

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

APPLICATION OF ADVANCED ECONOMIC PRINCIPLES INCLUDING MARGINAL COST PRICING IN SETTING AIRPORT CHARGES

(Presented by Airports Council International)

SUMMARY

ACI advocates freedom for airport operators to adopt pricing policies which take 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), which are important instruments for the effective management of busy airports. When marginal pricing is implemented it should be accompanied by careful costs analysis.

1. The ICAO Secretariat, in WP/14, addresses the application of advanced economic principles in setting airport and air navigation service charges. This refers to the conclusions and recommendations of an ICAO Secretariat Study Group, which completed its work in 1999. This Study Group was established by the Air Transport Committee and Council to develop guidance on the application of additional economic principles, including marginal cost pricing, for inclusion in the ICAO Airport Economics Manual (Doc 9562) and the Manual on Air Navigation Services Economics (Doc 9161/3); and to propose amendments to the Council Statements in Doc 9082/5.
2. ACI participated in the Study Group and agrees with its conclusions as approved, in particular that the application of economic principles is compatible with Article 15 of the Convention on International Civil Aviation and the policy guidance in the Council Statements in Doc 9082/5, also that the application of economic principles was already covered to a certain extent in the two Manuals mentioned above.
3. ACI agrees with the subsequent action taken by ICAO in adding text to the Airport Economics Manual, as shown in the Appendix to WP/14. ACI would now suggest adding a second sentence to paragraph 5.6, for clarity, so that it would read as follows:

“5.6 The application of economic principles to setting charges which are consistent with the Council Statements in Doc 9082/5 should emphasize the need to recover costs in an equitable manner from the users of airport services. Within an economic context, charges should be set both to recover costs and to encourage the provision of additional capacity when necessary”.

This second sentence is identical to the last sentence in para. 5.7 of the guidance for air navigation services in Doc 9161/3 (see para. 5.7 under A in the Appendix to WP/14). The addition of this sentence to para 5.6 in the Airport Economics Manual would provide additional clarity and greater compatibility between the guidance for airports and air navigation services on the same subject in the two Manuals.

4. ACI also agrees with the suggested additional text proposal by the Secretariat for inclusion in the Council Statements in Doc 9082/5 immediately after para 14 (i), presented in para.5.1 of WP/14, as follows:

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

5. ACI advocates freedom for airport operators to adopt pricing policies which take 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), which are important instruments for the effective management of busy airports. When marginal pricing is implemented it should be accompanied by careful cost analysis.

Action by the Conference

6. The Conference is invited:

- a) to take of note ACI's views which support the action proposed by the Secretariat in para.6.1 of WP/14 to add text to the Council Statements as indicated in para.4 above; and
- b) to add a second sentence to para. 5.6 in the guidance in the Airport Economics Manual, as indicated in para. 3 above.

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