the length of the transition period to move from ground based to satellite based navigation services will vary by region. It is vital that the political, institutional, technical and financial sectors of the aviation industry maintain a high degree of co-ordination and co-operation during the transition period.

4.3.3 Detailed technical input to identify redundant equipment will be necessary for each region to ensure national cost bases are reduced accordingly. A defined transition period should be established, taking into account regional circumstances.

5. **Action by the Conference**

5.1 The Conference is invited to confirm that all basic ICAO charging principles including non-discrimination, cost relationship, financial transparency and consultation with users should be adhered to in the implementation of CNS/ATM.

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