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ITEM 5.2
(English, French and Spanish only)

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

COST RECOVERY OF AERONAUTICAL METEOROLOGICAL SERVICES

(Presented by the International Air Transport Association)

SUMMARY

Meteorological costs passed on to civil aviation in terms of charges have been increasing significantly during the last decade. IATA believes that aeronautical users are being burdened with an unduly high share of meteorological services costs. The allocation of meteorological services costs to civil aviation should be limited to the costs for facilities and services intended exclusively to serve aeronautical users. Additionally, competition in the provision of meteorological services is encouraged in order to achieve cost-effectiveness and a more reasonable allocation of costs to products and services based on user requirements

1. Introduction

1.1 The costs for meteorological services in many States are included in airport and/or air navigation services charges or levied as a separate charge. These costs have been increasing significantly during the last decade, and are a major concern for the airlines. Civil aviation is the principal industry being charged for these services, while other users of meteorological services do not contribute their fair share.

2. Discussion

2.1 For the purpose of allocating the costs between aeronautical and non-aeronautical users, facilities and services can be divided into three groups:

a) facilities and services intended exclusively to serve aeronautical requirements;

b) facilities and services intended exclusively to serve non-aeronautical requirements; and

c) facilities and services intended to serve both (core activities).

2.2 While the allocation of costs for facilities and services intended to serve aviation requirements exclusively presents no problem, there are major concerns regarding the proper allocation of the costs of core activities. ICAO has already stated in the Manual on Air Navigation Services Economics (Doc 9161/3, Appendix 6 *Guidance for Determining the Costs of Aeronautical Meteorological Service*, paragraph 3) that "*Since no single user requirement determines the level and cost of the core activities, the further allocation of core activity costs among aeronautical and non-aeronautical users should be approached with considerable caution*.".

2.3 IATA believes that the current allocation of core costs to aeronautical users by most countries does not reflect a fair share and is therefore not justified.

a) Core facilities and services include such items as data processing, satellite systems, research and development, administration, and other similar activities. Decisions concerning capacity, capability, equipment and the associated costs of these and other core facilities and functions are primarily being taken with respect to the overall meteorological requirements, and not to aeronautical requirements alone (e.g. aeronautical requirements may already be met by an existing global or regional system. However, a national system may still be required to meet non-aeronautical requirements).

b) Meteorological services are usually government-owned, and form part of the government organisation. Therefore, decisions are also driven by political or macro-economic considerations, such as employment policies, intentions to strengthen the national economy, or to support national research and development capabilities in the manufacturing industry.

c) Aeronautical users generally have to pay for core facilities and service investments that they neither requested nor require.

d) While meteorological services have been established to serve the general public, a large number of users are deriving benefits from weather forecasting services. For example: agriculture, fishery, construction, surface and maritime transport, tourism, media, etc. These users are also influencing directly or indirectly the requirements. However, they are contributing at most a negligible amount towards the recovery of costs.

2.4 Given the complexity of the situation, it is useful to consider not only the cost side, but also the benefits derived from meteorological services.

a) For aeronautical users, the benefit is usually measurable in terms of reduced flight times and consequently lower fuel costs. These savings can be achieved on medium and long-haul flights, as the forecast wind component can be incorporated into the route-planning of a flight (other factors may limit the actual choice, such as slot availability or overflying rights).

b) Weather forecasting generally does not affect the long- or medium-term capacity of airport or air navigation services. The decreased capacity due to adverse meteorological conditions cannot be changed by a better forecast. Under adverse conditions aeronautical users can, however, marginally benefit the short-term aerodrome forecasts by anticipating

and optimising the effects of the decreased capacity on the operations. Medium or long-term capacity cannot be influenced by meteorological services.

c) The aviation industry has been and is developing technology to achieve all-weather operations. Meteorological services are part of this system. However, the benefits and applicability of each meteorological product or service should be clearly identified and associated with a specific charge.

2.5 Independent studies have shown that the benefit to aeronautical users amounts to less than three percent of the total benefit from meteorological services to all users including the general public.

2.6 This figure does not take into consideration the valuable contribution of aeronautical users to the meteorological services in the form of pilot reports or automated transmission of meteorological data covering areas and altitudes, which are otherwise hardly available.

3. The IATA Position

3.1 Considering all the aspects listed above, IATA believes that aeronautical users are being burdened with an unduly large share of meteorological service costs. The allocation of meteorological service costs should be limited to the costs for facilities and services intended exclusively for aeronautical users, thus eliminating the existing cross-subsidisation with other users. Additionally, meteorological services should be delivered on a competitive basis and unbundled from air navigation services; meteorological costs should be separated from the cost basis for route charges. The costs associated with meteorological services should be brought more in line with the benefits derived, and the contributions of aeronautical users to the meteorological services as a whole should be more fairly recognised.

3.2 IATA believes that the proposals listed above would achieve these objectives better than the current method in a significant number of States. Moreover, competition seems to be the objective that WMO members are pursuing in order to allocate core costs to third party commercial weather service providers, to whom aircraft operators subscribe for value-added products. Commercialisation would also facilitate the development of a robust contractual relationship with commercialised air navigation service providers, aircraft operators and others based on required products and services.

4. Action by the Conference

4.1 In view of the above, IATA requests that the Conference recommend the following for approval by the ICAO Council:

a) That the revised text set out below be incorporated in the ICAO guidance material, i.e. ICAO Doc 9082, *Statements by the Council to Contracting States on Charges for Airports and Air Navigation Services*, Appendix 2 - *Meteorological Services*:

"The costs of meteorological services may be allocated to aeronautical users as far as facilities and services are exclusively intended to serve aeronautical requirements.";

b) That the present first sentence be deleted. Continue with second sentence as it is;

c) That ICAO guidance, especially the Manual on Air Navigation Services Economics (Doc 9161), be adapted accordingly; and

d) That the competitive provision of meteorological services, and its unbundling from air navigation services and separation of meteorological costs from route charges be actively promoted in order to achieve cost-effectiveness and a more reasonable allocation of costs to products and services that are based on user requirements.

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